IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 20, Issue 2. Ver. IX (February. 2018), PP 30-37
www.iosrjournals.org

Inclusive and Sustainable Growth in India

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Abstract: *India's economic growth has passed through four major phases over the past 60 years, and is now set to enter a new phase. Inclusive growth besides being the pillar of Eleventh and Twelfth Plan, it has raised a number of issues, particularly the definition of inclusive growth, its measurement and indicators. Actually Twelfth Plan Strategy is based on the outcome during the Eleventh Plan period particularly on poverty incidence and its implications for the Twelfth Plan strategy. As twelfth plan has just started, the analysis is based on the data prior to that i.e., eleventh plan period. It is in this context the paper aims at addressing some issues concerning the inclusive growth approach. Thus, it highlights the definition and concept of "inclusive growth", its characteristics and the challenges India is going to face in achieving "inclusive growth" in the real sense of the term. But it is difficult to assess performance on inclusiveness as it is a multidimensional concept and progress therefore needs to be assessed in many different dimensions.*

Keywords *- inclusive growth, multidimensional, economic growth*

Date of Submission: 15-02-2018 Date of acceptance: 27-02-2018

I. Introduction

In India purpose of inclusiveness has become the centre of growth strategy during Eleventh Five Year Plan (2007-2012). The inclusive approach has been extended in the 12^{th} five year plan (2012-2017).Faster growth is not an end in itself but the means to an end. And the end being the outcome should benefit all, but particularly the benefit of growth should reach the poor. Twelfth Plan thus defines the inclusive growth approach as: *Inclusive growth should result in lower incidence of poverty, improvements in health outcomes, universal access to school education, increased access to higher education, including skill and education, better opportunities for both wage employment and livelihoods and improvements in provision of basic amenities like water, electricity, roads, sanitation and housing. Particular attention needs to be paid to the needs of the SC, ST and OBC population, women and children as also minorities and other excluded group* (GOI, 2011).India's economic growth has passed through four major phases over the past 60 years, and is now set to enter a new phase. The first 30 years after Independence, GDP (gross domestic product) grew at an unremarkable 3.5 per cent per annum. During the 1980s, with the initial whiff of reforms, it accelerated to 5.6 per cent per annum. In the reforms era of the 1990s, the average growth rate of the GDP went up slightly to 5.8 per cent. But the last five years (up to 2010) have seen the fastest pace of growth in the country's history – to an average of 8.5 per cent per annum. In fiscal 2006-07, GDP accelerated to an impressive 9.5 per cent which decline to 6.7 per cent in 2008-09 due to recession and drought but again gained momentum in the next two years, reaching 8.5 percent during 2010-11 and declined to 6.5 per cent in 20011-12. In this perspective it can be pointed out that the Indian economy has already entered the twelfth plan period, but the next five years will face major challenges when one talk about inclusive and more faster growth. Inclusive growth besides being the pillar of Eleventh and Twelfth Plan, it has raised a number of issues, particularly the definition of inclusive growth, its measurement and indicators. Actually, Twelfth Plan Strategy is based on the outcome during the Eleventh Plan period particularly on poverty incidence and its implications for the Twelfth Plan strategy. As twelfth plan has just started, the analysis is based on the data prior to that i.e., eleventh plan period. It is in this context the paper aims at addressing some issues concerning the inclusive growth approach. Thus, it highlights the definition and concept of "inclusive growth", its characteristics and the challenges India is going to face in achieving "inclusive growth" in the real sense of the term. This paper also reviews existing literature, prospects and India's policy options in achieving faster and inclusive growth.

II. Literature Review

A high pace of growth over extended periods of time is a essential, and often the main contributing factor in reducing poverty as found by a sizeable body of literature including Deininger and Squire (1998), Dollar and Kraay (2002), White and Anderson(2001), Ravallion (2001) and Bourguignon (2003). In a frequently cited cross-country study, Kraay (2004) shows that growth in average incomes explains 70 percent of the variation in poverty reduction (as measured by the headcount ratio) in the short run, and as much as 97 percent in the long run. Most of the remainder of the variation in poverty reduction is accounted for by changes in the distribution, with only a negligible share attributed to differences in the growth elasticity of poverty. Lopez and Servén (2004) suggest that for a given inequality level, the poorer the country is, the more important is the growth component in explaining poverty reduction. Sustained, high growth rates and poverty reduction, however, can be realized only when the sources of growth are expanding, and an increasing share of the labor force is included in the growth process in an efficient way**.** From a static point of view, growth associated with progressive distributional changes will have a greater impact in reducing poverty than growth which leaves distribution unchanged. Evidence in White and Anderson (2001) suggests that in a considerable number of cases distributions has been as important as growth in explaining the income growth of the poor.One key example of the post-1990s literature is the volume *Economic Growth in the 1990s: Learning from a Decade of Reform* (World Bank, 2005). It concludes that although the necessary rudiments for growth, such as a stable macroeconomic environment, enforcement of property rights, openness to trade, and effective government, are key factors in the growth process, they are not the whole story as it is country specific. The growth story of India even if it improves the income per head involves a significant increase in inequality but this is a common phenomenon in periods of rapid growth. The living standards of the majority has been slow as evident from the data on GNP, literacy rate, maternal mortality ratio, life expectancy etc. (presented in Table-1)Gini coefficient, a measure of income inequality, indicates that income inequality in India has increased both at an overall level as well in almost all of the states both for urban and rural areas. To address these challenges going forward, evidence suggests that there are a number of macro and micro level interventions that are poverty reducing and thus conducive to Inclusive Growth. At macro level, there is little doubt about the usefulness of the augmented Washington Consensus (Rodrik, 2006). At micro level, evidence suggests that improving the following factors will help accelerate poverty reduction; reduction of inequality, not limited to income inequality, access to public infrastructure and services especially health and education, access to markets, accountability and voice, good governance, women empowerment and the role of civil society organizations.According to the Commission on Growth and Development Report (2008) the main instrument for a sustainable and inclusive growth is assumed to be productive employment. More Employment generates new jobs and income for the individual - from wages in all types of firms, or from self employment, usually in micro firms - while productivity growth has the potential to enhance the wages of those employed and the proceeds to the self-employed. After all, in many low-income countries the problem is not unemployment, but rather underemployment. Hence, inclusive growth is not only about employment growth, but also about productivity growth.Thorat, S. and Dubey, A. (2012) examines the changes in poverty incidence and monthly per capita expenditure over a period i.e., from 1993 to 2010 and shows that poverty rate has declined at an accelerated rate during 2004-05 to 2009-10 for certain social group of people and poverty is reduced due to growth over the same period. They suggest a broad based pro-poor policy which should be group specific (social, religious and economic groups) in the Twelfth Plan to achieve inclusive growth. In their studies they observed that among the three economic groups in the urban areas, poverty among the regular salaried households declined at a higher rate, followed by the self employed and casual labour. Among the farm wage labour, which is the poorest group, poverty reduced at the slowest rate. With this background the study has the following objectives.

III. Objectives

i) To define the concept and focus on some indicators of inclusive growth.
ii) To study about the characteristics of inclusive growth.
iii) To highlight the challenges of inclusive growth and strategies to be adopted in the Twelfth Plan to achieve inclusive growth.

IV. Methodology

The study is based on secondary sources of data collected from various sources like NSS data for consumption expenditure and incidence of poverty. Besides Census, Planning Commission and Human Development Report are also referred. For measuring growth NSS data have been used. For calculating the incidence of poverty, Planning Commission data on poverty line is used. Thus, incidence of poverty is calculated using the old official poverty line. The incidence of poverty is measured as the percentage of population below the poverty line, also known as the Head Count Ratio. The nominal expenditure of consumption data taken from NSS is deflated at constant (1999-2000) prices by using implicit price deflator. The growth of Monthly Per Capita consumption Expenditure (MPCE) is calculated using deflated MPCE data.

V. Definition and Concept of Inclusive Growth

Inclusive growth as the literal meaning of the two words refers to both the pace and the pattern of the economic growth. The literature on the subject draws fine distinction between direct income redistribution or shared growth and inclusive growth. The inclusive growth approach takes a longer term perspective as the focus is on productive employment rather than on direct income redistribution, as a means of increasing incomes for excluded groups. Inclusive growth is, therefore, supposed to be inherently sustainable as distinct from income distribution schemes which can in the short run reduce the disparities, between the poorest and the rest, which may have arisen on account of policies intended to increase growth. While income distribution schemes can allow people, to benefit from economic growth in the short run, inclusive growth allows people to "contribute to and benefit from economic growth". (K. C. Chakrabarty, 2010)The 'inclusive growth' as a strategy of economic development received attention owing to a rising concern that the benefits of economic growth have not been equitably shared. Growth is inclusive when it creates economic opportunities along with ensuring equal access to them. Apart from addressing the issue of inequality, the inclusive growth may also make the poverty reduction efforts more effective by explicitly creating productive economic opportunities for the poor and vulnerable sections of the society. The inclusive growth by encompassing the hitherto excluded population can bring in several other benefits as well to the economy. The concept "Inclusion" should be seen as a process of including the excluded as agents whose participation is essential in the very design of the development process, and not simply as welfare targets of development programmes (Planning Commission, 2007*)*. The 11th Plan defines inclusive growth to be "a growth process which yields broad-based benefits and ensures equality of opportunity for all". The Inclusive growth implies an equitable allocation of resources with benefits accruing to every section of society, which is a Utopian concept. Inclusive growth is broad-based. It is concerned with the pro-poor growth, growth with equity. Inclusive growth is aimed at poverty reduction, human development, health and provides opportunity to work and be creative." But neither the 11^{th} plan whose aim is to achieve faster and inclusive growth nor the UNDP has not given any clear definition on the subject. The Approach Paper of the Eleventh Plan states that the Plan provides "an opportunity to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth. It is designed to reduce poverty and focus on brining the various divides that continue to fragment our society." (GoI, 2006; p.1). However, some important interpretations in the existing literature are as follows:

i) The World Bank has stated that inclusive economic growth can be achieved by "focusing on expanding the regional scope of economic growth, expanding access to assets and thriving markets and expanding equity in the opportunities for the next generation of Indian citizens no matter who they are or where they live" (p. xiv,World Bank 2006).
ii) Sen (2007) sets a necessary condition for inclusive growth is that the disparity in per worker income between agriculture and non-agriculture should not widen .
iii) Besley *et al.* (2007) use growth elasticity of poverty as measures to assess inclusiveness of the poor in the growth process.
iv) Ahluwalia, the Deputy Chairman of the Planning Commission, provides the following Interpretation;
    Achieving a growth process in which people in different walks in life…feel that they too benefit significantly from the process" (Ahluwalia, 2007).
v) Now the UNDP has come out and defined Inclusive growth by laying importance on the production and income side of GDP as "the process and the outcome where all groups of people have participated in the organization of growth and have benefited equitably from it. Thus inclusive growth represents an equation – with organization on the left hand side and benefits on the right-hand side." (UNDP, 2008; p. 2).

The twelfth Plan approach paper includes several outcome of inclusive growth that is based on the recent literature on inclusiveness of growth. Inclusive growth presupposes growth in income, but all growth processes are not inclusive. Some researcher argues that inclusive growth is broad-based and benefits everyone in the society- the poor and the rich (Klasen, 2010). In this sense, inclusive growth is pro-poor growth, i.e., pro-poorness is to be embedded in the growth policy and result in a relatively higher increase in the income of the poor which is a departure from "trickle-down development doctrine of 1970's (Pernia, 2003). According to Ravallion (2003), pro poor growth is any growth in mean income that benefits poor. For growth to be pro-poor, the increase in income in current period should be necessarily greater than the preceding period (Osmani, 2005). Thus, inclusive growth along with increase in income of the poor would inevitably involve growth with declining poverty and inequality.

VI. Indicators of Inclusive Growth

The concept of inclusive growth is much broader as it comprises a number of indicators. The most important of those indicators are growth of income and reduction in poverty and level of inequality. Inclusive nature of growth can be studied by using the rate of change in incidence of poverty and growth of consumption expenditure. Specifically, growth is considered to be pro-poor if poverty incidence declined at a higher rate compared to preceding period and if the per annum change in income in current period exceeds that in the previous period.Studies showed that negative covariance between mean-based averages of income/consumption and incidence of poverty, as generally done in empirical studies, cannot be taken as evidence of inclusion. This is because time series estimates of absolute poverty, measured as the proportion of population living below the subsistence minimum, which is kept invariant, would provide little evidence as to how far the status of the poor co-varied with the growth process of the economy. (Suryanarayana, 2008). Some of the indicators are given below.

TABLE 1 SELECTED INDICATOR -INDIA

	1991	**2011**
GNP per capita (ppp in USD)	877	3582
Life expectancy at Birth (years):	58	67
Infant Mortality Rate (per 1000 live births)	81	47
Maternal Mortality Ratio (per 1,00,000 live births)	570	212
Mean year of schooling	3.0	5.1
Literacy Rate	65	74
Percentage of below poverty line population	51	29.8

Source: Census and Human Development Report 2011*Indicators are selected on the basis of which HDI is calculated.

The data shows some improvements in the selected indicators but within a span of 20 years. Even if there is remarkable improvement in per capita income over the years but still nearly 30 per cent people are categorized as poor. And even if India has achieved high growth rate for a couple of years already mentioned, there is little impact on the social indicators. As rightly pointed out by Dreze & Sen (2012, Yojana) that the impact of economic growth depends on the nature of the growth process for instance, its sectoral composition and employment intensity as well as policies relating to basic education and health care which enable common people to share in the process of growth. So India has to adopt active social policies with respect to education and health so that its Infant Mortality Rate and Literacy Rate can be achievable according to the MDG goal. Here, example of a country Brazil can be given. In the same period Brazil's IMR is only 9 per 1000 (compared with 47 in India), and literacy is 99 per cent (compared with 74 % in India). India is far behind achieving inclusive growth in the real sense of the term. Thus, there is little by way of conceptual clarity and corresponding empirical evidence to verify whether the observed growth process is broad-based and inclusive.So, the question arises whether India is heading towards inclusive growth or not?For this, an analysis has been done by taking some of the indicators like incidence of poverty and Monthly Per Capita Expenditure of the backward classes. The incidence of poverty is shown through Head Count Ratio (HCR).

a) *Changes in the incidence of poverty : 1993-2010*

TABLE 2 INCIDENCE OF POVERTY BY HCR AMONG BACKWARD CLASSE(IN PERCENTAGE)

Backward Classes	1993-94			2004-05			2009-10		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
All	36.9	32.8	35.9	28.0	25.8	27.5	21.9	20.8	21.6
ST	50.2	42.9	49.6	44.7	34.2	43.8	33.0	28.6	32.5
SC	48.3	49.7	48.6	37.1	40.9	37.9	29.6	32.8	30.3
OBC	31.2	29.6	30.7	22.7	22.6	22.7	17.5	18.2	17.7

Source: Planning Commission, Calculation for 2009-10 is updated and based on 1993 Expert Group Methodology.

The poverty incidence in both rural and urban areas is presented in the Table-2. It shows that between 1993-94 and 2009-10, rural poverty declined by 15 percentage point and the level of poverty incidence in the urban areas, which stood at 20.8 per cent in 2009-10 is marginally lower than the rural areas. However the gap in the two sectors has narrowed down considerably since 1993-94. In case of SCs the reduction is more when compared to other two groups.

Table 3 Rate Of Decline Of Hcr And Rate Of Growth Of Mpce (In Percentage)

Backward Classes	Rate of Decline in Poverty				Rate of Growth of MPCE			
	1993-94 to 2004-05		2004-05 to 2009-10		1993-94 to 2004-05		2004-05 to 2009	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
All	-2.2	-1.9	-4.4	-3.9	1.3	1.9	1.7	3.0
ST	-1.0	-1.8	-5.2	-3.3	0.5	1.8	3.0	5.0
SC	-2.1	-1.6	-4.0	-3.9	1.3	1.4	1.6	2.5
OBC	-2.5	-2.1	-4.5	-3.9	1.4	2.0	1.5	3.4

Source: Calculated using NSS Data for MPCE (Monthly Per Capita Consumption Expenditure)

Table 3 provides information regarding the rate of change in the incidence of poverty over two periods i.e., 1993-94 to 2004-05 and 2004-05 to 2009-10. Rural poverty declined at the rate of 2.2 per cent annually during the first period, 1993-94 to 2004-05. The rate of decline is more in case of OBC and SC in the first period. In the second period, 2004-05 to2009-10, there has been a significant acceleration in the annual rate of decline of poverty among classes. Rural poverty declined 4.4 per cent annually. The rate of decline is the highest for the STs (5.2 per cent), followed by the upper caste OBC 4.5 per cent and the SCs 4 per cent among the classes. Similarly, between 1993-94 and 2004-05, urban poverty declined at a rate of 1.9 per cent per annum. In urban area the decline is accelerated and varies from 3.3 to 3.9 among classes during the next period. This rate of decline in poverty can be linked to monthly per capita consumption expenditure for the same period in both the areas. (Table-3)

b) Growth in Monthly Per Capita Expenditure

In Table 3 the growth of real MPCE among the classes has been shown. In rural area during 1993-94 to 2004-05 the MPCE increased at the rate of 1.3 per cent. The STs experienced the lowest annual increase at 0.5 per cent, followed by 1.3 per cent for SCs and 1.4 per cent for the OBCs. In urban area the growth of MPCE is higher compared to rural. The MPCE in urban sector during 2004-05 to 2009-10 is significantly higher than that observed in the rural sector. Between the two sub periods MPCE growth increased substantially to 3 per cent from 1.9 per cent in urban sector, with the largest acceleration seen for the STs, from 1.8 to 5 per cent per annum but it is the lowest for the SCs (2.5 per cent).Thus, in this analysis it is examined whether the poor is benefited from income gains and poverty reduction during 2005-10 (Eleventh Plan period) compared with 1994-2005.It is observed that rural poverty declined during 1993-2010 by 2.5 percent annually with a major acceleration during the second period, from 2.2 per cent during 1993-2005 to 4.4 per cent during 2005-10. In general among all classes experienced faster decline in rural poverty during 2005-10. Thus, so far as the rate of poverty decline is concerned, the growth in consumption expenditure has been more poverty reducing in the second period. Twelfth Plan lays emphasis on a high growth path but pledges that the growth needs to be inclusive and poverty reducing particularly of the deprived groups, the SCs, STs and OBCs that are considered poor. The changes in poverty and MPCE among the classes during 1994-2010 have implications for inclusive growth i.e., pro poor growth. Though the growth in consumption expenditure helped to reduce poverty of the backward classes, it has been less pro-poor in case of SC and ST classes. So these groups they need special attention while making planning so that they can get employment through various programmes and their consumption expenditure can be increased. However, as the incidence of poverty is higher in SCs and STs category, strengthening of wage employment programme is necessary to serve as supplementary to farm wage employment.

VII. Characteristics Of Inclusive Growth

From the review and above analysis it can be inferred that one approach of inclusive growth may be to consider people who are below the poverty line, another way is to look at employment and per capita consumption expenditure. Thus broadly, an Inclusive broad based growth process can be characterized as one wherein there is all-round improvement as reflected in the three alternative perspectives of macro economy, viz., production, income and expenditure. Based on the above argument the characteristics of inclusive growth can be summarized as follows.

(a) Inclusive Growth focuses on economic growth which is a necessary and crucial condition for poverty reduction. It adopts a long term perspective and is concerned with uninterrupted growth.

For growth to be sustained in the long run, it should be broad-based across sectors. Issues of structural transformation for economic diversification therefore take a front stage. Some countries may be an exception and continue to specialize as they develop due to their specific conditions (e.g. small states).

(b) It should also be inclusive of the large part of the country's labor force, where inclusiveness refers to equality of opportunity in terms of access to markets, resources and balanced regulatory environment for businesses and individuals. Thus it focuses on **both the pace and pattern of growth.** How growth generated is critical for accelerating poverty reduction, and any Inclusive Growth strategies must be modified to country-specific circumstances.

(c) It focuses on productive employment rather than income redistribution. Hence the focus is not only on employment growth but also on productivity growth. Employment generation or income distribution, these are potential outcomes, not specific goals. Inclusive Growth is typically fueled by market-driven sources of growth with the government playing a facilitating role.

(d) Transformation of the living conditions of the underprivileged by not only through provision of employment and increase in Monthly Per Capita Consumption Expenditure (MPCE) but a constitutional guarantee of free and universal health care education as well as bold programmes of social security.Thus inclusiveness involves four attributes. They are opportunity, capability, access and security. The Opportunity attribute focuses on generating more and more opportunities to the people and focuses on increasing their income. The Capability attribute concentrates on providing the means for people to create or enhance their capabilities in order to exploit available opportunities. The Access attributes focuses on providing the means to bring opportunities and capabilities together. The Security attribute provides the means for people to defend themselves against a temporary or permanent loss of livelihood. Together Inclusive growth is a process in which economic growth measured by a sustained expansion in GDP contributes to an enlargement of the extent and scope of all four dimensions.To be precise by 'Inclusive Growth', it is meant to convey the idea that the growth process under review or being proposed is such that it has benefited even those sections that are deprived of both physical and human asset endowments and hence, generally belong to the bottom rungs of income distribution and are incapable of participating / benefiting from the growth process. Thus, the definition of the concept presupposes the identification of the set of deprived that cannot and hence, does not (i) participate effectively in the production process; (ii) benefit from it in terms of income generated; and (iii) experience welfare improvements as measured by consumption. At the same time, in order to verify whether this deprived group has benefited /participated in the programme, it is important to ensure that the norm used for its identification is also related to some measure of economic performance. This poses a real challenge to India.

VIII. Policies of India

India has already framed policies to make growth faster and inclusive in the eleventh draft plan. But just throwing more and more schemes/funds in the name of inclusive growth would not reduce the inequality. This is also the easy way as helping people participate in inclusive growth requires many reforms. The deprived should be benefitted in real sense according to the three criteria mentioned above. Financial inclusion is one way of achieving inclusive growth. Again by just focusing on financial inclusion without real sector inclusion is going to create major problems. Though India, is seen to be moving somewhat on financial inclusion (it mainly means micro credit and opening of an account as of now) but nothing at all is happening on real inclusion front. Financial inclusion is actually a deficiency of the financial system to provide basic financial services to people. Hence, the focus is on Financial Inclusion. India's post 1990's economic growth has made it one of the world's fastest growing economies in the world. Its GDP growth rates of about 8 to 9 per cent in the last few years are historically unparalleled except that of neighbouring China. With rapid growth rates, however, come new challenges and questions. One such challenging question concerns the spread of the benefits of growth among the different segments of the society. To ensure that growth has been well distributed, India's Planning Commission has made Inclusive Growth their explicit goal in the eleventh five-year plan. The concept of Inclusive Growth has dominated discussions across India. Its popularity has sparked intense discussions among politicians, economists, policymakers and the general public. Despite all the attention that Inclusive Growth has received in the last few years, there lacks a precise and agreed upon definition of the term. Overall, the literature is divided between two concepts a) whether the benefits reach the poor and b) whether the benefits reach the poor proportionately more than it reaches the non-poor. By the first definition, India may have performed quite remarkably in the last two decades, although the magnitude is hotly debated. By the second definition, India's performance against inclusive growth seems more lackluster as found out in our analysis.The recognition of the need for more inclusive growth by our planners is a welcome shift in emphasis from mere increase in growth rates to improvement in standards of living of those below the poverty line through increase in employment opportunities as well as better delivery systems to ensure access to intended benefits by intended beneficiaries. However, there is apprehension that the words "more inclusive" may not mean a real shift in emphasis from higher growth to better distribution. This appears to be the reason for the dissatisfaction expressed by some experts on the four alternative growth targets ranging from 7 per cent to 9 per cent envisaged in the Approach Paper. It prefers targets in terms of social objectives rather than percentage growth. But high overall growth rate in Gross Domestic Product (GDP) does not necessarily mean high growth in all sectors. The overall GDP is the sum of the GDP originating in agriculture, including allied sectors, industry and services. While in the agriculture sector, including the allied sectors of forestry and fishing, the projected shortfall is as high as 50 per cent, the corresponding shortfalls in the industry and service sectors are much lower at about 15 per cent and 11 per cent. This is a matter of serious concern because in the ultimate analysis agriculture holds the key to the overall socio-economic development of a nation, and India is no exception. From the data in table-4 it is evident that the growth rate of agriculture is declining over three periods, so also industry which poses a serious challenge to achieve inclusive growth as both the sectors are important from the point of view of food security and employment generation respectively.

TABLE 4 SECTORAL GROWTH RATES OF GDP

Sector	1990-91	2000-01	2010-11
Agriculture	3.42	2.68	2.5
Industry	7.84	5.82	3.9
Services	6.43	7.46	9.4
Overall GDP	5.61	5.75	8.6

Source: CSO Data

Though India's recent overall growth rate is satisfactory but there need to be improvements in social indicators already mentioned. So, the challenges before inclusive growth strategies are discussed in the next part.

IX. Challenges Before Inclusive Growth Strategies In India

The India's economy is headed in a new direction - striving to touch double – digit annual growth rates, and a sustainable, equitable and inclusive growth, taking into account the needs of all sections of society. India's economic growth has passed through four major phases over the past 60 years and is emerging to a new phase with a broad objective of "Inclusive Growth". But it is more difficult to assess performance on inclusiveness than on growth for three reasons. First, inclusiveness is a multidimensional concept and progress therefore needs to be assessed in many different dimensions. Second, the data relating to various aspects of inclusiveness become available after a considerable lag or often not available. Third, most policies aimed at inclusiveness have an impact after a time lag. For example, steps taken to improve education for the poor will improve their earning ability in future which involves a long period of time. (Ahluwalia, 2012)

Thus, the major challenges of achieving inclusive growth involves in;

i) Achieving a higher GDP growth rate.
ii) Achieving sectoral balance.
iii) Policies for better agricultural performance.
iv) Creating new work opportunities.
v) Reducing poverty.
vi) Reducing the dropouts in elementary education.
vii) Providing essential basic services to the deprived like education, health, clean drinking water and sanitation.
viii) Addressing concerns about inequality. Inequality in this context relates not only to the distribution of income or consumption across individuals, but also inequality across states and even across regions within states.
ix) Controlling inflation with efforts to remove specific supply constraints.
x) Developing the Infrastructure.
xi) Preserving and protecting the environment for sustainable development.

In the conclusion it can be said that today, there is a national as well as global focus on inclusive growth. Apart from combating the major challenges mentioned above attainment of inclusive growth also focuses on financial inclusion and financial literacy. If we are advocating any kind of stability whether financial, economic, political or social and inclusive growth with stability, it is not possible to attain these goals without achieving financial inclusion. Financial inclusion promotes thrift and develops culture of saving, improves access to credit both entrepreneurial and emergency. Current policy objective of inclusive growth with stability is not possible without achieving universal Financial Inclusion. Thus, financial inclusion is the key driver of attaining inclusive growth. Empirical evidence shows that the main instrument for a sustainable and inclusive growth is assumed to be productive employment. Employment growth generates new jobs and income for the individual - from wages in all types of firms, or from self employment, usually in micro firms - while productivity growth has the potential to lift the wages of those employed and the returns to the self-employed.

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IOSR Journal of Business and Management (IOSR-JBM) is UGC approved Journal with Sl. No. 4481, Journal no. 46879.

Dr. Lipishree Das " Inclusive and Sustainable Growth In India." IOSR Journal of Business and Management (IOSR-JBM) 20.2 (2018): PP 30-37.