

Inclusive Growth, Poverty and Social Sector Development in India

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Abstract: *This study has been conducted to understanding of the linkages between inclusive growth, poverty and social sector development. Further, it reflects on the attainment of human development indicators and analyses the various components of growth and development such as employment, health and nutrition and education among the deprived and the better performing states of India. . The merit of social sector indicators is that they are concerned with ends, the ends being human development. Economic development is a means to these ends. Social sector indicators tell us how different countries prefer to allocate the GNP among alternative uses. Some may prefer to spend more on education and less on hospitals.*

Introduction

The ultimate objective of planned economic development is to ensure human well-being through continuous improvement in the quality of life of the people. The development of human resources contributes to sustained growth and development. The process of economic development is assessed in terms of benefits and opportunities evenly distributed between individuals in the society. Therefore, human capital formation and human development are inter-linked with social sector development and improvement in this sector is supposed to bring equity and economic development. After the Millennium Development Summit in 2000, the Millennium Development Goals (MDG) became the most widely accepted yardstick of development efforts by governments. Equally, improvement in human capital requires higher investments in the social sector. Making growth more inclusive and addressing widespread poverty is another key challenge for India. It requires sustained investment in people, especially in health and education and in transport and energy infrastructure. The 11th Five-Year Plan (2007-08 to 2011-12) was aimed to achieve faster and more inclusive growth. Rapid GDP growth was targeted at 9.0 per cent per annum and was regarded necessary to generate the income and employment opportunities to improve the living standards of the population and generate the resources needed for financing social sector programmes, aimed at reducing poverty and enabling inclusiveness (Planning Commission, GoI 2011:1).

The words 'inclusive growth' was discussed in the Asian Development Bank Conference (Oct., 2007) and also in its "Forum on Inclusive Growth and Poverty Reduction". The India development Report of the World Bank, 2006 states that the development process is not only the index of the sum total of all economic activities, but it is the evaluation of inclusiveness of economic development (Thakur and Singh,2009:vii-viii). Under inclusive development not only the distribution of economic benefit is to be considered, but social security, empowerment and the feeling of full participation are to be attained. Inclusive growth can be defined as "growth coupled with equality of opportunity," and it needs three policy pillars: sustained growth to create productive jobs for a wide section of the population; social inclusion to equalize access to

opportunity; and social safety nets to mitigate vulnerability and risks and prevent extreme poverty (Zhuang and Ali, 2010). Such a strategy would ensure that all members of society can participate in the development process productively and benefit equitably from the opportunities generated by economic growth (Asian Development Outlook, 2012:88).

India is fast establishing itself as a key player in the world economy, and there is little doubt that the national economy is now at the point where it can achieve both sustained expansion and significant improvements in the lives of its people (ILO, 2007). However, it is widely acknowledged that the significant economic growth resulting from India's large-scale liberalization and privatization programmes of the 1990s has failed to benefit all its citizens, resulting in deep social and economic inequities. Liberalisation has been associated with a relative expansion of informal employment and with significant regional disparities in the flow of new capital and generation of employment.

A recognized weakness of economic growth has been its lack of inclusiveness. Caste and gender-based inequalities are particular challenges, with women in the informal economy being the worst-off. Poverty related conflicts are already in existence in the rural parts of India; there are more conflicts between the poverty affected social groups and others in the rural areas in recent decades, and poverty related conflicts have positive and negative potential in the context of political and economic reforms (Anand Kumar, 2004).

Economic Growth and Human Development

Inclusive paradigm of growth is highly essential to promote development of section of people, who are called by different nomenclatures, such as weaker section, vulnerable groups, target group and the rural poor. Mehrotra and Dlamonica (2007) argued that poverty reductions and economic growth work in a synergistic way through several feedback loops, which involves other variables like health and education. Although economic growth is essential to generate resources for supporting health and education for the poor, 'translating growth into better quality of life for all citizens requires improvements in outcome indicators pertaining to these dimensions of human development for all socio economic groups' (Mehta et al., 2011). Economic growth will not reduce poverty, improve equality and produce jobs unless it is inclusive. Inclusive growth is also essential for the achievement of the Millennium Development Goals (MDGs).

Human development puts "people" at the centre and encompasses the following core values (UNDP, 1990):

- **Efficiency:** Efficient use of resources and increase in their availability, Human development is pro-growth and productivity
- **Equality:** Choices and opportunities
- **Freedom and Empowerment:** People that they can choose and participate and benefit from the development process
- **Sustainability:** Benefits and opportunities will accrue to not just the present generation but the future generations.

The Human Development Index (HDI) provides measures of human development. It is a composite index of health, education and income level, usually represented by measures of life expectancy, literacy and per capita income. India's HDI has improved over the last two decades. It was 0.302 in 1991; it increased to 0.381 in 1991 and further to 0.472 in 2001. However, inter-state differences exist at the wider level (Chaudhuri and Ray, 2010:315). BIMARU was an

acronym coined by taking the first letter of four northern Indian states: Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh, Later, Orissa was included resulting in BIMAROU. Amongst the BIMAROU states, Madhya Pradesh and Rajasthan are improving their relative positions. Attainments on HDI and per capita income levels show a direct correspondence in the case of poor states while the same is not true of middle-income states such as Kerala and West Bengal. Discussion on the rural – urban disparity presents another picture. For example, the ratio for Orissa was 1.46 in 1981, which was lower than that of Tamil Nadu (1.54) and West Bengal (1.62). However, in 1991, this figure was 1.43 for Orissa, while for Tamil Nadu and West Bengal those were 1.11 and 1.38, respectively. Thus, it is clear from this analysis that the disparity did not decline in the case of Orissa. On the other hand, Uttar Pradesh experienced the highest decline in the ratio followed by Madhya Pradesh and Rajasthan.

Multi-dimensional Indicators of Poverty

Poverty has been defined in income or expenditure terms and measured in absolute or in relative terms. Absolute poverty refers to a set standard which is consistent over time and between countries. On the other hand, relative poverty is the condition of having fewer resources or less income than others within a society or country, or compared to worldwide averages. Relative poverty views poverty as socially defined and dependent on social context. Hence, relative poverty is a measure of income inequality. Amartya Sen, Paul Streeten, Mahbub ul Haq, and others believed that increased incomes should be regarded as a means to improve human welfare, not as an end in itself (Sen,1988; Streeten,1994). According to Mahbub ul Haq (1995) the defining difference between the economic growth and the human development schools is that the first focuses exclusively on the expansion of only one choice-income –while the second embraces the enlargement of all human choices-whether economic, social , cultural or political. For these economists, human welfare was the overall objective-the essence of development. Increased incomes and national economic growth were crucial preconditions for improvements in standards of living, but not the only preconditions.

With the first Human Development Report in 1990, prepared under the leadership of Mahbub ul Haq, United Nations Development Programme (UNDP) adopted the basic criticism of income measurements and presented a more comprehensive concept of human development (UNDP, 1990). The report defined human development as a process of enlarging people's choices. Poverty in the human development approach draws the three perspectives to poverty the income perspective, basic needs perspective and capability perspective (Parr & Kumar, 2003). The income perspective considers a person as poor if his or her income level is below the defined poverty line. The basic needs perspective views poverty as deprivation of material requirements for minimally acceptable fulfilment of human needs, including food. It also recognizes the need for employment and participation. The capability perspective represents the absence of some basic capabilities to function- a person lacking the opportunity to achieve some minimally acceptable levels of these functioning.

Towards Inclusive Development

Inclusive growth should result in lower incidence of poverty, broad based and significant improvement in health outcomes, universal access for children to school, increased access to higher education and improved standards of education, including skill development. it should also be reflected in better opportunities for both wage employment and livelihood, and in

improvement in provision of basic amenities like water, electricity, road, sanitation and housing. Particular attention needs to be paid to the needs of the SC, ST and Other Backward Classes (OBCs) population. Women and children constitute a group which accounts for 70 per cent of the population and deserves special attention in terms of the reach of relevant schemes in many sectors. Minorities and other excluded group also need special programmes to bring them into the mainstream. To achieve inclusiveness in all these dimensions requires multiple interventions, and success depends not only on introducing new policies and government programmes, but on institutional and attitudinal changes, which take time (12th Five-Year Plan, p.2). In any nation, human development outcomes are a function of economic growth, social policy, and poverty reduction measures at the macro level. These, in turn, are the result of both inputs and outputs in the development process (IHDR, 2011). The expansion of human functioning in terms of health and educational attainments, reduction of income poverty and economic growth are linked in a synergistic manner through these feedback loops. These synergies lead to improved health and educational outcomes. Poverty is likely to be reduced if there is rapid economic growth. Faster and more sustainable economic growth can be attained if, among other policy-determined intervention, poverty is reduced through direct policies aimed at the income-poor, and simultaneously, if the health and education status of the population is enhanced.

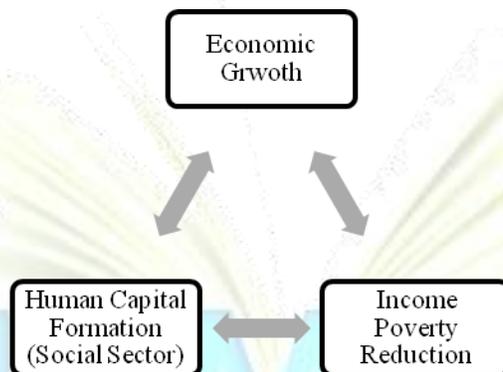


Figure 1: Feedback loops at the Macro-economic Level

Source: Institute of Applied Manpower Research (2011), Indian Human Development Report, Oxford University Press: New Delhi, p.1.

There exists a two-way relationship between these interventions at the macro-economic level (see figure 1). For instance, investment in health and education can enhance human functioning, which can eventually alleviate income poverty (by improving employability) and further economic growth. Similarly, resources generated through income poverty reduction and economic growth can be used to enhance human functioning. This in turn gives a push to economic growth.

Employment and livelihood

Employment has a very important role to play in enhancing human capabilities. It not only ensures economic security, but also promotes general participation in society and the economy. One of the biggest challenges facing the country today is to productively and gainfully employ its growing labour force, which is necessary for attaining the objective of inclusive growth. It is

evident that the years of rapid economic growth in India have been years of 'jobless growth'. 'Jobless growth's associated with (a) increasing inequality of income and opportunities; (b) a widening wage gap between the skilled and the unskilled labour force. There has been a decline in aggregate employment in the primary sector in absolute terms and the growth rate of employment in the secondary sector and services was only 1 per cent per annum. In social terms, this has meant a decline in female employment and sluggish growth in male employment.

It is also clear that there has been no improvement in the chances of agricultural labourers and marginal farmers, or those of casual workers in urban areas (EPW, 2010). The planning commission, GoI (2008), presents the official statistics on employment in the pre and post reform period, although these capture only part of the reality. The larger reality is that, during the 1980s and 1990s, as much as 57 per cent of the growth in output per worker owed to an increase in total productivity and another 33 per cent to capital accumulation and 10 per cent to education. Since economic growth during this period was attributable largely to growth in labour productivity, the sharp decline in employment growth during the period is just a corollary of this (Nayyar, 2008). It is therefore argued that the problem of unemployment is not likely to go away simply by publishing for higher growth rates: it has almost developed into a 'scissors crisis' between labour productivity in the primary and secondary plus tertiary sector (Bhaduri, 2008).

Social Sector:

Profile of Health Indicators

Health is regarded as a vital component in the growth and development of any country. Healthy children are said to have better school attendance and learning, which later translates into better earning capacity. In other words, ill health can lead to capability deprivation and hence poverty, causing a substantial loss of financial and human resource. Poverty caused by poor health further reinforces ill health; poverty leads to low food intake, nutritional deficiencies, deprivation of basic amenities like sanitation and clean drinking water cause infections. The poor are more exposed to environmental risks (poor sanitation) and less prepared to cope with them; they are less informed about the benefits of healthy lifestyles, and have less access to quality healthcare. Health and nutritional status, family size, and healthy living conditions (such as clean water and sanitation) are inputs as well as the human development outcomes (Mehrotra and Delamonica, 2007).

For instance, family planning helps in the spacing of children and benefits the health status of both the mother and the child, improves child survival rates, thereby reducing infant and maternal mortality and improving life expectancy. On the other hand, healthier children learn better in school and greater child survival in the medium-term and reduced fertility (Caldwell, 1986). Lower fertility rates, in turn, have positive implications for improving health and increasing life expectancy. In addition, fewer children imply better care for each child by the mother and greater per capita family resources for education and food intake. Thus, wealth, education and better amenities like improved sanitation and water, directly or indirectly, contribute to the better health of the mother and her child (IHDR, 2011:146-7).

Differential in Health Status among Socio Economic Groups

The world Health Report (1995:81) correctly notes that poverty and ill health are closely interrelated. While poverty prevents a person from satisfying the most basic human needs, ill-health inhibits an individual's ability to work, reduces earning capacity and deepens poverty. Poverty should thus be tackled on two fronts: one to ensure the poor have access to primary healthcare, the other to enhance the health potential of the current workforce and future workforce (school children). A state-wise analysis for the year 2004-05 shows that the share of public expenditure on health as a percentage of Gross State Domestic Product (GSDP) varied between 0.49 per cent and 4 per cent. It is noteworthy that in all the north-eastern states public expenditure on health as a percentage of GSDP was either touching or above 1 per cent. Even poorer states like Bihar, Rajasthan and Uttar Pradesh had a similar proportion which was higher than many better performing states. The ratio may be higher in these states because of lower GSDP. There is still a marked difference between the health status of the north-eastern states and these poorer states. Looking at the per capita expenditure, it can be seen that this ratio is high in the north-eastern states because not only is their per capita public expenditure higher, but it is even higher than the per capita private expenditure. By contrast, the poorer states incurred an abysmally low per capita public expenditure on health (National Health Profile 2009, MHFW, and GoI).

SCs and STs have much worse health, education and nutritional indicators than the rest of the population, followed by OBCs, and others (National Family Health Survey (NFHS), 2005-06; 11th Five-Year Plan (2007-12), Volume III). While infant mortality rates (IMR) were 49 for others, for SCs it was 66, for STs 62 and for OBCs 57. Their nutritional status is also worse; the mean body mass index (BMI) for SCs, STs and OBCs is 5-10 per cent below that for others, and very close to the cut-off for malnutrition (>18.5). (BMI is a measure of a person's nutritional status (weight for height, measured in kg per square metre, sq m, of height.)

Gender Inequality

Gender, the 'strongest markers' of inequality in a society, is the biggest concern in India. Where girls aged between 1-5 years of age are 50 per cent more likely to die than boys i.e., roughly 130,000 girl children are lost each year (UNDP, 2005). Provisional estimates of census 2011 show worsening of the child sex ratio. Over the decade it has declined to 914 female per 1,000 males. The lowest child sex-ratio is in Haryana (830), followed by Punjab. Child sex ratio is relatively higher for the north-eastern states. All the major states except for Himachal Pradesh, Haryana Punjab, Gujarat and Tamil Nadu, experienced a decline in 2011 in child sex-ratio over 2001. The highest decline is observed for Jammu and Kashmir, followed by Maharashtra.

Education

Within the social sector, the influence of education is the most widespread, and education impacts all types of human development outcomes (Mehrotra and Delamonica, 2007). Education (especially of the girl child) is an important input as well as an outcome indicator, influencing other development indicators like health, nutritional status, income, and family planning. In fact, unlike any of the other social service inputs, it impacts all types of human development outcomes not only knowledge, but also family size, health status, nutritional status and healthy living conditions (IHDR, 2011). Literacy rate in India has improved from 64.8 per cent in 2001 to 74

per cent in 2011. Recently, female literacy has shown considerable improvement by nearly 50 per cent from 224 million in 2001 to 334 million in 2011 (Census 2011). The declining trend in overall population growth can be an indirect consequence of rising female literacy level. The States/Union Territories which have achieved male female gap in literacy rate of 10 percentage points or less are Chandigarh, Nagaland, Mizoram, Tripura, Meghalaya, Lakshadweep, Kerala and Andaman& Nicobar Islands. Ranking of states and Union Territories on literacy lines depicts that states such as Kerala (93.01 per cent) and Lakshadweep (92.28 per cent) are in the list of top two states with highest literacy rate and among bottom two states are Bihar (63.82 per cent) and Arunachal Pradesh (66.95 per cent). Thus, regional disparity persists among states in different stages of literacy in India.

Conclusion

Inclusive development is needed to improve the condition of the vulnerable groups of our society. The overall growth strategy would be an important step for regional development and also to deal with the legitimate aspirations of the people of the neglected regions. This will require inter-state connectivity of tribal and other isolated communities spread through forest and difficult terrain. It will need better governance and deeper involvement of local people in the development processes. Skill development and employment opportunities must be an important component of this strategy. Planning has traditionally focused on the need to provide special support to historically disadvantaged groups. SCs and STs have a special status under the constitution. Some other disadvantaged groups needing special support are OBCs, minorities, denotified tribes, semi-nomadic and nomadic tribes, primitive tribal groups, differently – abled persons, widows, senior citizens, internally displaced persons, people living with HIV/AIDS, victims of alcoholism and substance abuse. Inequitable access to new technology, education, infrastructure and investment are fuelling the divide, particularly between rural and urban areas and between coastal and inland provinces. Bridging this growing gap is essential to promote inclusive growth, and to make growth sustainable.

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