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INDIAN ECONOMY

INCLUSIVE GROWTH

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INCLUSIVE GROWTH

Student Notes:

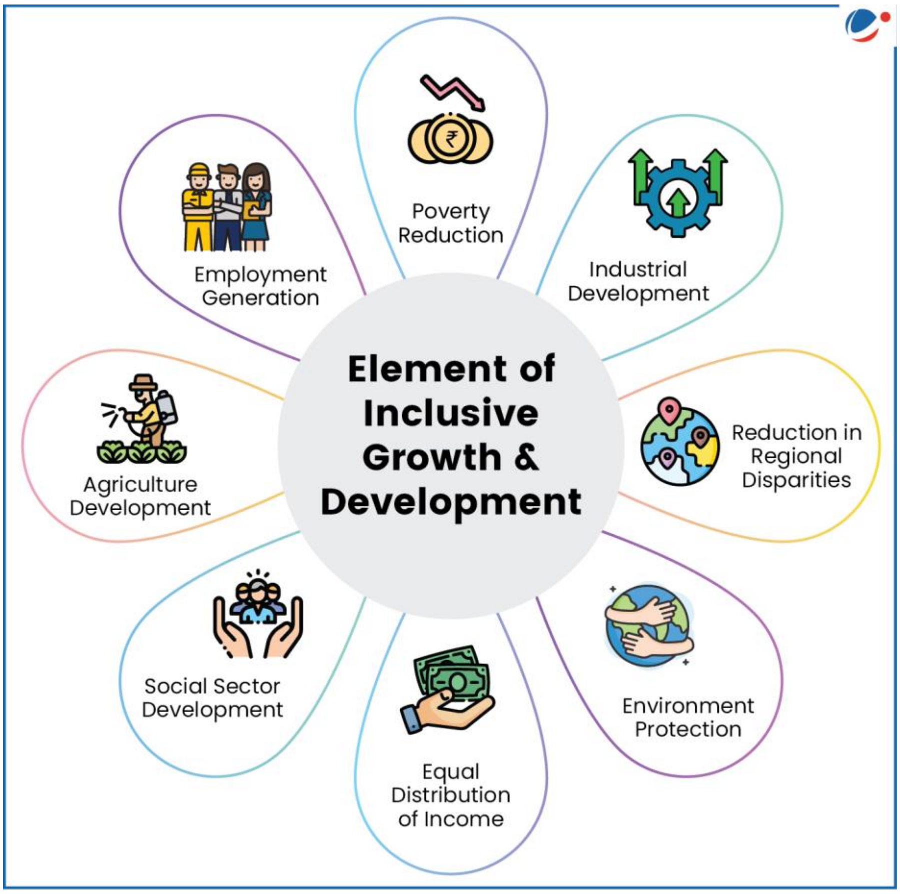
Contents

1. What is Inclusive Growth?

Student Notes:

According to OECD '***Inclusive growth is an economic growth that "creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society***".

Inclusive growth embodies the principle that wealth creation, economic freedom, and equal opportunity can coexist. It promotes the notion that a society can be free and equal while also pursuing long-term economic growth and well-being.



Globally there is no uniform definition of Inclusive Growth. Different agencies define it differently.

The **UNDP** perspective on inclusive growth is **based both on outcome and process**. It implies that everyone should be able to participate in the growth process and the benefits should be shared equally. The UN Sustainable Development Goals (SDGs) do not directly mention inclusive growth, but some targets, if achieved, will help move towards inclusive growth. These include:

- **Goal 1**: End poverty in all its forms everywhere by 2030.
- **Goal 2**: Zero hunger by 2030
- **Goal 3**: Reducing maternal mortality rates and infant mortality rates to fixed targets by 2030.
- **Goal 4**: Completely free, equitable and quality primary and secondary education to all girls and boys by 2030.
- **Goal 4:** Ensuring equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university by 2030.
- **Goal 8:** Sustained per capita economic growth and reduction of youth unemployment.
- **Goal 9:** Developing quality, reliable, sustainable and resilient infrastructure, promoting inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product (GDP).

Thus, Inclusive Growth has various manifestations as per different definitions.

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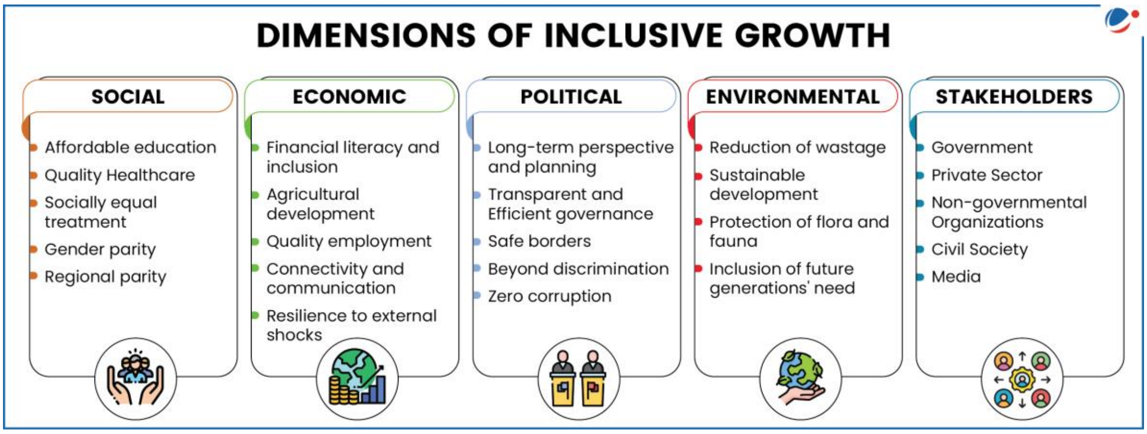
2. Dimensions of Inclusive Growth

Some of the broad dimensions, which can be included in Inclusive Growth are as follows:



Thus, it can be said Inclusive Growth is that **pro-poor growth strategy** where the poor not only become the beneficiaries of the growth process but also contribute by participating in it.

Recognizing the interdependence of growth, gender, poverty and the environment is at the core of Inclusive Growth.

3. Need of Inclusive Growth in India

Inclusive growth is important for India to **alleviate three main problems** that India is facing-

3.1. Poverty

As per NITI Aayog's Discussion Paper *'Multidimensional Poverty in India since 2005-06',* India has registered a significant decline in multidimensional poverty in India from 29.17% in 2013-14 to 11.28% in 2022-23 i.e. a reduction of 17.89 percentage points.

According to the Paper, significant initiatives covering all dimensions of poverty have led to 24.82 crore individuals escaping multidimensional poverty in the last 9 years. As a result, India is likely to achieve its SDG target of halving multidimensional poverty well before 2030.

Despite the achievements, there are arguments that economic growth over the decades has not automatically resulted in inclusive growth. It is a testimony that growth has not been all inclusive and policies have to go beyond just promoting growth.

Impact of economic reform on poverty in India:

The Preamble to the Indian Constitution mentions securing social and economic justice for the people of India. Thus, from the very beginning, the Indian government laid emphasis on poverty alleviation and adopted various strategies as follows:

1. Growth-oriented Approach: It is based on the expectation that the effects of economic growth (rapid increase in gross domestic product and per capita income), would spread to all sections of society and will trickle down to the poor sections.
2. Specific Poverty alleviation programs: Initiated from the Third Five Year Plan (1961-66) and progressively enlarged since then.
3. Post 1990- Economic reforms and encouraging self-help groups.

There are two conclusions on trends in poverty:

- Poverty declined by 1.3 percentage points per annum after 1991, compared to that of 0.44 percentage points per annum prior to 1991. Among other things, urban growth is the most important contributor to the rapid reduction in poverty in the post-reform period.
- In the post-reform period, poverty declined faster in the 2000s than in the 1990s.

According to Tendulkar Committee, around 138 million people were lifted above the poverty line during 2004 to 2009 alone. The Rangarajan Committee report also showed faster reduction in poverty during 2009-10 to 2011-12. This indicates the success of economic reforms in reducing poverty.

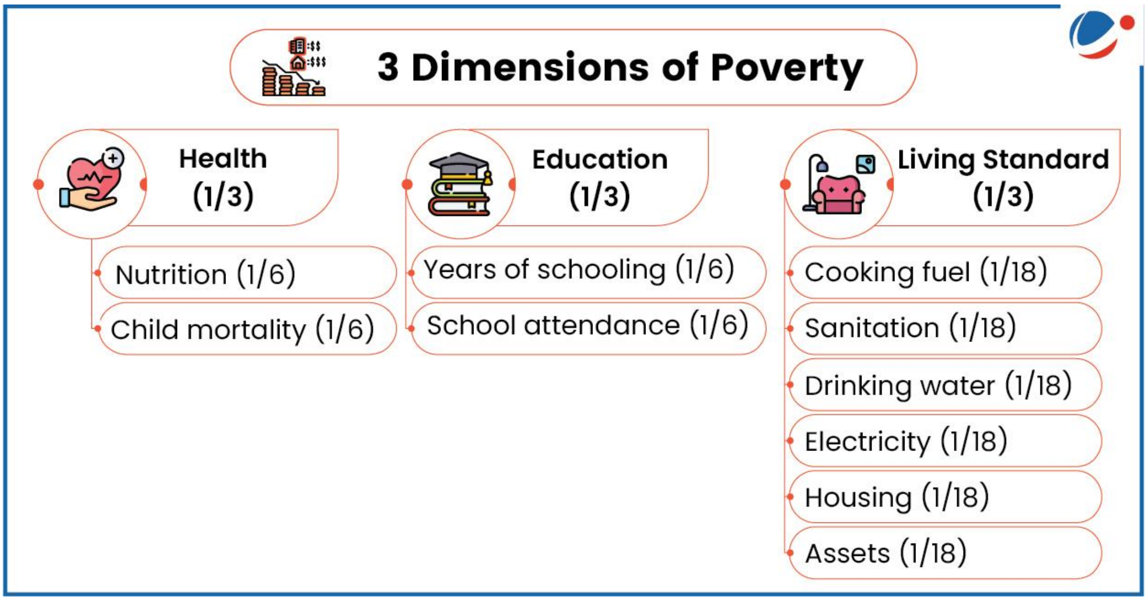
Student Notes:

Snapshot of Multidimensional Poverty in India

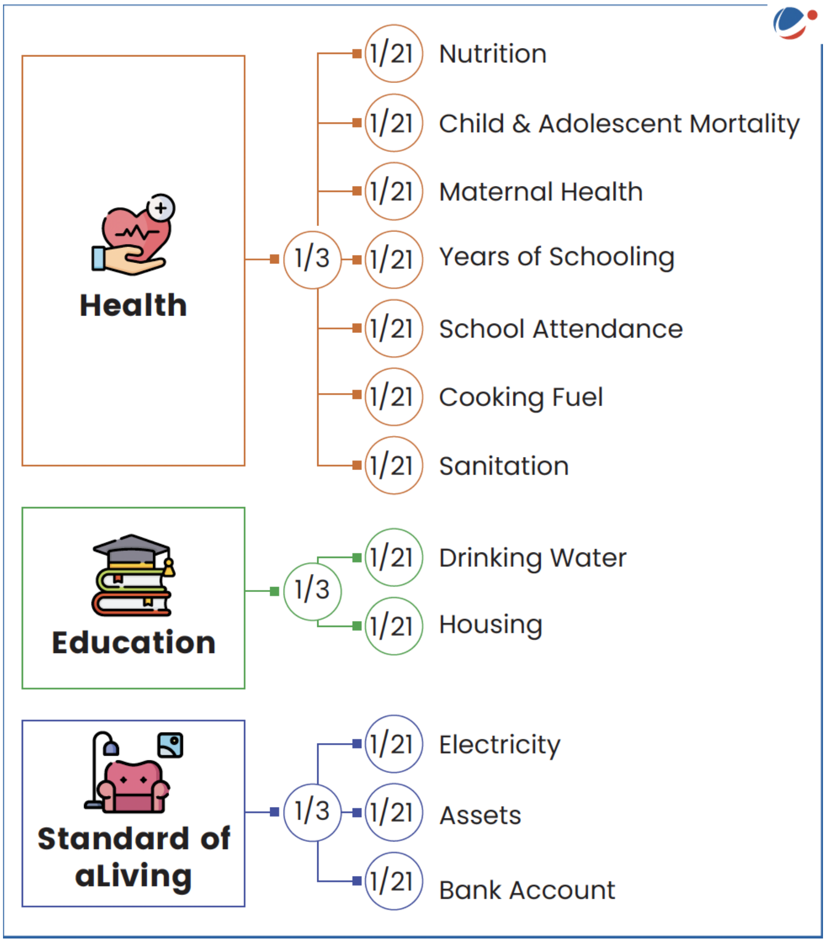
Year	Headcount Ratio (H)	Intensity of Poverty (A)	MPI (HxA)
2019-21	14.96%	44.39%	0.066
2015-16	24.85%	47.14%	0.117

Multi-Dimensional Poverty Index 2023:

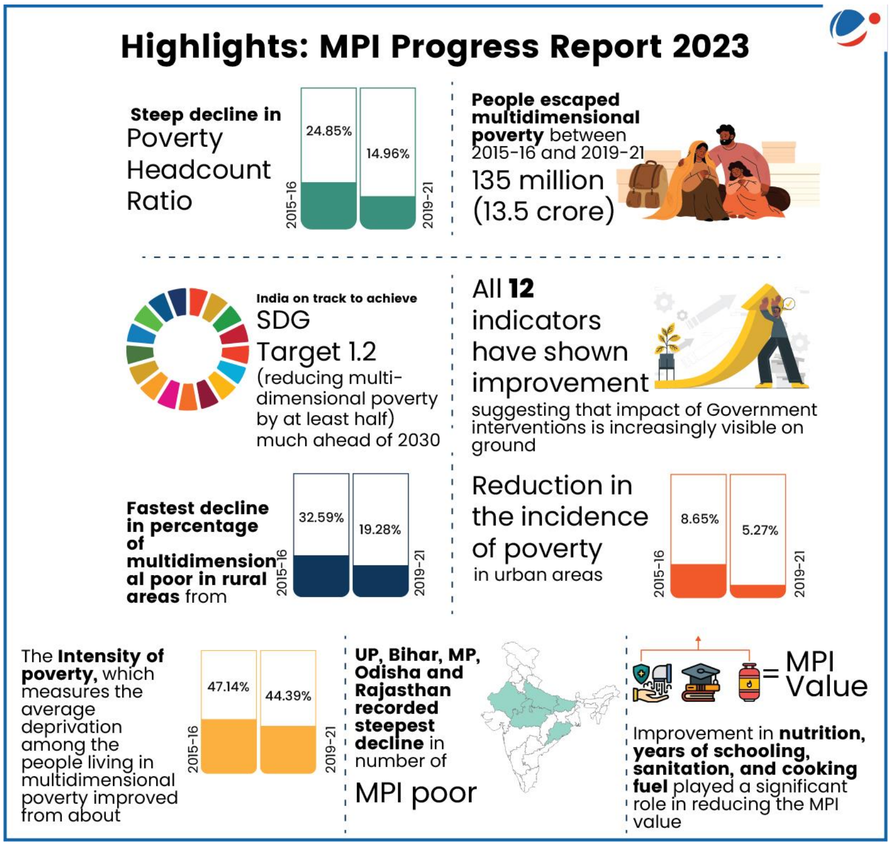
- **What is Global MPI?**
  - The global Multidimensional Poverty Index (global MPI) is a poverty measure that reflects the multiple deprivations that poor people face in the areas of education, health, and living standards.
  - Global MPI reflects both the incidence of multidimensional poverty (the proportion of people in a population who are multidimensionally poor) and its intensity (the average number of deprivations that each poor person experiences).
  - It examines each person's deprivations across 10 indicators in three equally weighted dimensions- health, education and standard of living and identifies both who is poor and how they are poor.
  - NITI Aayog plans to leverage monitoring mechanism of Global Multidimensional Poverty Index (MPI) as part of Government's Global Indices to Drive Reforms and Growth (GIRG)" exercise.
    - GIRG aims to measure and monitor India's performance on various important social and economic parameters and use these indices for self-improvement, bring about reforms in policies, improving last-mile implementation of government schemes etc.



MPI Indicators Used in India:



India's' Progress MPI Report 2023



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3.2. Inequality

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As World Bank, in India, inequality declined post-independence till early 1980s, after which it began rising and has skyrocketed since the early 2000s. Between 2014-15 and 2022-23, the rise of top-end inequality has been particularly pronounced in terms of wealth concentration.

Status of Inequality in India

- **Income and Wealth Inequality**: India's income and wealth inequality has been among the highest in the world. In 2022-23, the top 1% of the population in India held 22.6% income and 40.1% wealth.
  - On the other hand, the bottom 50% of Indians earned only 15% of the national income in 2022, compared with 20.6% in 1951.
- **Social Inequality**: In India, one of the most distinctive forms of social inequity come within the spheres of gender and caste, where, people coming from the marginalized sections ofthe society , are directly impacted in terms of opportunities, access to livelihood, education and health facilities.
  - As per Periodic Labour Force Survey (2019-2023): In 2023, male self-employed workers earned 2.8 times that of women, male regular wage workers earned 24% more than women and male casual workers earned 48% more.
- Inequalities are taking new forms and have been exacerbated due to the climate crisis and technological changes in the 21st century.
  E.g. the proportion of the adult population with tertiary education is growing more than six times faster in very high human development countries than in low human development countries.

What are the consequences of these Inequalities?

- **Low social mobility and slower poverty reduction**: Extreme inequality inhibits social mobility, which means that children of poor parents stay poor. It results in inequality in opportunities due to lack of proper education, training in skills, lack of connections and assets.
- High inequality is likely to undermine democracy, promote corruption, cronyism, and social unrest. The increasing gap between rich and poor further fuels authoritarianism.
- **Inequality and the climate crisis are interwoven**. **E.g.**
  - Developing countries and poor communities have less capacity than their richer counterparts to adapt to climate change and severe weather events.
  - Also, high income inequality within countries can hinder the diffusion of new environmentally friendly technology.
  - Inequality can also influence the balance of power among those arguing for and against curbing carbon emissions.
- Income and wealth inequalities are often translated into political inequality and power asymmetries among various groups potentially leading to even more inequalities and even lead to breakdowns in institutional functions, weakening the effectiveness of policies.

In this context, there is a need for broadening access to health, education and promoting financial inclusion as well as reducing inequality of opportunities to bring down overall inequality levels.

3.3. Unemployment

As per Periodic Labour Force Survey, the unemployment and underemployment rates increased till 2018 but declined thereafter. The unemployment rate has declined from 6 per cent in 2018 to 3.2 per cent in 2023. This also holds for the youth unemployment rate, which decreased from 17.8 per cent in 2018 to 10 per cent in 2023.

in percentage

Years	WPR	LFPR	UR
2017-18	46.8	49.8	6.0
2018-19	47.3	50.2	5.8
2019-20	50.9	53.5	4.8
2020-21	52.6	54.9	4.2
2021-22	52.9	55.2	4.1
2022-23	56.0	57.9	3.2

However, youth unemployment is the principal challenge and is the focus of the government. With increase in educational attainment, the unemployment problem in India is becoming centered on educated youth, who account for nearly two-thirds of total unemployment. This process has been continuing for the last several decades. The unemployment rate has risen with a rise in education levels — 28 per cent among graduates and above in 2023 (35.4% in 2019) (the proportion of women being higher).

Thus, contrary to some assertions that **India's growth has been "jobless"**, PLFS data have shown decreasing rates of unemployment over the last 5 years.

However, youth underemployment remains a severe problem due to following reasons:

- **Social factors**: Such as over-population and societal pressure to get a job force people to take a job below their skill levels.
- **Techno-economical**: Economic advancements and technological changes cause entry level jobs replaced by machines and technology, causing existing skill set to become obsolete.
- **Low utilization of human capital**: Lack of high productivity job results in productive capacity of employed population underutilized.
- **No timely up gradation of skills** with on-the-job training coupled with instances of double training where in productive time and resources are channelized in an undesired direction.
- **Promote mediocrity**: Lack of access to good jobs also dis-incentivizes people from acquiring advanced skills, leading to unemployment.
- **Other issues**: Brain drain to developed countries, low self-esteem, low motivation for job profile in hand, various emotional problems leading to aggravated stress and diseases such as hypertension, depression etc.

Hence, the need is creation of high-productivity and high-wage jobs.

4. Challenges to Inclusive Growth in India

Various governments have tried to deal with the issues of poverty, inequality and unemployment. However, structural issues, and socio-economic challenges have hindered the progress towards Inclusive Growth in India. These include-

- **Poverty: Despite progress, millions remain in poverty.** According to the NITI Aayog's Paper cited above, though 24.82 crore people are estimated to have escaped multidimensional poverty during last 9 years, around 11% of the population is still multidimensionally poor.

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- **Unequal Distribution of Resources:** Wealth, land, and education opportunities are often concentrated in certain groups, limiting mobility for others. In 2022-23, top 1% of the population in India held 22.6% income and 40.1% wealth.
- **Social and Cultural Barriers:** Discrimination based on caste, gender, religion, or other factors restricts access to education, employment, and healthcare for many.
- **Regional Disparities:** Economic growth is uneven across regions. Some states boom, while others lag behind.
- **Agriculture Struggles:** Though employing many, agriculture contributes a shrinking portion of GDP. Low productivity, limited irrigation, and vulnerability to climate change add to the problems.
- **Informal Sector Reliance:** A large share of India's workforce is in the informal sector, with lower wages and limited social safety nets.
- **Skill Gaps:** The education system may not be equipping people with the skills needed for the modern workforce.
- **Automation:** Robotics and automation are expected to make worker's skill obsolete at much faster rate. It is estimated that between 400 million to 800 million individuals could be displaced by automation and need to find new jobs by 2030 around the world.
- **Corruption:** India remains shackled in corruption, red tape, and lack of transparency.
    - India ranks 93 out of 180 countries in corruption perceptions index (CPI) 2023.

If the above challenges are addressed, Inclusive growth can lead to Human Capital formation in India, bringing multi-fold returns.

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5. Inclusive Growth and Human Capital Formation in India

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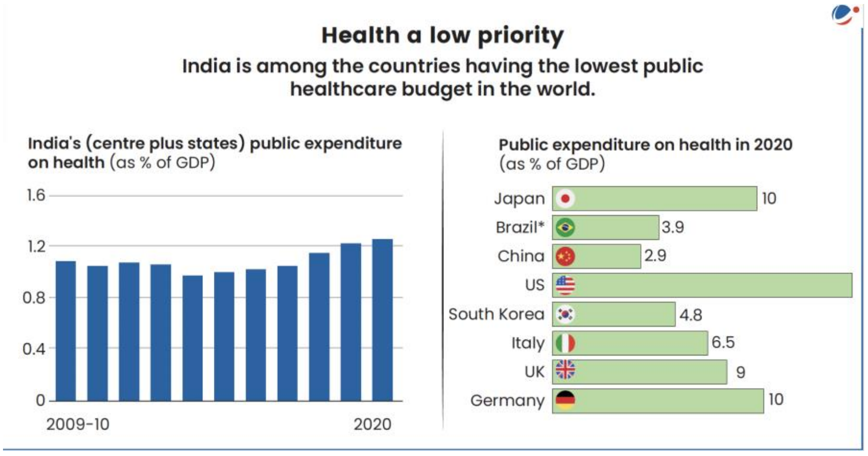


Human Capital is a term introduced **by Theodore Schultz in 1960s** to quantify the economic value of a worker's skill sets. It recognizes the fact that all labor is not equal and quality of employees/humans can be improved by investing in them through education, on-job training, increasing its ability through investment in health, spreading awareness, etc.

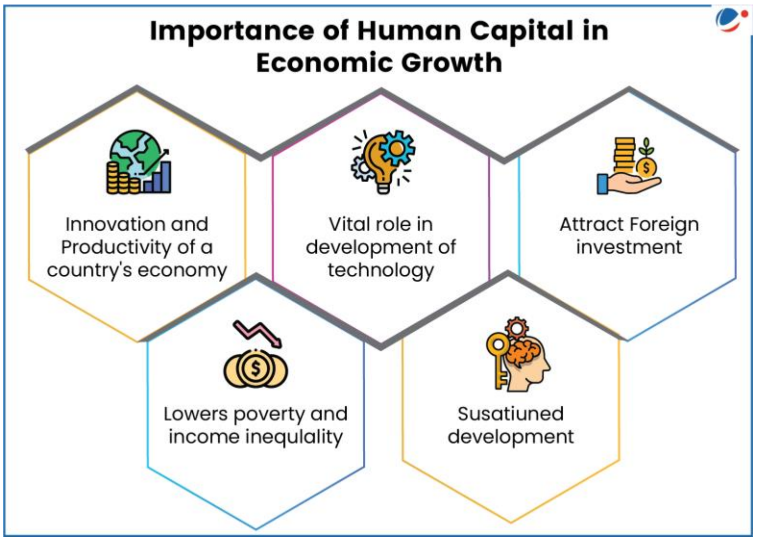
Human capital is a key factor for growth, development and competitiveness of an economy. Like physical capital, the value of human capital also depreciates. **Long period of unemployment, mental decline, inability to cope up with innovations,** etc. are some of the few reasons for depreciation in human capital. It also has mobility associated with it i.e. it can migrate and can cause brain-drain from the region of emigration.

Role of human capital in economic development:

- **Increases productivity**: It promotes innovations and creativity; creates ability to absorb new technologies for optimum utilization of natural resources.
- Higher levels of human capital **lead to higher employment rates**. This increases income levels and help reduce income inequality.
- **Brings positive outlook to society**: It helps overcome regressive thinking, thereby increasing the rate of participation of the workforce, example: promotion of gender inclusive employment.

Challenges to human capital formation in India:

- **Education**: There is a large gap between the educational entitlements of the rich vis. a vis. the poor. The poor find it challenging to spend on education and invest in human capital and are thereby likely to get trapped in a cycle of poverty.
- **Health**: There is also a significant gap in the access to healthcare between high- and low-income households. This inequality of opportunity and access can worsen health outcomes, hampering productivity and perpetuating income inequality.
- **Financial Services:** The lack of adequate financial services constrains the ability of people, particularly low-income individuals, to borrow for investment purposes and to finance education spending. It can thereby create and perpetuate income inequality.



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- **Low public expenditure** on health, education and skill development
- Rising population reduces **per head availability** of the existing social and economic infrastructure.
- High level of **poverty and regional inequality** denies a large population access to basic amenities.
- Increasing gender gap hampers equal opportunity and reduces labor productivity
- Brain drain slows down the human capital formation in the domestic economy.
- The process of skill formation is long term, hence slow.
- Insufficient on **job training** to absorb emerging new technologies.

Opportunities for human capital formation in India:

- **Demographic dividend** - 65% of India's population is below the age of 35 years and the working age population (15-64 years) is over 25%.
- A large **English-speaking population** and a strong IT base may be harnessed for further skill development (For example SWAYAM platform for e-learning))
- Global and **technological inter-connectedness** providing for broad opportunities for skill development and training.
- Provision of **Constitutional and socio-legal rights** to provide a support base for improvement of health and social status in India.
- NITI Aayog's **Sustainable Action for Transforming Human Capital in Education** (SATH-E) Roadmaps 2018-2020 to improve learning outcomes.

Currently, India ranks 116 out of 174 countries in World BankForum's Global Human Capital Index, 2020. As a way forward, steps should be taken in domains of skill development, social security, health and education among others. Initiatives like National Institutional Ranking Framework (NIRF), grading of ITIs, Takshashila (Trainers and Assessors Portal) etc. will go a long way in enhancing the human capital in India. If India has to reap its demographic dividend, it has to develop its Human Capital effectively.

Student Notes:

6. Sectoral steps taken for Inclusive Growth

- **Education and Skill Development:** Apart from the recent **New Educational Policy**, the government has taken various steps in the domains of skill development like **Pradhan Mantri Kaushal Vikas Yojana.**
- **Health- Ayushman Bharat**, the National Health Protection Scheme, has been proposed in the Union budget 2018-19 which is expected to cover over 10 crore poor and vulnerable families providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization.
- **Social Security:** Several initiatives have been taken up by the Government of India to eliminate poverty, inequality and to empower the marginalized sections of the society by expanding the social security net through
  - **Pradhan Mantri Suraksha Bima Yojana (Accident Insurance)**
  - **Atal Pension Yojana (Unorganized Sector)**
  - **Pradhan Mantri Jeevan Jyoti Yojana (Life Insurance)**
  - Institutional support for entrepreneurship with the help of **MUDRA Bank** to provide microfinance to entrepreneurs in rural hinterland of India and
  - A **national Hub for SC/ST entrepreneurs** has been created to support the entrepreneurs belonging to the marginalized communities.
- **Financial Inclusion- Prime Mantri Jan Dhan Yojana** is strives to achieve financial inclusion by ensuring that the economically weaker sections have access to bank accounts.
- **Employment Generation:** Various schemes are being implemented by the Government in both rural and urban areas of the country to create directly and indirectly additional employment opportunities and reap benefits of the demographic dividend. They include:
  - **Mahatma Gandhi National Rural Employment Guarantee Act Scheme (MGNREGA)**
  - **Prime Minister's Employment Generation Programme (PMEGP)**
  - **Pradhan Mantri Rojgar Protsahan Yojana**
  - **Pt. Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)**
  - **Deendayal Antyodaya Yojana- National Urban Livelihoods Mission (DAY-NULM)**
- **Agriculture-** The Government is aiming to reorient agriculture sector by focusing on income generation of farmers, organic farming, expanding irrigation infrastructure, use of technology etc.. In order to realize net positive returns for the farmer, various schemes have been launched including the **Soil Health Card (SHC) scheme, Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), Paramparagat Krishi Vikas Yojana" (PKVY), Kisan Credit Card** etc.
- **Rural Empowerment:** The government has launched scheme for **affordable housing (Pradhan Mantri Awas Yojna- Gramin),** apart from various projects like **Bharat Net** for internet connectivity, **DDU Gram Jyoti Yojana** for power connectivity among others.

The biometric-based unique identification system, **Aadhaar**, now ensures that the poor are no longer invisible and, therefore, more empowered. A bank account for every adult now ensures **universal access to financial services**. When combined with Aadhaar, such access will accelerate financial inclusion.

7. Strategies to Achieve Inclusive Growth

7.1. Universal Basic Income

Universal Basic Income is a periodic cash payment unconditionally delivered to all irrespective of their contribution to the economy. It **characterizes** the basic income in five divisions:

- **Periodic** (being paid at regular intervals, not lump sum)
- **Cash payment** (not in kind or vouchers, leaving it on the recipient to spend it as they like).
- **Individual** (not to households or families),

- **Universal** (for all), and
- **Unconditional** (irrespective of income or prospects of job)

Favor	Against
Poverty and vulnerability reduction Poverty and vulnerability will be reduced in one fell swoop.	**Conspicuous spending** Households, especially male members, may spend this additional income on wasteful activities.
Choice A UBI treats beneficiaries as agents and entrusts citizens with the responsibility of using welfare spending as they see best; this may not be the case with in-kind transfers.	**Moral hazard (reduction in labour supply)** A minimum guaranteed income might make people lazy and opt out of the labour market.
Better targeting of poor As all individuals are targeted, exclusion error (poor being left out) is zero though inclusion error (rich gaining access to the scheme) is 60 percent.	**Gender disparity induced by cash** Gender norms may regulate the sharing of UBI within a household men are likely to exercise control over spending of the UBI. This may not always be the case with other in-kind transfers.
Insurance against shocks This income floor will provide a safety net against health, income and other shocks.	**Implementation** Given the current status of financial access among the poor, a UBI may put too much stress on the banking system.
Improvement in financial inclusion Payment transfers will encourage greater usage of bank accounts, leading to higher profits for banking correspondents (BC) and an endogenous improvement in financial inclusion. Credit - increased income will release the constraints on access to credit for those with low income levels.	**Fiscal cost given political economy of exit** Once introduced, it may become difficult for the government to wind up a UBI in case of failure.
Psychological benefits A guaranteed income will reduce the pressures of finding a basic living on a daily basis	**Political economy of universality ideas for self-exclusion** Opposition may arise from the provision of the transfer to rich individuals as it might seem to trump the idea of equity and state welfare for the poor.
Administrative efficiency A UBI in place of a plethora of separate government schemes will reduce the administrative burden on the state.	**Exposure to market risks (cash vs. food)** Unlike food subsidies that are not subject to fluctuating market prices, a cash transfer's purchasing power may severely be curtailed by market fluctuations.

Universal Basic Income vs Targeted Transfer Scheme

Targeted Schemes

- The evidence from Indonesia and Peru shows that existing targeting methods in developing countries, while imperfect, appear to deliver substantial improvements in welfare compared to universal programs, because they can transfer much more on a per-beneficiary basis to the poor as compared with universal programs.
- The primary downside of these programs is exclusion error – because targeting is imperfect, there will be a substantial number of poor households who are excluded.

Improving the method of targeting

- **Community-Based Targeting Process**: Fixed number of program slots are allocated to a given community and through a participatory meeting they decide who among them is most in need. It leads to more transparency, and better inclusion. To better institutionalize it, local bodies should

Student Notes:

be strengthened, and people should be made aware of using social auditing tools.

- **Use of technology:** Cash transfers at an accelerated pace with the use of Jan-Dhan, Aadhaar and mobile would lead to better targeting and operational efficiency. This will help reduce costs and spare resources for capital spending to augment growth.
- **Conditional Transfers**: Programs with explicit conditions that beneficiaries must meet in order to receive assistance. For example, giving cash transfers to poor households who also meet basic maternal and child health and education conditions. A number of random trials of these programs showed that these programs led to substantial improvements on the conditioned indicators.

Conclusion: The gains or leakages from welfare schemes ultimately depend on the precision of the targeting mechanism. Regardless of whether India moves towards a quasi-universal Universal Basic Income or continues with targeted programs, better targeting can certainly sharpen the impact of government expenditures on welfare programs.

Student Notes:

7.2. Skill Development

The National Policy for Skill Development and Entrepreneurship (NPSDE) 2015 estimated that only 5.4 percent of the workforce in India has undergone formal skill training as compared to 68 percent in the United Kingdom, 75 percent in Germany, and 96 percent in South Korea.

According to Periodic Labour Force Survey (PLFS) , 84.4 percent during 2020-21 did not receive any Vocational and technical training. The situation is worse for women, with 90 percent not receiving Vocational and technical training, as compared with men 79 percent in 2020-21.

Why India needs Skill Development?

- The skilled workforce is crucial for the success of recently launched missions - Make in India, Digital India, and Smart Cities.
- Demographic Dividend: The ‘demographic window’ is only a span of few decades. The skilled youth is required to save demographic dividend from becoming demographic disaster.
- Slowdown in China - an opportunity: With China gradually vacating its factories, with rising Chinese wages and an appreciating Yuan, and also with internal demographic challenge of too few young people, India has an opportunity to become a factory of the world.
- Sectoral mobilization: Less number of people will be required to work in farming as productivity improves. This would result in sectoral mobilization of workforce from agriculture to secondary and tertiary activities.
- Skill Capital of World: To convert this vision into reality, India needs to create a skilled and productive workforce matching international standards of quality and productivity through integration of skills and training along with education
- Better Employment: Skills are needed to those currently in colleges for them to be better employed
- Younger Population: With most of the major economies of world having sizeable ageing population, India has huge opportunity of serving the booming market.

Issues with Skill Development in India

- **Poor accreditation process**: The Quality Council of India (QCI) has often compromised with the quality of accreditation and affiliation process.
    - For e.g.- It had not followed the prescribed National Council for Vocational Training norms with respect to building infrastructure, equipment, and faculty.
- **Multiplicity of norms, procedures, curricula, certification**: Policies and initiatives related to skill development are spread across nearly 20 ministries and hence lacks coherency and holistic approach.
- **Rapidly changing technology**: In the era of rapidly changing technology, it is difficult to estimate the quantity and areas in which skilled workforce is required. It also raises requirement of higher order skill sets
- **Lack of vertical mobility**: The vocational courses are terminal in nature – there is lack of vertical mobility from certificate to diploma to degree courses in vocational education. As a

result, parents who feel that their child has an inherent skill do not influence him/her to take up a vocational career.

- **Lack of infrastructure and poor quality of courses**: The infrastructure in most skill training centres is of poor quality and not upgraded. Hence the gap between what the industry desires and the machinery being used for training is wide.
- **Poor quality of trainers**: The trainers who impart the skill training are not up-to-date with the skills required by the industry and hence the outcome of training is not as per desired quality. As such, students who complete these courses also do not find ready employment in the Industry.
- **Lack of initiatives from industry**: The industry especially the small and medium enterprises do not emphasize on vocational certification or formal training as this sometimes increases the cost of manpower. At times, it is observed that SMEs prefer to hire an untrained or semi-trained worker at a cheaper pay-out than a formally trained or skilled worker.
- **Lack of standardization**: Several ministries offer skill courses increasing the confusion amongst students also resulting in lack of standardization. Furthermore, there is no single comprehensive model addressing all the concerns of this sector
- **Gender disparities**: The skill programmes are biased towards trades which are more favourable to men reinforcing the exclusion of girls. There is challenge of providing facilities like female teachers, hostels and transport along with introducing flexible courses in terms of time for their better participation.
- **Recognition of Prior Learning**: Although the workers like Diamond cutters in Pune may have requisite skills passed on from generations, but in absence of any certificate they are not able to take decent job or start a venture. Also, there is **lack of integration with formal education** and focus on outcomes.
- Facilitating job creation in sectors that can absorb workers shifting from agriculture.
- Formalising a burgeoning workforce and ensuring social security benefits for those in regular wage/salaried employment is a major issue.
  - 53 % of salaried employees are not eligible for any social security benefit (PLFS 2022-23).

Way Forward

- **Online learning system** could be utilised to impart skill/craft along with using fixed infrastructure. An open platform for e-content on skill development should be created where content can be crowd source.
- **Skills on Wheel type initiatives** could be used to address infrastructure and transport constraints. There are shining examples of Skill Trucks operated in Brazil that take skills training to the rural, remote parts of the country.
- **Vertical Mobility**: Creating a vertical mobility from certificate to diploma to degree courses in the vocational education. Providing options right from school level up to PG level.
- **Establishing a Skill Development University** to offer specialized degree programs which will provide advance skills.
- **Lateral Mobility**: Providing lateral mobility by giving equivalence to vocational students especially at +2 level so they can pursue graduate programs
- **Role of Industry**: Increasing role of industry in all aspects of vocational training – providing latest machinery for training, governance, providing trainers from industry and doing assessment to ensure quality at each stage. Industry should emphasize on formal vocational training and certification at the time of hiring and for career advancement.
- **Creating standard curricula and assessment** across various agencies offering vocational courses.
- **Formal training programs** for vocational faculty and trainers so that they understand this pedagogy. It is important to vocationalize the current education system by developing curricula in the lines with industry needs, creating infrastructure for skill training, involving the industry in all aspects of curricula development, training delivery, student assessments

Student Notes:

and creating a model where students can obtain skills and at the same time get a degree.

- **Job Opportunities**: Skill development alone is not sufficient to address the unemployment problem; there is need for availability of job opportunities for those skills.
- **Rural India**: Given that in India around 70 percent of population reside in rural setting, there is need to skill them in agriculture and related activities with appropriate linkages with product, finance and labour market.
  - This would facilitate increase in women participation and restrict distress migration from rural to urban areas.
- **Addressing the Problem of Child Labour**: To provide quality education and counselling to children and parents about advantages of education and training in accessing good jobs.
- **Recognition of Prior Learning**: There is need to restructure the informal training so as to certify the skills level of workers who have inherited those skills from their ancestors. It will enable them to take up decent jobs, receive financial services and provide livelihood security.
- **Targeted intervention in Difficult Areas**: The targeted interventions such as UDAAN, HIMAYAT etc need to be scaled up which would improve the outreach and access in LWE affected areas, hilly terrain and terrorist affected areas.

The other sections of society viz. women, marginalized, tribals etc. need tailor made training programmes to suit their diverse and specific needs. While being illiterate may be an issue in providing skill training to most marginalized sections, one may have to deal with family issues and social restrictions in case of providing skill training to women.

7.3. Increasing Insurance coverage

The insurance industry in India has witnessed an impressive growth rate over the last two decades driven by the greater private sector participation and an improvement in distribution capabilities, along with substantial improvements in operational efficiencies.

Insurance Sector in India

- Insurance penetration in India has been steadily increasing (from 2.7% in 2000 to 4.2% in 2021)
- The insurance penetration in the life insurance sector was 3.2% in 2021 -twice more than emerging markets and slightly above the global average
- In India, the **insurance gap** has widened from $19.7 billion in 2012 to $27 billion in 2018, even though non-life insurance penetration has improved marginally from 0.7 per cent of Gross Domestic Product (GDP) in 2012 to 0.9 per cent as of 2018.

India's share in global life insurance market was 3.23% in 2021. The life insurance premium registered YoY growth of 10.2% in FY22, with new businesses contributing 45.5% of the total premiums received by the life insurers. In terms of total premium volumes, it is 10th largest market globally and the 2nd largest of all emerging markets, with an estimated market share of 1.9%. It is expected that premiums will grow by an average 9% p.a. (in real terms) over the next decade. India is poised to emerge as one of the fastest-growing insurance markets in the coming decade. The insurance industry plans to hike penetration levels to five per cent by 2020. India had also increased FDI limit to 49 per cent from 26 per cent in insurance sector to increase the investments in insurance.

Role of Insurance

- **Provide safety and security**: Insurance provide financial support and reduce uncertainties in business and human life. Insurance facilitates spreading of risk from the insured to the insurer.
- **Generates financial resources**: It generate funds by collecting premium which are further invested in government securities and stock. It also helps in providing employment opportunities leading to capital formation.

Student Notes:

Student Notes:

- **Promotes economic growth**: It generates significant impact on the economy by mobilizing domestic savings. It provides capital for productive investments especially for long-term investment needs. It mitigates losses, provides financial stability and promotes trade and commerce activities resulting into economic growth and development.
- **Spread of financial services in rural areas**: IRDA Regulations provide certain minimum business to be done in rural areas, in the socially weaker sections

Challenges in Insurance Sector

- **Low Awareness**: A majority of people in India believe that health insurance is not a worthy investment and therefore, avoid buying such insurance products.
- **Poor Distribution:** Distribution outside large cities is poor. There are large parts of the country where access to general insurance is limited. The reason insurers and distributors do not build a presence in small towns is that it is unviable.
- **Fewer product innovations**: While many essential products to mitigate risk are available, there are gaps in the insurance product portfolio that leaves large risks uninsured.
- **Pricing**: Insurers have been focusing on growing sales even if that creates a distortion in pricing for individuals.
- **Perception by influencers**: Another major challenge is posed by the media and influencers. Often, the life insurance industry is portrayed in a negative manner and hence the consumers become skeptical of the life insurance industry.

Government's Initiatives for Insurance

- **National Health Protection Scheme** launched under Ayushman Bharat to provide coverage of up to Rs 500,000 to more than 100 million vulnerable families for secondary and tertiary care hospitalization.
- **Pradhan Mantri Jeevan Jyoti Bima Yojana** (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) to cover all poor households will bring the security of insurance benefits to the marginalized sections, giving basic economic protection in cases of death or injury through accidents of a family member.
- **Prime Minister Jan Dhan Yojana** (PMJDY) proposes to bring 60-crore basic accounts within its fold and providing services of micro insurance and unorganized sector pension schemes through these accounts, which will further bolster the economic security of lower income groups.
- **Pradhan Mantri Fasal Bima Yojana** (PMFBY) provides crop insurance to farmers against any losses to their crops.

Way forward

- **Promote Awareness**: It is necessary to promote more awareness among public about benefits of insurance through videos, social media, ads, organizing campaigns etc.
- **Multiple Channels of Distribution**: Linking insurance with allied finance products like housing loan, mutual fund investment, banks credit cards etc. are the new channels for life insurance.
- **Huge Untapped Market**: The demographics and macro-economic factors in India are diverse and insurance systems have to be aligned to other programs in the country in order to target every section.
- **Better regulation**: Regulatory policies can be made to ensure that insurance companies focus more on insurance targets than profitability.
- **Use of Technology**: Stakeholders will have to leverage Internet and other technology options to provide single window service so as to cross-sell and retain customers.

7.4. Transformation of Aspirational Districts

Transformation of Aspirational Districts (TAD) program aims to quickly and effectively transform the chosen 112 districts (at least one from 28 states, excluding Goa). NITI Aayog will anchor this program, along with the States as the main drivers.

Student Notes:

- The broad contours of the program are:
  - **Convergence** – of Central and State Schemes.
  - **Collaboration** – of Central, State level 'Prabhari' Officers and District Collectors, and
  - **Competition** – among districts based on the real time data and driven by a Mass Movement.
- It will focus on the strength of each district, identifying low-hanging fruits for immediate improvement, measuring progress, and ranking districts
- One of the main elements of the strategy is to identify selected Key Performance Indicators (KPIs), monitor the progress made in these indicators and carry out annual ranking on the incremental progress made. The KPIs chosen are to be district specific (see graphic)
- Central and State Government Officers will be appointed at the level of Additional/Joint Secretary as the "Prabhari" and Nodal Officers, to act as a bridge between the Centre, the state and the district
- A district level team would prepare a baseline report of the current status of different indicators and based on the resources available, would also prepare year-wise targets
- The central representatives would be visiting the district at least once in two months and prepare a report for NITI Aayog, which after analysing it would place the findings for consideration to the Empowered Committee of Secretaries.
- Sankalp Saptaah' linked to the effective implementation of the Aspirational Blocks Programme (ABP), was launched by PM nationwide on January 7, 2023. It aims to improve governance at the block level in order to enhance the quality of life of citizens.
  - It is being implemented in 500 Aspirational Blocks across 329 districts in the country. Chintan shivirs were organized at village and block levels across the country to implement the Aspirational Blocks Programme and to prepare an effective block development strategy. The 'Sankalp Saptaah' is a culmination of these chintan shivirs.
  - The themes for the first six days include 'Sampoorna Swasthya', 'Suposhit Pariwaar', 'Swachhta', 'Krishi', 'Shiksha', and 'Samridhi Diwas'.
  - The last day of the week i.e. October 9, 2023, will be a celebration of the work conducted during the entire week, as 'Sankalp Saptaah – Samavesh Samaroh'.

7.5. Strategy on Resource Efficiency

NITI Aayog in collaboration with the European Union delegation to India released the Strategy on Resource Efficiency (RE). Various countries have taken relavant steps and pioneered in RE highlighting the need for similar steps to be taken by India, for example German Resource Efficiency Programme (ProgRess), and European Commission's Roadmap to a Resource Efficient Europe.

- MoEFCC and Indian Resource Panel (InRP) (in April 2017), launched the **Indian Resource Efficiency Programme** (IREP) to make resource use economically and environmentally sustainable
- IREP recommended the development of Strategy on Resource Efficiency for enhancing resource-use efficiency in Indian economy and industry.
- Since a single universally applicable indicator does not exist, the strategy recommends India to use **GDP per Domestic Material Consumption** for measuring RE in the initial phase
- The strategy focuses on **abiotic material resources** (excluding fossil fuels) of two strategic sectors: Construction & Mobility (these sectors have witnessed high growth rate, are biggest consumers of materials, contribute significantly to GDP and employment in the country)
- India is the third largest consumer of raw materials produced globally, and with the current economic trend, estimated to consume nearly 15 billion tonnes of material by 2030.
- Consumption patterns remain highly differentiated in India with an urgent need to reconcile the oversupply of resources and materials to the upper and middle classes and an undersupply along with severe lack of access of basic minimum resources for the poor.

Thus, concerns over larger economic, social, political and environmental consequences like resource depletion, price shocks and rapid degradation of natural resource base have emerged which calls for a judicious use of resources urgently. The SDG 12 (Responsible consumption and production) also recognizes the potential of resource efficiency in resolving the short-term trade-offs between growth and environmental sustainability towards enhancing the overall security of human beings.

Student Notes:

7.6. Hill Area Development Program

HADP has been launched on pilot basis in the hilly districts of Manipur, and would be expanded over other states of the Northeast. The basis for selection of the districts for this program is the Composite District Infrastructure Index – by discovery of the districts that have fallen behind in terms of development

Such a dedicated program has been designed due to the distinct geophysical nature of the Northeast States – to ensure development based on dedicated research and deliberation. The approach of the Government is two-fold:

- To ensure equitable development of every area, every section of society and every tribe living in the North Eastern Region and;
- To bring the eight North Eastern Region States at par with the more developed states in the rest of India.

Special focus on hill areas has been part of the planning since the Fifth Five Year Plan, when the HADP and the Western Development Program were first launched. Such programs are being implemented in various forms and dimensions since then.

7.7. Island Development Authority

Island Development Authority was constituted in June 2017 for the holistic development of islands. It is chaired by Union Home minister and includes secretaries of various ministries.

- IDA had identified 10 islands for development which include five among the Andaman and Nicobar Islands (i.e. Smith, Ross, Long, Avis and Little Andaman) and five in Lakshadweep (i.e. Minicoy, Bangaram, Thinnakara, Cheriyam, Suheli)
- Projects will be undertaken after giving due consideration to unique maritime and territorial bio-diversity of the islands

Further development of tuna fishing industry and community-based tourism to boost livelihood options and building a sustainable approach for thriving maritime economy of project islands is also envisaged.

7.8. Social Stock Exchange

Social Stock Exchange (SSE) is a regulated funding platform that allows for-profit social enterprises (FPEs) and not-for-profit organisations (NPOs) with a social purpose, to raise funds. Recently, SEBI has approved the creation of SSE and is engaging with NABARD, SIDBI and stock exchanges to create a capacity-building fund of Rs 100 crore.

The SSE will be a new segment of the existing stock exchanges. NPOs and FPEs with an explicit social intent and impact will be allowed to list on the SSE. These entities will be registered with the SEBI and will be allowed to raise funds from investors through equity, zero-coupon zero-principal bonds, mutual funds, social impact funds and development impact bonds.

Need for setting up of social stock exchange (SSE):

- Improved market access: An SSE would facilitate a meeting ground between the social sector (FPEs and NPOs) and investors with inbuilt regulation and will ensure larger visibility of investors and investees.

- Synergy between investors and investees in social aims: Canvas of choice would be much wider allowing investors and investees with similar visions and missions to connect seamlessly.
- Transparency and accountability: These will be ensured because of rigorous due diligence and performance metrics that an SSE would be installing for background checks for investors.
- Performance- based philanthropy: As performance of the enterprises listed on an SSE would be closely monitored, it will result in better project implementation.
- Reduced burden on the government: An SSE would leverage private sector participation in some key areas, engendering a collaborative approach with the government in achieving the developmental goals.
- SSE for COVID-19: A COVID-19 Aid Fund can be set up to activate solutions such as pay-for-success bonds with philanthropic foundations, CSR spenders, impact investors etc.

However, there are some challenges in the path of effective implementation of SSEs, including:

- High transaction costs: In view of the institutional effort that would be required in due diligence, monitoring and subsequently impact evaluation.
- Lack of common standard: A Brookings survey reports lack of common standards for measuring/reporting social impact in India.
- Experience of microfinance institutions: It serves as a warning that an injection of commercial capital may not end up realising the goals of social businesses.
- Investment readiness and scope of emerging entities: An SSE needs to focus on capacity building of social enterprises and listed organizations.
- Challenge of identifying the investors: A key concern in existing SSEs has been to screen investors before granting them platform access. For example, Canada's SVX has strict guidelines for listing investors and focusing on the right types of investors.
- Trading instruments and tax benefits: An SSE would have to clearly delineate the financial instruments that would be traded. Also, tax related regulations must be clearly put in place.

There is a need to have common minimum standards for reporting on social impact to reduce information asymmetry, synchronise tax laws relating to the social sector, setting up a self-regulatory organization and information repositories and rigorous regulatory scrutiny to ensure that only bona-fide FPEs/NPOs are able to associate with the SSE. In short, there is a need to build an ecosystem that will enable the SSE to thrive and flourish in India.

7.9. Corporate Social Responsibility

CSR is a concept that suggests that it is the responsibility of the corporations operating within society to contribute towards economic, social and environmental development that creates positive impact on society at large.

Primary objective of CSR: To promote responsible and sustainable business philosophy at a broad level and encourage companies to come up with innovative ideas and robust management systems.

The Companies Act, 2013 is a landmark legislation that made India the first country to mandate and quantify CSR expenditure. The inclusion of CSR is an attempt by the government to engage the businesses with the national development agenda.

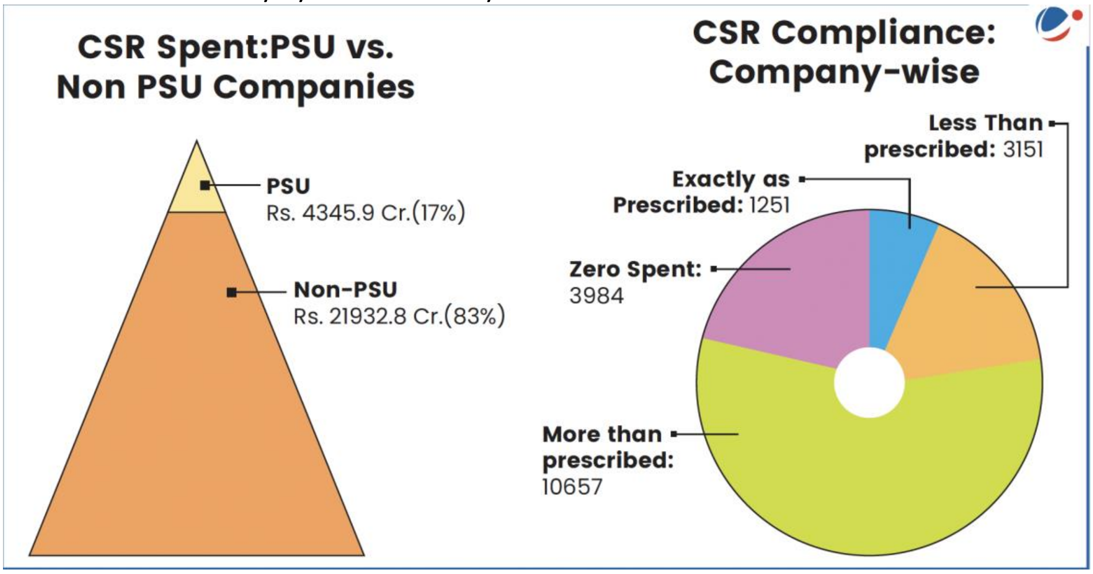
Section 135 of the Act lays down rules for CSR activity in India. o It mandates that every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on CSR activities.

The CSR activities in India should not be undertaken in the normal course of business and must be with respect to any of the 17 activities of CSR mentioned in Schedule VII of the act.

Student Notes:

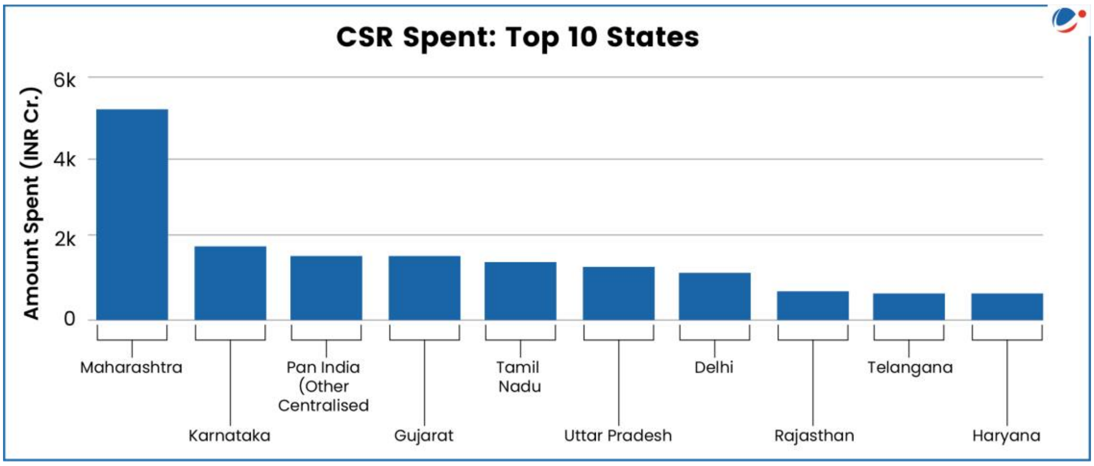
Recently, the report of a High-Level Committee (HLC) on Corporate Social Responsibility, set up under Injeti Srinivas in 2018 to review the existing framework submitted its report. Findings of the HLC include-

- **CSR expenditure by companies**: The total CSR expenditure by companies (Rs. 26,278) has increased substantially by 30% from the year 2018-19 to 2021-22.



- **CSR compliance**: Some of the major reasons reported for under-spending the prescribed amount on CSR are:
  - Problems in identifying a suitable project,
  - Selection of suitable implementing agency

    Multi-year projects, etc.
- **CSR expenditure across areas or subjects:** Out of the total expenditure on CSR activities, the projects related to health and sanitation have received maximum CSR funds. **Contribution to Central Government funds:** At present, CSR funds can be contributed to PM National Relief Fund, Swachh Bharat Kosh, Clean Ganga Fund and any other fund set up by Central Government.



- **Local area spending & Geographical disparity in CSR:** A major share of the total CSR fund available in a particular year is getting distributed in a few states, mainly due to the location of the Companies.

7.10. Reforms in MGNREGA

Centre is planning to link wages under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme to an updated inflation index (CPI-Rural), which will be revised annually.

Student Notes:

MGNREGA is a flagship program of the Ministry of Rural Development (MoRD).

Student Notes:

Reforms introduced and their benefits:

- **Transparency in wage payments, asset creation, and payment for materials:** Efforts were started for a 100% of geo-tagging of assets, AADHAAR linking of Bank Accounts, IT/DBT transfers for all wages, and material payments and Geographic Information System (GIS) based planning of works.
- **Durable Asset creation**: The 60:40 wage- material ratio mandated at Gram Panchayat level often led to non-productive asset being created simply because 60% had to be spent on unskilled wage labor in that Gram Panchayat. The first big reform was to allow 60:40 at the District level rather than at the Gram Panchayat level.
    - In spite of this reform, the ratio of expenditure on unskilled wage labor to overall expenditure remains higher than 65%. This has enabled a new thrust on durable assets that generate incomes. It allows the flexibility to undertake only those assets that are productive.
- **Creation of durable community and individual beneficiary assets**: A very large number of Individual Beneficiary Schemes like goat sheds, dairy sheds, Pradhan Mantri Awaas Yojana - Gramin (PMAY-G), farm ponds, water soak pits etc. have also been taken up. These assets have helped the under privileged to have access to alternative sustainable livelihood.
    - Similarly, building of Anganwadi Centres (AWC) has been a significant effort towards creation of durable community assets. Nearly 1,11,000 AWCs are being constructed in convergence with Ministry of Women and Child Development.
    - **Solid Waste Management** works have also been taken up on a large scale leading to cleaner villages, higher incomes, and more diversified livelihoods for the poor.
- **Mission Water Conservation Guidelines**: were drawn up in 2015-16 to focus on the dark and grey blocks where the ground water level was falling rapidly.
    - This partnership allowed availing the technical knowledge of engineers, scientists from Central Ground Water Board to build a robust technical manual and implement capacity development program for the frontline workers.
    - A special Barefoot Technicians program was rolled out to ensure better technical supervision.

Challenges associated with MGNREGA:

- **Low Wages**: The national average wage of an MGNREGA worker is ₹178.44 per day, less than half of the ₹375 per day national minimum (2019) wage recently recommended by a Labour Ministry panel under the chairmanship of Anoop Satpathy.
- **Wage Disparity**: Presently, five states have a daily minimum wage of Rs 375 or above while the highest MGNREGA wage is Rs 284 a day in Haryana. Uttar Pradesh pays among the lowest NREGA wages at Rs 182/day (which is 95% of the notified Rs 192).
- **Wage Revision method**: The wages paid under the scheme are tied to the consumer price index (CPI) for agriculture work (CPI-AL). This is problematic.
- **Underemployment**: As per the official numbers available on the MGNREGA website, in 2020-21, average days of employment provided per household was 52 which was 48 days in 2019-20, and 51 days in 2018-19.
- **Workers penalized for administrative lapses**: The union ministry withholds wage payments for workers of states that do not meet administrative requirements within the stipulated time period e.g., submission of the previous financial year's audited fund statements, utilization certificates, bank reconciliation certificates etc.
- **Too much centralization weakening local governance:** A real-time MIS-based implementation and a centralized payment system has further left the representatives of the Panchayati Raj Institutions with literally no role in implementation, monitoring and grievance redressal of MGNREGA scheme.

Some Initiatives to streamline MGNREGS:

- **NREGAsoft** is a local language enabled workflow-based e-Governance system which makes available all the documents like Muster Rolls, registration application register, job card/employment register etc.
- **GeoMGNREGA** uses space technology to develop a database of assets created under MGNREGS using technological interventions like mobile based photo geo-tagging and a GIS based information system for online recording and monitoring.
- **Increased accountability**: Various citizen centric mobile Apps like Gram Samvaad Mobile App and JanMnREGA (an asset tracking and feedback app for MGNREGS assets) have been developed, which aim to empower the rural citizens by providing direct access to information and improve accountability to the people.
- **Project 'LIFE-MGNREGA'** (Livelihood In Full Employment) aims to promote self- reliance and improving the skill base of the MGNREGA workers, so that they can move from current status of partial employment to full employment status.

7.11. Circular Economy

The circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended.

As per Ministry of Electronics and Information Technology, Circular economy (CE) is an industrial system that is restorative or regenerative by intention and design. It replaces the end-of-life concept with restoration and regeneration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse and return to the biosphere, and aims for the elimination of waste through the superior design of materials, products, systems, and business models.

Need for a Circular Economy

- **Rise in consumerism**: The rise in consumerism has led to more frequent replacement of assets on account of increased spending power and economies of scale.
- **High resource demand**: At the current rate of growth of the economy, India's resource requirements are projected to be nearly 15 billion tonnes by 2030. Therefore, there is an urgent need for decoupling economic growth from resources, which can be achieved through a circular economy approach.
- **Import dependence**: India's dependence on the international market for accessing critical resources like rare earth minerals etc. due to shrinking reserves, technical constraints etc.
- **Waste creation**: The traditional linear economy approach results in massive waste generation at all stages of a product life cycle.

Benefits of a Circular Economy

- **Fewer Greenhouse Gas Emissions:** As a circular economy uses renewable energy, it could halve carbon dioxide emissions by 2030, relative to today's levels.
- **Fewer Negative Externalities** – Following the circular economy's principles, negative externalities such as land use, soil, water and air pollution are better managed, as well as the emission of toxic substances and climate change.
- **Increased Potential for Economic Growth:** The increase in revenues from new circular activities, together with a cheaper production by getting products and materials more functional and easily disassembled and reused, has the power to increase GDP.
- **Employment Growth** – According to the 'World Economic Forum ', the development of a circular economy model, can bring greater local employment in entry-level and semiskilled jobs. New job will be created through increases in:
    - Recycling and repairing practices,

Student Notes:

- An increase in new businesses due to innovation processes and new business models
- **Volatility Reduction and Safeguarded Supplies**: More recycled inputs would be used, leaving companies less dependent on the volatility of the price of raw materials.

Way Ahead

- **Need for Legislation** to promote the circular economy in the country. Several countries have recognized the centrality of the circularity as the new paradigm for sustainable development.
- Policies like Zero Effect, Zero Defect in manufacturing stage, National Electricity Mobility Mission Plan in consumption stage, and the various Waste Management Rules in disposal stage, if tweaked properly, can be the ideal for integrating circular economy into the fabric of the Indian economy.
- Ensuring the transition to circular economy call for extensive collaborative efforts between key stakeholders, including regulators, policy makers, corporates, and financial institutions would need to work to adopt circular business models.
- **Adequate financing needed** for realization of these newer opportunities through innovative financing instruments, such as green bonds, municipal bonds, SDG-aligned bonds.

8. Towards Inclusive Growth

Inclusiveness demands that the sectors that we promote going forward should be employment intensive as well highly productive.

- **Service sector** is the major employer in India accounting for over 50% of GDP and 30% of employment. Continued growth in domestic and export services is expected, and will be increasingly important in the face of uncertainty in the manufacturing sector.
- **Manufacturing Sector:** In face of **automation,** workers need to adapt to changing demand. India must develop an enhanced skills development framework. Such a framework should be accessible, driven by demand, linked to employment opportunities and enable individuals to quickly up-skill and re-skill.
- **MSMEs:** The adoption of digital technologies and emergence of digital platforms, such as in e-commerce and digital financial systems, are improving the business viability of microenterprises in India**.** In order to support inclusive growth among micro and small-sized firms, India must improve financial connectivity**.**
- **Digital Economy:** With increased digitization, new kinds of jobs will be created. It will create contract work and self-employment. Social benefits that are linked to employment should be accessible to individuals directly. Potential issues such as depressed wages, low productivity, and economic insecurity need to be managed through new policy frameworks.
- **Formal Labor:** It is imperative that India leverages digital technologies to bring workers into the formal labor force, connects individuals to social protection systems, and finds ways to effectively prepare people for a changing employment ecosystem.

Further, growth is a necessary but not a sufficient condition and **multiple interventions** are required at different levels to achieve the objective of decent jobs for all, such as:

- **Non-farm jobs**: As of 2022-23, agriculture accounts for 15% of Gross Domestic Product (GDP) and it absorbs about 45% of the workforce. Thus, over-dependence on agriculture should be reduced and alternative avenues of employment in the manufacturing and services sector must be created.
- **Shift to the formal sector**: A shift to the organized/formal sector should be encouraged by creating incentives in terms of regulations, tax reduction, labour laws etc.
- **Reforming export strategy:** India can increase exports by playing on its strengths such as exporting simple consumer goods, thereby creating employment.
- **Strengthen small and medium enterprises (SMEs):** SMEs generate much more employment than large capital-intensive enterprises.

Student Notes:

Student Notes:

- **International agreements**: India should push for inclusion of Free Trade in Services Agreement as part of ongoing trade negotiations, thereby creating more employment opportunities.
- **Competitiveness**: Measures such as lowering of corporate tax rates, better public infrastructure, access to quality affordable power supply, better access to finance etc. need to be taken to increase competitiveness in the economy.
- **Increasing public sector investment:** to crowd in private sector investment and kick-start growth.
- **Retraining**: Automation is impacting existing employment not only in IT and BPO but in a host of other manufacturing sectors like automobiles, engineering etc. This requires retraining of existing workforce.
- **Start up:** Youth should be encouraged to explore the entrepreneurship option, and create jobs, rather than looking for secure wage employment.

Therefore, effective measures must be taken to curb unemployment and reap the rich demographic dividend of India. Success of a future inclusive growth agenda would depend investment in employment intensive sectors and ensuring equal participation across various regions, gender and social groups. For India, investment on universal quality education and universal quality health care hold the key for inclusive growth.

9. Previous Years UPSC Mains Questions

Student Notes:

1. With a consideration towards the strategy of inclusive growth, the new Companies Bill, 2013 has indirectly made CSR a mandatory obligation. Discuss the challenges expected in its implementation in right earnest. Also discuss other provisions in the Bill and their implications. **(2013)**
2. Capitalism has guided the world economy to unprecedented prosperity. However, it often encourages short-sightedness and contributes to wide disparities between the rich and the poor. In this light, would it be correct to believe and adopt capitalism for bringing inclusive growth in India? Discuss. **(2014)**
3. While we found India's demographic dividend, we ignore the dropping rates of employability. What are we missing while doing so? Where will the jobs that India desperately needs come from? Explain. **(2014)**
4. The nature of economic growth in India in described as jobless growth. Do you agree with this view? Give arguments in favour of your answer. **(2015)**
5. Pradhan Mantri Jan Dhan Yojana (PMJDY) is necessary for bringing unbanked to the institutional finance fold. Do you agree with this for financial inclusion of the poor section of the Indian society? Give arguments to justify your opinion. **(2016)**
6. Comment on the challenges for inclusive growth which include careless and useless manpower in the Indian context. Suggest measures to be taken for facing these challenges. **(2016)**
7. What are the salient features of 'inclusive growth'? Has India been experiencing such a growth process? Analyze and suggest measures for inclusive growth. **(2017)**
8. It is argued that the strategy of inclusive growth is intended to meet the objectives of inclusiveness and sustainability together. Comment on this statement. **(2019)**
9. Explain intra-generational and inter-generational issues of equity from the perspective of inclusive growth and sustainable development. **(2020)**
10. Is inclusive growth possible under market economy? State the significance of financial inclusion in achieving economic growth in India. **(2022)**

Student Notes:

10. Vision IAS GS Mains Test Series Questions

1. ***A resilient and prosperous MSME sector is essential for making a big impact on India's inclusive growth story. Discuss in context of the issues faced by the sector. 2023-4-2077***

Approach:

- In introduction, provide data conveying the contribution of the MSME sector to India's economy.
- Discuss how the MSME sector brings inclusive growth.
- Mention various challenges associated with the sector.
- Conclude by briefly providing steps being taken in this regard or some suggestive measures.

Answer:

According to RBI, MSMEs contribute around 45 per cent to manufacturing output, approximately 40 percent of exports, forms nearly one third of India's GDP and provides employment to approximately 11.1 crore people. It is hence considered as the backbone of the Indian economy.

A resilient and prosperous MSME sector will make huge impact on India's inclusive growth story in the following ways:

- **MSMEs and employment generation:** The MSME sector in India has been recognised as the second highest employment provider after the agriculture sector and has special significance because of its low investment requirements. Also, the labour intensity in the MSMEs sector is observed to be four times higher than the large industries.
- **MSMEs and regional dispersal of industries:** While large scale industries are concentrated in some of the major states and metropolitan cities, the MSME enterprises are spread over the entire length and breadth of the country.
  - Further, it has the potential to make the **rural economy self-sufficient** and de-hyphenate it from the performance of the agriculture sector.
  - Being a labour intensive sector, it has the potential to reduce the problem of disguised unemployment from the agricultural sector.
- **MSMEs and entrepreneurship by vulnerable sections:** A significant proportion of the MSME enterprises are owned by people belonging to the vulnerable sections of the society.

However, there are few challenges in realising the potential of the sector, such as:

- **Infrastructure bottlenecks:** The MSME clusters are inadequately equipped with necessary support systems and basic infrastructure, which not only impede their day-to-day business operations but also their future growth prospects.
- **Access to Credit and Formalisation:** MSMEs mainly operate in the informal space, thus, assessing their creditworthiness becomes difficult. Also, the small size of their operations reduces the ability to raise risk capital.
- **Delayed Payments:** MSMEs are ancillary units catering to the needs of large industries and often face the problem of delayed payments, affecting their cash flow and working capital availability. Although MSME Development Act, 2006 penalises delayed payments by the buyers, weak bargaining power and the fear of losing the business prevents MSMEs to invoke this provision.
- **Competition:** Use of traditional means, obsolete technologies along with low level of innovation and entrepreneurship makes the sector less competitive.

In this regard, government has taken many initiatives e.g., Scheme of Fund for Regeneration of Traditional Industries (SFURTI), A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (ASPIRE), Credit Guarantee Fund Scheme for Micro and Small Enterprises, Credit Linked Capital Subsidy Scheme (CLCSS) etc. However, there is a further need to adopt recommendations of the **U. K. Sinha committee** to bring changes in MSME Development Act.

Student Notes:

2. Access to land and effective control over it are crucial for inclusive growth and poverty eradication in India. Elaborate. Also, discuss the land reform measures adopted in India in recent times to ensure inclusive growth.

Approach:

- Write some facts about landlessness in India and elaborate on how access to land and effective control over it are crucial for inclusive growth and poverty eradication in India.
- Discuss some recent land reforms adopted by India for inclusive growth.
- Conclude accordingly.

Answer:

The Socio-Economic Caste Census of 2011, put the **households with no land at 56.41 percent of total rural households.** Similarly, the **Draft National Land Reforms Policy** released in July 2013 stated that 31 percent of all households are landless.

Access to land and effective control over it are of fundamental importance not only for economic growth but also for poverty eradication and inclusive growth in the following ways:

- **Reduction in poverty:** Approximately 54.6 percent of the total workforce is engaged in agriculture and allied sectors. In this context:
  - Those **without property rights** generally lack the incentive or even the authority to invest in the land, which could lead to higher returns.
  - Secure land rights provide **better credit accessibility** and act as an insurance substitute in the event of shocks.
  - Research suggests that land ownership will create opportunities to **increase investment in the development** of children, which may help in breaking the inter-generational transmission of poverty.
- **Inclusive growth:** It will help in eradicating socio-economic or productive exclusion by giving the owners assets in the form of land, which will create avenues of income generation for them.
  - Similarly, it will help empower women and marginalized sections of the society if they get land ownership rights, as it would provide them a **sense of security**, a **stronger voice** in exercising their rights and a **buffer against economic and environmental shocks**.

Since independence, several measures such as a**bolition of intermediaries, tenancy reforms and ceilings on landholdings were adopted, and consolidation and distribution of landholdings** were envisioned. **In the past few years, India has taken the following land reforms measures focussing on inclusive growth:**

- **Digital India Land Record Modernisation Program (DILRMP)**: It was introduced in 2016 to computerize and update all land records and digitize maps and surveys. It aims to provide conclusive titles of land ownership, reduce disputes and facilitate quicker transactions of land.

Student Notes:

- o **Unique Land Parcel Identification Number (ULPIN) Scheme**: Launched in 2021, under this scheme, a 14-digit identification number would be provided to every surveyed parcel of land.
- **SVAMITVA Scheme**: It is a property survey programme launched in 2020 to map residential land ownership in the rural sector using modern technology like drones. Recognised owners will be provided property cards.
- **The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (LARR), 2013:** The Act contains provisions to provide fair compensation to those whose land is taken away, brings transparency to the process of acquisition of land to set up factories or buildings, infrastructural projects and assures rehabilitation of those affected.
- **The Model Agricultural Land Leasing Act, 2016:** It recognises farmers who are cultivating on leased lands and enables loan accessibility to them through institutional credits.
- **The Draft Model Contract Farming Act, 2018:** It aims to protect the interests of farmers through a forward contract. It also restricts the development of permanent structure on farmers' land/premises. Further, it ensures that no right or title of interest of the land shall vest in the contract farming sponsor.

Also, in this regard, the **NITI Aayog has framed a Draft Model Act and Rules on Conclusive Land Titling in 2019**, which is under discussion. Since the subject of 'land' and its management falls under the State List, the success and failures of land reforms lie on the state governments. State initiatives such as the Bhoomi project of Karnataka is a successful example, which can be replicated on a pan-India level.

3. Do you agree that high economic growth in the post-reform period has not resulted in growth trickling down to the marginalised sections, rendering inclusive growth a major concern? Justify your answer.

Approach:

- Highlight the high economic growth in the post-reform period.
- Discuss the major concern of poor inclusive growth despite high economic growth.
- Conclude by providing a recommendation to continue to focus on growth while balancing it with redistribution.

Answer:

Since the 1991 reforms, India's economy has experienced remarkable growth, with the **GDP expanding from $270 billion in 1991 to $3.2 trillion in 2021**. Also, India's per capita income at current prices rose at a **compound annual growth rate (CAGR) of 11.2% between 1991-92 and 2019-20.**

Though this robust economic growth has propelled India to become the **fifth-largest economy** in the world, but it has not resulted in growth trickling down to the marginalised sections, rendering inclusive growth a major concern as follows:

- **Economic inequality:** While India is one of the fastest growing economies in the world, it is also one of the most unequal countries. For example, According to an Oxfam report, the top 10% of the Indian population holds 77% of the total national wealth.
- **Low job creation:** India's growth since 1991 is often termed "jobless growth" with a major proportion of population engaged in low income jobs in agriculture and unorganised sectors. For example, employment CAGR has been a mere 1.04% between 1991-92 and 2017-18.

Student Notes:

- **Low human development:** The UNDP's HDI ranked India at 132nd position in 2021 with an average score of 0.633 which is significantly lower than the world average of 0.732.
- **Multidimensional poverty:** Poverty is a manifestation of economic exclusion, and its persistence in India is an indicator of the lack of inclusive growth. For example, according to the 2022 report of the UNDP on MPI, **16.4 percent of the population in India is multi-dimensionally poor** while an additional 18.7 percent is classified as vulnerable to multidimensional poverty.
- **Low upward mobility:** The liberalisation of the economy in the 1990s boosted economic growth but has done little to improve the upward mobility of Indians due to unequal access to opportunities for disadvantaged groups based on factors like gender, caste, and religion.
- **Children's well-being:** NFHS-5 shows that 35.5% of children are stunted, 19.3% are wasted, and 32.1 are underweight.
- **Gender inequality:** Women's role in the household, especially caring for young children, reduces the likelihood of their labour market participation, thus making the process of development less inclusive. For example, India ranked 135 out of 146 countries in the Global Gender Gap Index, 2022.

To attain inclusive growth, it is necessary to focus on investments in primary as well as vocational education, health infrastructure, generation of employment opportunities, and inclusive financial services. Moreover, in agricultural states, where a major proportion of population is engaged, the establishment of area-specific agricultural industries, processing units, and infrastructural facilities such as storage and transportation can be the way forward.

4. Examine the relation between health and poverty. Discuss how inclusive healthcare can ensure inclusive growth for India.

Approach:

- Highlight the status of poverty and high health expenditure in India in the introduction.
- Establish the relationship between ill health and poverty.
- Discuss how inclusive healthcare can lead to inclusive growth for India.
- Conclude appropriately.

Answer:

In recent years, India has decreased its **multidimensional poverty** from **24.85% in 2015-16 to 14.96%** in 2019-2021 and **out-of-pocket expenditure** (OOPE) from **62.6% in 2014-15 to 47.1%** in 2019-20. However, India continues to have one of the highest numbers of poor people in the world.

The relationship between health and poverty is cyclical as explained below:

Ill Health and Poverty

- Poor health can lead to reduced productivity, which in turn **limits economic opportunities** and income. This contributes to the perpetuation of poverty.
- Given India's low public spending on health (**2.1% of GDP**), many households need to bear **catastrophic health expenditure,** which **impoverishes more than 55 million people annually** as per the WHO.

Poverty and Ill Health

- Poverty often restricts **access to clean water and sanitation facilities**. Thus, increasing the risk of waterborne diseases and perpetuating the cycle of poor health in impoverished populations.
- Further, people with limited financial resources may **struggle to afford nutritious food and timely health interventions,** which can contribute to the development of chronic diseases and impair overall well-being.

Inclusive healthcare refers to affordable healthcare access to all regardless of gender, race, financial status, etc. It **can ensure Inclusive Growth** in the following ways**:**

- **Reduction of inequality**: Inclusive healthcare can break the poverty-inequality cycle for marginalized groups like Tribals, Dalits etc., and foster inclusive growth by reducing OOPE, improving risk tolerance and stabilising long-term consumption expenditure.
  - *Ex: **The Affordable Care Act in the USA** reduced income inequality between different racial/ethnic groups.*
- **Empowering women**: Inclusive healthcare, encompassing maternal and reproductive services, prenatal and postnatal care etc., positively impacts women's participation in the workforce and decision-making processes.
  - *Ex: **Comprehensive health care service for women in the Nordic region** has led the employment rate for women in the **region to stand out globally at 73.5 per cent.***
- **Balanced regional development**: Inclusive healthcare has the potential to bridge rural-urban and regional healthcare disparities, which would promote equitable health outcomes and balanced regional development in India.
  - ***Ex**: The **long history of prioritising inclusive healthcare in Kerala** has manifested itself in its inclusive growth as well.*
- **Progress of children**: By handling malnutrition and infectious diseases, inclusive healthcare leads to better educational outcomes, as healthy children are more likely to attend school and perform well, which in turn integrates them into India's long-term growth story.
  - ***Ex**: **Stunted children earn approximately 20% less as adults than their non-stunted counterparts***
- **Reducing Health-Related Barriers to Employment:** Inclusive healthcare, with medical interventions and technology-based support services, can overcome health barriers for individuals with disabilities in the workplace, contributing to inclusive growth.

Realising the significance of inclusive healthcare **to meet SDG 3,** India is consistently increasing its healthcare spending with a particular focus on public health through its **Ayushman Bharat Scheme**.

Student Notes:

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