

Inclusive Development

Intro. -

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Inclusive development is a process of development in which all the people (like rich & poor), all the geographical areas (like advanced states as well as the backward states, urban areas as well as rural areas) & all the economic

activities (like agriculture,
industry, services etc.) parti-
cipate in a fair manner.

Inclusive development not only leads to inclusiveness in society but it also ensures sustainability in the process of economic development.

If the development is not inclusive, then it can not sustain for a longer period of time because the aggregate demand & GDP will start

falling. This is because the MPC (Marginal Propensity to Consume) of the rich people is found to be lower & it becomes progressively lower with the increase in richness.

IMF Research (World Economic Outlook, 2016)

1% increase
in
Income → Top 20%



GDP Growth Rate



0.08 points

1 % Increase
in
Income } → Bottom 20 %



GDP growth rate



[↑]

0.38 points

In 2014, the OECD wrote -

' Policies that help to limit

or reverse inequalities not

only make societies less unfair

but also wealthier.'

In India, the goal of inclusive development was first adopted through the 11th FYP.

Presently, it is the part of the SDGs.

Note:

Inclusive Dev. is related with the issue of intra-generational equity.

Sustainable Dev.

Inclusive Dev.



Inter-generational
Equity



Intra-generational
Equity



Present = Future
Generation = generation



A = B



Resource use



Income & Assets

Is India having exclusionary dev.?



Yes

why? →

1. World Inequality Report, 2022

(i) Top 1% → 22%

(National Income)

(ii) Top 10% → 57%

(National Income)

(iii) Top 10% → Average Annual Income

↓
₹ 11,66,520

(iv) Bottom 50% → Average Annual Income

↓
₹ 53,600

2. The Survival of the Richest: The India Story
(by Oxfam; Jan 2023)



- (i) Top 5 % → 62% (Wealth)
- (ii) Top 10 % → 72% (---)
- (iii) Bottom 60% → 3% (---)

3. Inclusive Development Index, 2018

↓
By World Eco. Forum

↓
Indian Rank - 62th

Conclusion: India is having
exclusionary development,
not inclusive development.

How to ensure inclusive dev.?



- (i) To ensure equal opportunities for all.
- (ii) To increase the access of all the people to education & health.
- (iii) Financial Inclusion
- (iv) More use of direct taxes & less use of indirect taxes.
- (v) The use of a fiscal policy which has features of progressive taxation & high social expenditures.

Apart from the above, the following points may also be considered -

- (i) dev. of non-farm activities.
- (ii) accelerated dev. of agriculture.
- (iii) PURA - Providing Urban Amenities in Rural Areas
- (iv) Focus on skill dev.
- (v) Provision of social safety nets for the poor.
- (vi) Promoting FDI & domestic investment in the backward states.

(vii) Empowerment of socially & educationally backward groups.

(viii) Adoption of the policies of Gender-balancing, etc.

	Income	Consumption	MPC
1.	<u>₹ 100</u>	₹ 90	0.9
2.	₹ 10,000	₹ 9000	0.9
3.	₹ 1,00,000	₹ 90,000	0.9
4.	₹ 1 crore	₹ 80 lakh	0.8
5.	₹ 10 crore	₹ 5 crore	0.5
6.	₹ 100 crore	₹ 20 crore	0.20

$$AD = C + I + \underbrace{G}_{\text{G}} + \underbrace{X - M}_{\text{Net Exports}}$$

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