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IJRCM

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   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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SIGNIFICANCE OF INCLUSIVE GROWTH IN INDIAN ECONOMIC DEVELOPMENT – A STUDY

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ABSTRACT

India today is the world's fourth-largest economy of around a trillion dollars. Economic reforms initiated in the 1990s have transformed the Indian economy from an inward-looking economy with moderate growth to an internationally competitive, fast growing economy. Average annual growth has increased from 3.6% during 1951-52 to 1980-81, referred to as the Hindu rate of growth, to an average of 6.6% during 1991-92 to 2006-07. Economic reforms have accelerated the pace of integration of the economy with the rest of the world. The ratio of external trade to GDP has gone up from 12.7% in 1950-51 (it had declined to a low of 7.5% in 1970-71) to 34.4% in 2005-06.This global integration has improved the international competitiveness of the economy by reducing rent seeking and encouraging technological innovation. The rate of growth has accelerated and the level of poverty reduced. By sustaining this high growth, as envisaged in the 11th Five Year Plan, which began on April 1, 2007, India will become a middle income country in terms of the current World Bank threshold level of per capita income of $875. Growth, though crucial for reducing the level of poverty and improving living standards of our people, is not enough by itself. It needs to be more inclusive, more widespread and accompanied by moderate inflation. The question most important is of two India's: "While India's top students at the best educational institutions are setting global standards, many, if not most of the country's children, leave government primary schools with few basic skills. While we have "medical tourism" from abroad, most primary health centres do not function well. While the Tatas and Mittals are acquiring global companies, our villages lack most of the basic amenities. While the price of urban property is escalating, the level of stunting and under-nutrition amongst the poor is alarming." our study has modest attempt to analyse the significance of inclusive growth in present day trend of down turn performance of Indian economy since 2011

KEYWORDS
Indian economy, growth.

1.1 INTRODUCTION

We need to make growth more inclusive—to expand access to opportunities so that all can participate, regardless of their individual circumstances. Inclusive growth basically means, "Broad based growth, shared growth, and pro-poor growth". It decreases the rapid growth rate of poverty in a country and increases the involvement of people into the growth process of the country. Inclusive growth by its very definition implies an equitable allocation of resources with benefits incurred to every section of the society. But the allocation of resources must be focused on the intended short and long term benefits of the society such as availability of consumer goods, people access, employment, standard of living etc. It sets a direct relationship between macro and micro determinant of the economy and its growth. The micro dimension includes the structural transformation of the society and macro dimension includes the country's gross national product (GNP) and gross domestic product (GDP). To maintain rapid and sustainable growth is some time very difficult this is because resources vaporises during the allocation and may give rise to negative externality such as rise in corruption which is major problem in the country. But however it has created an environment of equality in opportunity in all dimension of livelihood. Such as employment creation, market, consumption, production, and has created a platform for people who are poor to access good standard of living. If we focus on the inequality between poor and rich household in a country we can reach to an optimal solution so that we can minimize the difference.

Countries around the world, including India, have been buffeted by a succession of economic, financial and climate-related shocks over the past four years. Many countries in this region are finding it increasingly difficult to sustain past stellar rates of economic growth and poverty reduction, raising the spectre that even more of the poor will be left behind. All this is challenging governments to respond with policies to protect their citizens, especially their most vulnerable segments. This is not to say that the outlook for the region is overcast. Far from it but there are enormous challenges and risks, and the urgency for greater inclusion represents an overarching challenge in India.

True, the region has made remarkable progress over the past decade in reducing the rate of income-based poverty, thanks to its economic success and social policies. Yet, because of rising populations, the absolute numbers of people struggling on less than US $2 a day in the region is unacceptably high at an estimated 1.25 billion. What's more, income and non-income inequalities are widening between rich and poor, between rural and urban centres, and across different economic sectors. The idea of inclusive growth _ growth that is shared among all income strata _ is changing how the development community views the challenge of poverty reduction, which by itself is no longer enough. Countries are realising that inclusive economic growth will be the tide that lifts all boats. For a country's economic and social well-being, inclusive growth can change the outlook in two distinct ways. It facilitates greater sharing of an economy's gains, which brings with it social and political benefits. And by drawing on all the people as sources of growth, inclusive growth broadens an economy's human resource base and generates new sources of growth.

OBJECTIVES OF THE STUDY

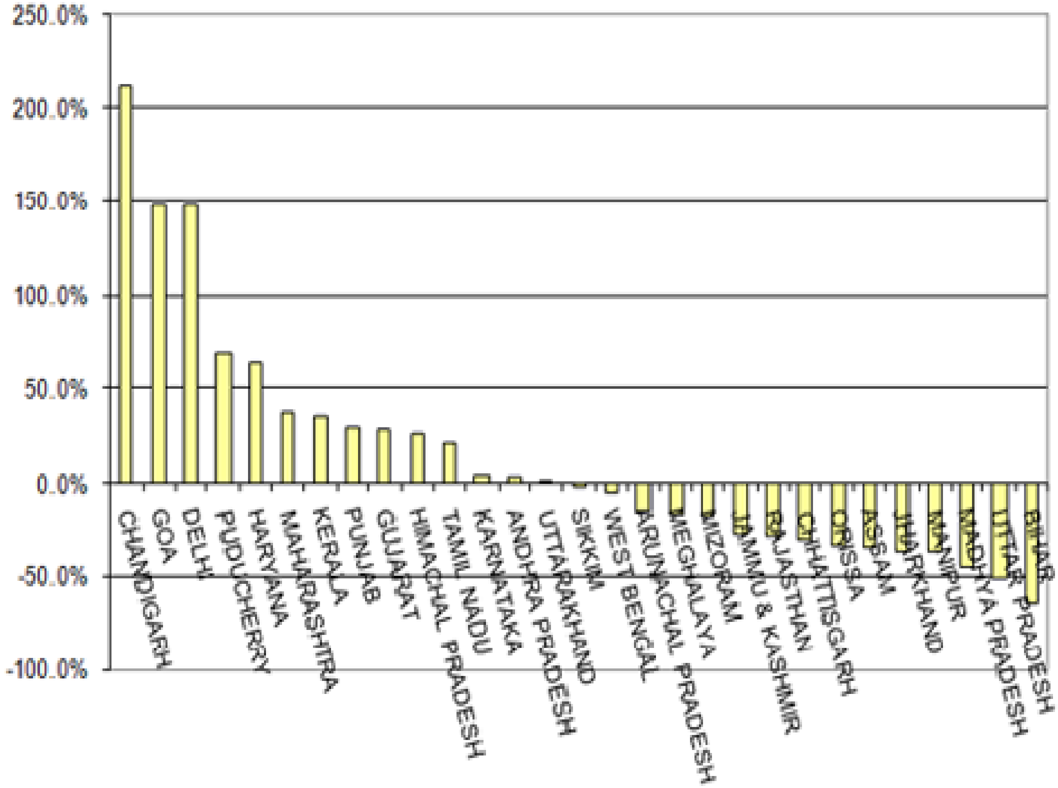
1. Study the over view of Indian economy in the context of inclusive growth strategy
2. study of needs of inclusive growth
3. study and analyse performance of inclusive growth
4. Finding and conclusion

1.2 SCENARIO INDIAN ECONOMY

Low per capita income and high poverty levels are the first indicators that Indian growth is not yet inclusive. There is marked disparity in growth among regions indicating that only a handful of states account for bulk of the growth. Growth obviously has not generated stable earnings for households to stay out of poverty. Growth has had less impact on females, tribal populations and religious minorities. India fares very poorly in social indicators with adult literacy rate of 61%, 50% only for females, average life expectancy of 63 years, and infant mortality rate at a very high 58 for 1000 live births. About 60% of the workforce in India is still employed in agriculture whose share has dwindled to about 19% of GDP. These disparities, to some extent, have resulted in the recent upsurge in Maoist violence, as well as increase of suicidal deaths among farmers.

The regional disparities in per capita income are vividly described in Figure below:

FIGURE 1: STATE PER CAPITA INCOME-DIFFERENCE WITH NATIONAL AVERAGE



Source: RBI Handbook of Statistics

The Northern, Southern and the Western states have prospered most in this rapid growth era which has by and large eluded the Central, Eastern, and the North Eastern states. The Chinese regional disparities do not exhibit negative per capita income growth as witnessed in the lagging states in India. Seven poorest states—Bihar, Chattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, and Uttar Pradesh—are home to more than half the poor. Inclusive growth will be elusive unless there is convergence to these regional disparities. Underlying all this is public services earmarked for the poor are weakest in the poorer states.A pressing issue is that the tribal population is concentrated in some of the poorest but mineral and forest rich areas. But they are not yet in a position to take advantage of these assets. There is need to step channelize investments from the top private sector CEOs. Large pledges of investment from the corporate sector confirm a clear support of the private sector for the excluded groups. The way out of exclusion is total literacy (education should be a fundamental right), skill development, increase in agriculture productivity, and better governance. As the discussions in the next section will elaborate, these are also required to assure one that there is Economic Security in India.

1.3 NEEDS OF INCLUSIVE GROWTH

The first need of India is making the growth more inclusive. This would require increasing the growth rates of the agriculture and allied sectors. With just around 18% share in GDP and more than half of the population dependent on agriculture, average income in agriculture is less than a quarter compared to the rest of the economy. Unless growth in this sector accelerates along with a reduction in the number of persons dependent on this sector, relative deprivation of this sector would persist. Government has adopted a four-pronged strategy to revive this sector. The first relates to augmenting the cropped area by raising irrigation and reclaiming wasteland.

The second relates to input delivery consisting of fertilisers, certified seeds, institutional credit and a revamped training and visit system to improve the yield levels and to reduce spreads across farms and regions in productivity. The third concerns improving the income levels. Instruments for that include support prices, agriculture insurance and encouraging value added agriculture through agro processing, marketing and storage. The fourth is farm plus activities like animal husbandry, horticulture and other related activities. The 11th Five Year Plan and the Union Budget 2007-08 have taken several initiatives in this regard.

The second need is improving the share of manufacturing. Not only our relative share of manufacturing but also the number of persons engaged in organised manufacturing has remained unchanged. The stable share of manufacturing often gives an impression that India is skipping the second stage of growth. The growth of transport, storage, communications, insurance, banking, trade and real estate has to be manufacturing driven. The resurgence of the manufacturing sector in 10th Plan gives us the confidence in this regard. Apart from the enabling macro economic environment, what be critical for the sustained buoyancy in manufacturing would be the investment in research and technology, removal of the current mismatch in availability and need of skills, and removal of infrastructural bottlenecks—both of physical and social infrastructure.

The third need is improving our labour participation rate. According to an ILO study, the labour force participation rate in India at 60.9% (age group 15-64) in 2005 was way behind China's 82%. There is a need for faster employment growth for not only absorbing the new entrants to the labour force but also to meet the rise in labour force due to a higher participation rate. While a lower growth in labour force participation rate or a lower labour to population ratio in the short run may give a lower unemployment figure, we cannot afford to forego the potential output from such a valuable source.

The fourth need is maintaining price stability. The data from 1951-52 to 2006-07 indicate that in the four years of GDP growth of over 9%, average annual inflation measured in terms of WPI was 3.9%. Inflation averaged 9.4% per annum in the four years when GDP growth was negative. In the other 48 years, with GDP growth between 7 and 9% (12 years); GDP growth between 5 and 7% (14 years); GDP growth between 3 and 5% (11 years); and GDP growth between 1 and 3% (11 years) inflation averaged 8.6%; 6.6%; 5.2% and 4.9%, respectively. There does not appear to be any consistent relation between inflation and growth. While it is difficult to indicate the level of inflation beyond which it would start impinging on growth, tolerance to inflation may have declined over time, and a moderate inflation is necessary for a moderate interest rate regime and stable exchange rate. It is well known that inflation hurts the vulnerable sections the most.

The fifth need is fiscal consolidation. The Fiscal Reforms and Budget Management Act provide the necessary institutional mechanism and a roadmap. This will not only improve the credibility of the government and reduce the crowding out; but it will also provide the needed fiscal space for allocating larger resources for capital investment, especially in social and economic infrastructure.

1.4 ECONOMIC PERFORMANCE UNDER THE STRATEGY OF INCLUSIVE GROWTH

Reforms undertaken in the early 1990s made India one of the world's fastest growing economies. The boom of the IT industry and improved agricultural production created an atmosphere of optimism, which led to the coining of phrases, such as Incredible India, India Shining, and India 2020 around the end of the millennium. The Indian growth story has been one of high Gross Domestic Product (GDP) growth but primarily driven by the growth in services sector. Not all sectors of the economy have grown at the same pace as is reflected in the relatively low agricultural growth rate, low-quality employment, poor education, inadequate healthcare services, rural-urban divide, social inequalities, and regional disparities. Growth that is not inclusive affects the society, the economy, and the polity. A lack of inclusive growth can result in real or perceived inequities, which has its own social ramifications. Inclusive growth promotes economic growth partly by broadening the base for domestic demand and partly by increasing the number of people with a stake in reforms and in a stable government. Inclusive growth thus seeks to broaden the flow of benefits of globalization towards the currently excluded sections. However, for achieving inclusive growth, it is essential that the diffusion of opportunities be supported with good governance and accountability. In order to reduce disparity and promote inclusive growth, the Indian government has set state-specific targets for parameters, such as GDP growth rate, agricultural growth rate, new work opportunities, poverty ratio, dropout rate in elementary schools, literacy rate, gender gap in literacy rate, infant mortality rate and maternal mortality ratio. In the last few years, inclusive growth has been at the forefront of studies sponsored by multilateral aid agencies, such as the United Nations, the World Bank, Asian Development Bank, and several nongovernmental organizations (NGOs). Successive governments have initiated several projects, such as Jawahar Rozgar Yojna, Integrated Rural Development Program, Rural Housing Scheme, and Swarnjayanti Gram Swarozgar Yojana to promote inclusive growth. However, for inclusive growth to happen in a country with the scale and size of India, private sector involvement is equally important. The private sector has started contributing with initiatives, such as the ICICI Foundation having been set up with the sole purpose of promoting inclusive growth. The government and private sector can play complementary roles in driving inclusive growth. There is a need for the public and the private sector in India to have a unified approach towards how they can extend, innovate, and collaborate in new ways to drive inclusive growth. India is expected to see a slower economic growth of 5.9 per cent in the current fiscal even as there are reasons to believe the "economy has turned the corner", an United Nations agency report said today. The UN Economic and Social Commission for Asia and the Pacific (ESCAP) said India's growth has been slowing down since 2011, mainly on account of "severe" monetary tightening by the Reserve Bank of India. "India is projected to grow at 5.9 per cent in 2012-13 compared with 6.5 per cent in 2011-12," UN ESCAP said in the report titled 'South and South-West Asia Development Report 2012-13'. Projecting a GDP growth of 6.8 per cent for 2013-14, it said there are reasons to believe the economy has turned the corner." Firstly, in September 2012, the government signalled its determination to pursue pending economic reforms including FDI in multi-brand retail and civil aviation and the partial phasing out of fuel subsidies," it noted. Further, this year's monsoon season was not as weak as initially feared.

India's GDP can be divided into three broad sectors – primary sector (agriculture), industrial sector and the services sector. The table below depicts the sector composition of GDP over the years.

1.4.1 AGRICULTURAL SECTOR

About half of our population is either wholly or significantly dependant for their livelihoods on some form of farm activity – be it crop agriculture, horticulture, animal husbandry or fisheries. With low levels of infrastructure and human development, and in a context replete with inequalities and uncertainty, rural India views its future transformation with both hope and trepidation. Expansion of farm incomes is still the most potent weapon for reducing poverty. Non-farm income opportunities such as post-harvest operations, maintenance of farm equipment, etc – offer a virtuous cycle connecting expansion of farm activity to that of rural non-farm income opportunities",

Agriculture growth is the key factor to inclusive growth and helps in raising rural incomes and purchasing power in rural India. Agriculture is one of the most important sectors of country's economy. According to the data of 2005, agriculture and its sub-sectors such as forestry, logging and fishing accounted for 18.6% of the GDP and employed 60 per cent of the India's population. Agriculture accounts for 8.56% of country's exports and more than 40 per cent of India's geographical area is used for agricultural purpose. It is still playing noteworthy role in the country's socio-economic development.

Newer challenges have now arisen for the agriculture sector. Land constraints, looming water shortage and worse, adverse effects of global warming and climate change threaten to destabilise the already fragile farm ecosystem. We need a long-term vision backed by a strategic action plan to address these challenges.

Data says that India has shown tremendous growth in almost every sector accept agriculture and benefits of high growth rate is not reaching to the poor people living in thousands of villages in the country. Even-handed and comprehensive growth will be possible if the people living in rural parts would get their share in growth. Concentrating on agricultural growth is the best probable way to inclusive growth in the country.

Agriculture is a living heritage and our policy makers should protect and promote it for the betterment of country's economic health. Rather singing the success story of first green revolution we should look at the structural weaknesses coming in the way of further growth in this sector including low public investment, fatigue of yield potential of new high-yielding varieties of crops, poor use of fertilizer, low frequency of seed replacement and low productivity per unit area in all crops. Improvement of crops quality and restoring soil health through organic farming techniques should be the next step. We should remember what Mahatma Gandhi had said –

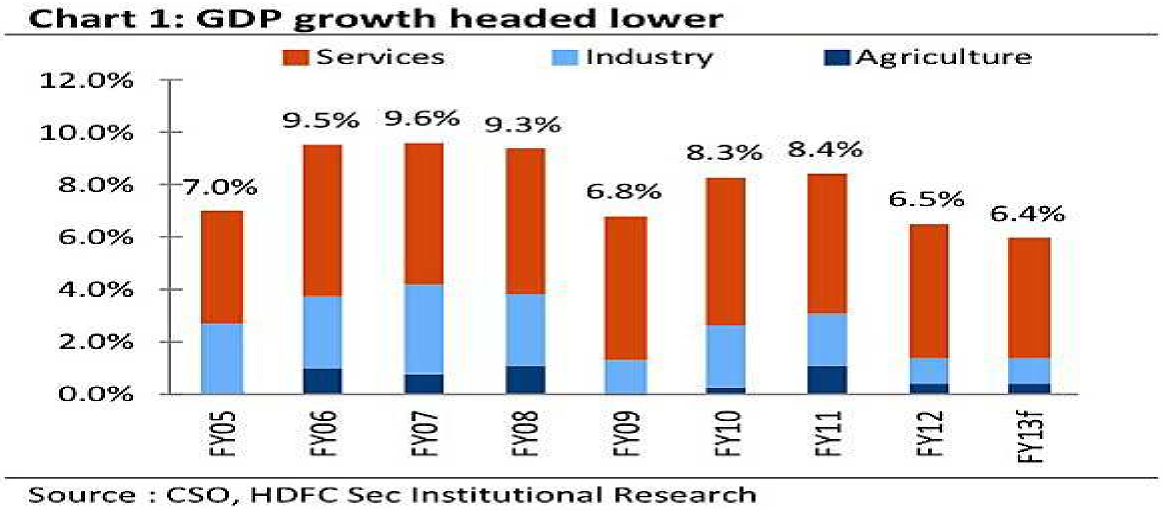
TABLE NO. 1: SECTORAL COMPOSITION OF GDP

Year	Agriculture	Industry	Services
1950-51	53.1	16.6	30.3
1960-61	48.7	20.5	30.8
1970-71	42.3	24	33.8
1980-81	36.1	25.9	38
1990-91	29.6	27.7	42.7
2000-01	22.3	27.3	50.4
2010-11QE	14.5	27.8	57.7
2011-12AE	13.9	27	59

Source: Economic Survey 2011-12

Over all GDP growth in India has slowed down from 8.4% in FY11 to 6.5% in FY12, with growth in mining being negative and growth in manufacturing being as low as 2.5% in FY12 (as against 7.6% in FY11)

FIGURE 2: GDP GROWTH UNDER INCLUSIVE GROWTH



- Agriculture has registered considerable decline in growth from 7.0% in FY11 to 2.8% in FY12. This may be treated as a high base effect rather than dismal growth as food grain production has been robust, touching record highs, owing to favourable monsoons in FY11 (especially, after the drought of 2009-10).
- The negative growth registered in the Mining and Quarrying sector is a signal towards need for policy reforms in this sector. This is particularly driven by lower production activity in the coal and crude oil segments.
- Manufacturing has clearly showed signs of deceleration in FY12, with IIP moderating to 2.8% in FY12, as against a high of 8.2% in the previous year.
- The interest-rate sensitive sector of financing, insurance, real estate and business services has registered a decline in growth from 10.4% in FY11 to 9.6% in FY12, as a result of monetary tightening in most part of FY12.

1.4.2 MANUFACTURING SECTOR

The history of economic development followed a pattern of pulling people out of agriculture, moving them into non-farm activities such as into manufacturing and then into services. The present growth pattern led by high service sector growth and a stagnant manufacturing sector is leading to a rural-urban divide. Manufacturing is crucial to the Indian economy. The effect of improvement in manufacturing sector goes far beyond the goods provided by it. Manufacturing sells goods to other sectors and in turn buys materials and services from them for its growth and development. Manufacturing spurs demand for everything from raw materials to intermediate components.

FIGURE 3: TREND IN GROWTH OF MANUFACTURE SECTOR OF INDIA

As the graph above depicts, the growth of the manufacturing sector has been erratic. The worrying part is that this growth is going downward. As per the economic survey 2012, manufacturing grew by just by 3.9% in 2011-12 (Apr-Dec).

As is evident from the table above, the contribution of industrial sector to GDP has stagnated since 1991. Industrial sector can be further broken down into Manufacturing and Mining. Manufacturing constitutes roughly 16% of our GDP and has been stagnant at that level. India's GDP growth has essentially been services led growth with the share of agriculture consistently going down. This has naturally meant that growth has not been inclusive enough. It is often alleged that the reforms initiated in 1991 has not really benefited the poor as inequality has increased. Unfortunately, it ignores the stagnant state of manufacturing. So why is manufacturing important for inclusive growth?

Despite the emphasis on manufacturing sector in India's planning process, its share in real GDP, as of 2010-11, was only 15.8 per cent. There is a need to boost this sector, not only to increase output but also to gainfully employ a larger number of people. A number of recent studies have highlighted the growth of total factor productivity in the organised manufacturing sector in the past three decades. There, however, exist wide differentials in productivity between different States and different industry groups. Also, there is a large difference in productivity between the organised and unorganised sub-sectors of manufacturing. Considering that the latter accounts for almost four-fifths of total employment in the manufacturing sector, there is an urgent need to bridge the gap.

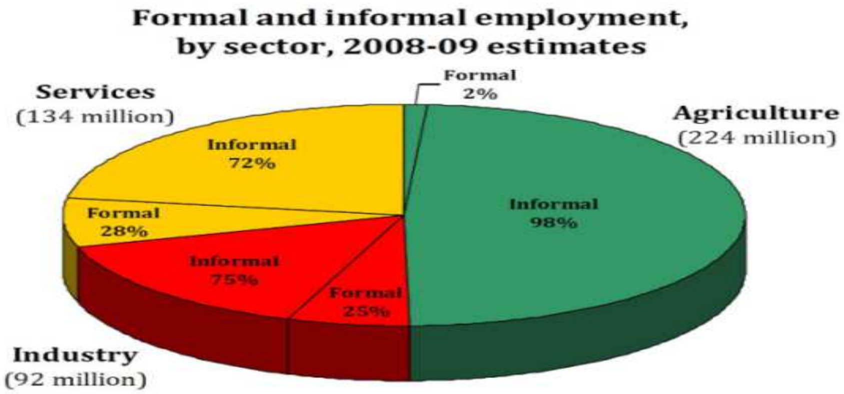
1.4.3 SERVICE SECTOR

THE EVIDENCE: India's labour force is fast approaching half a billion people, with about 8 million people added every year between the early 1990s and 2004-2005. Research conducted for the IDRC project "Globalization, Labour Markets and Inequality in India" 1 shows that a decade of steady economic growth has created an abundance of jobs and decreased the number of people living in poverty. However, it also shows that the growth has been disproportionate and has perpetuated an ever-widening wage gap between the educated, urban and formal workers and the non-educated, rural and informal workers in India. Jobs have been created in service industries like information technology, in large-scale manufacturing operations and in international companies looking to outsource their services.

These jobs, however, have been primarily geared toward India's well educated and highly skilled urban workforce. What has been absent during this period of growth is the development of mid-sized manufacturing enterprises that can provide labour-intensive jobs for India's less-skilled workers — the majority of its population.

The result of this uneven growth and the phenomenon of a "missing middle"—where employment is heavily concentrated in very small and very large companies—has created a situation where India's unskilled, mostly illiterate workers remain largely employed in agriculture, or in informal jobs with low productivity in basic manufacturing or services.

FIGURE 4: FORMAL AND INFORMAL EMPLOYMENT BY SECTOR

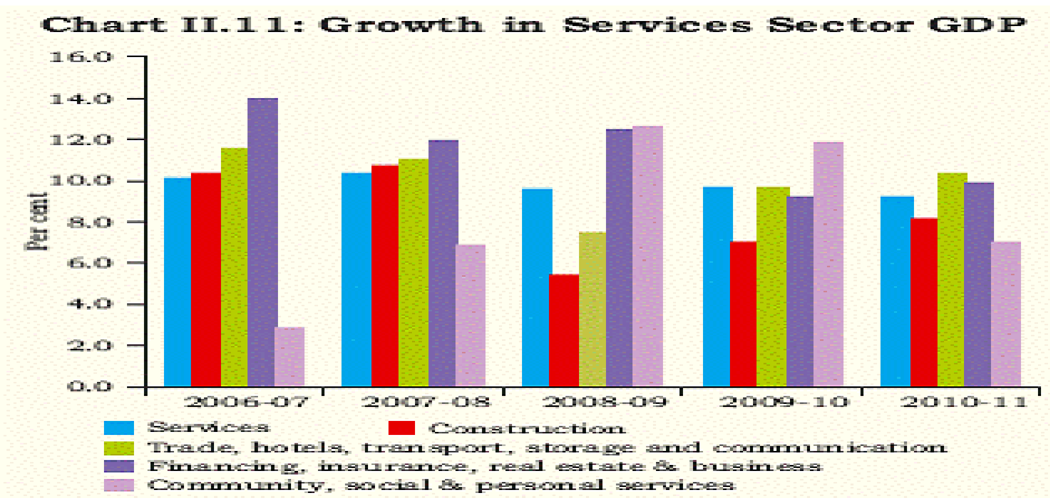


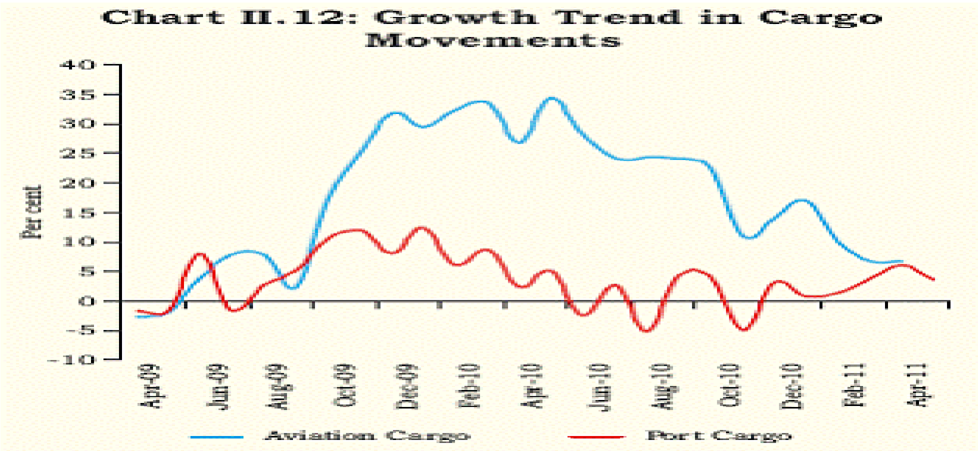
Source: Table 2.7 "Modified Current Weekly Status employment estimates" in *The Challenge of Employment in India Report*, National Commission for Enterprises in the Unorganised Sector, April 2009.

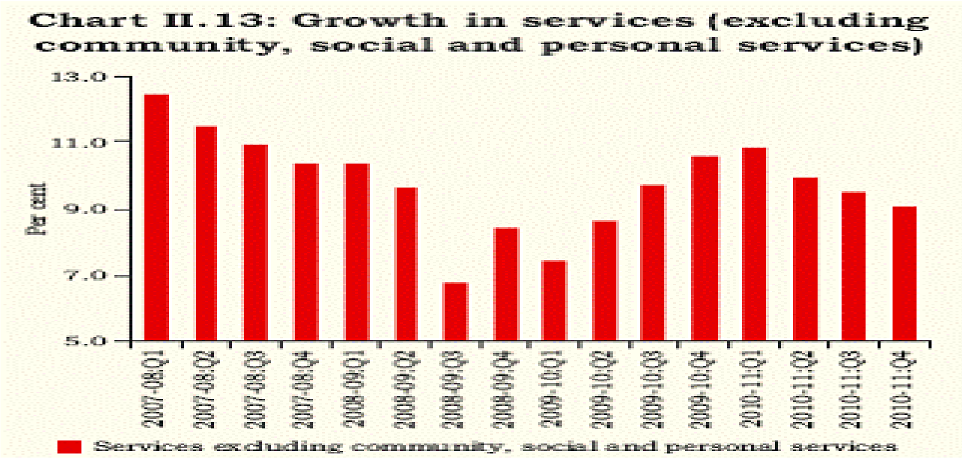
Services sector sustains momentum, albeit with marginal deceleration.

Services sector growth of 9.2 per cent in 2010-11 was marginally lower than that in the previous year largely due to deceleration in 'community, social and personal services' reflecting fiscal consolidation (chart II.11). Services dependent on external demand such as tourist arrivals, passengers handled at international terminals, export and import cargo showed acceleration in growth during 2010-11, indicating improvement in global economic conditions. Cell phone connections also registered double digit growth, though lower than the previous year. Cargo movements in sea ports and railway freight traffic showed signs of moderation during 2010-11 on account of capacity constraints (chart II.12).

Being the largest sector of the Indian economy, the services sector has significant implications for growth. It is export-intensive, employment-oriented and attractive for foreign direct investors. In view of the above, the sustainability of the services sector growth is important. One major challenge for its sustainable growth arises from its dependence on external demand. This increases its vulnerability to global economic developments, as was witnessed during the global financial crisis chart II.13 India is facing increased competitiveness in IT/ITeS and telecommunications of late. The sector has responded well so far, but in future the wage price pressures may pose a threat to growth and profitability. Another area where other countries have gained tremendously is tourism. India has potential but infrastructure such as road connectivity to tourist areas is a major challenge. Globally traded services, viz., financial services, health care, education, accountancy and other business services, also have vast potential for growth which is yet to be tapped.







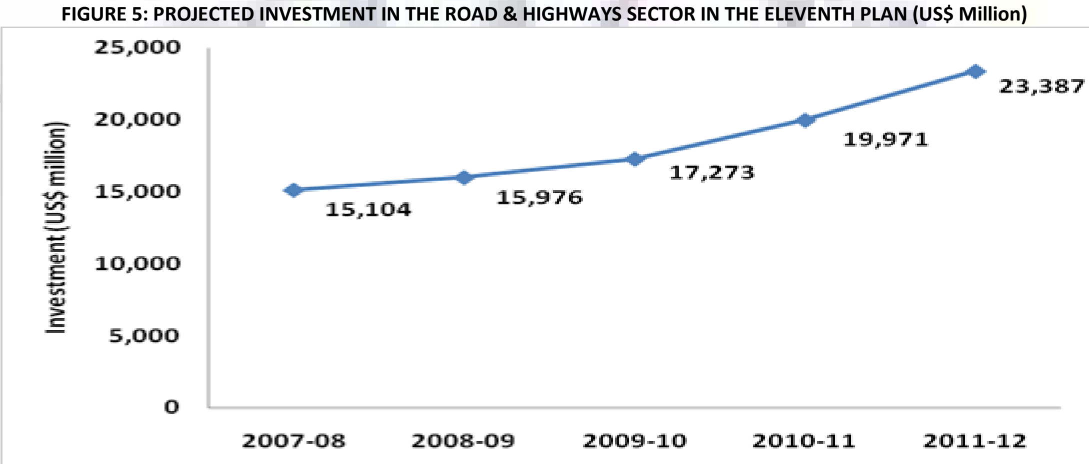
The Indian Health Care Federation has prepared a roadmap for making India a world-class destination for medical tourism. For this, accreditation of Indian hospitals is paramount as it will help in ensuring quality standards across a spectrum of speciality and super-speciality hospitals. In addition, to encourage medical tourism, there is a need to provide supportive infrastructure such as improved air connectivity, streamlining of immigration process along with developing health support infrastructure

1.4.4 INFRASTRUCTURE SECTOR

The Indian economy is growing at a remarkable rate and is estimated to become the third largest economy by 2050, according to a report by PricewaterhouseCoopers (PWC). The Indian Government has put forth liberalized policies and deliberate sector strategies that have helped in creating growth and opportunity areas for infrastructure companies. As a result, all major infrastructure sectors have also witnessed growth trends, with the roads and highways sector showing tremendous activities in the recent past. Various Government initiatives have also resulted in increasing the number of Public Private Partnerships (PPPs) in this sector.

Among the various reasons behind the rationale to invest in the Indian infrastructure sector, the main motivation is the fastest growing economy, very few limitations on Foreign Direct Investment (FDI) for infrastructure projects, tax holidays for developers of most types of infrastructure projects, some of which are of limited duration, and opening up of the infrastructure sector through PPPs. In fact, as per statistics, the projected spending during the financial year 2007-2012, within various infrastructure segments include US$ 167 billion for the electricity sector, US$ 65 billion for railway sector, roads and highways stood at US$ 92 billion and the port sector is expected to accumulate over US$ 22 billion spending during the same period.

FIGURE 5: PROJECTED INVESTMENT IN THE ROAD & HIGHWAYS SECTOR IN THE ELEVENTH PLAN (US$ Million)



Source: Ministry of Road Transport and Highways

This growth in the infrastructure sector is directly due to the rise in the developing services and manufacturing sector in the country which is mainly driven by increased spending of the middle class and Government's intention to improve the socio-economic conditions of the country. Construction is the second largest economic activity in India after agriculture, and recognising this, the Indian Government has already planned US$ 500 billion worth of investment into India's infrastructure sector in the Eleventh Five Year Plan.

1.5 CONCLUSION

India's record of achieving inclusive growth was examined in the context of the experiences of some of the Asian countries. These comparisons show that although India's growth since 2000 has been beneficial to the poor, India's achievements are fairly modest relative to the other Asian countries. This calls for a concerted effort to make India's growth more inclusive in the future. Several measures are outlined to strengthen the sources of inclusive growth. The main thrust of inclusive growth strategies has to be on the following key areas: (i) employment and growth in agriculture; (ii) increased public expenditure on education and health; (iii) improved infrastructure; and (iv) more effective governance at all levels. Manufacturing holds the key as India tries to eliminate poverty. 2004-14 looks to be a lost decade. If India fails to take corrective action, it wouldn't take long for our demographic dividend to turn into demographic disaster

Over the past two decades, India has moved away from its former dirigiste model and become a market-based economy. This process started in the mid 1980s and gathered substantial momentum at the beginning of the 1990s. Direct tax rates were significantly reduced, pervasive government licensing of industrial activity was almost eliminated, and restrictions on investment by large companies were eased. Furthermore, financial markets were reformed, with banks restored to health, entry barriers lowered, equity markets transformed and new supervisory bodies introduced. The process of reform has continued in this decade with a further opening of the economy to competition. The number of industries reserved for very small firms has been significantly reduced, and foreign suppliers have been encouraged to enter the market by a progressive lowering of tariffs to an average of 10% in 2007. The rules governing foreign direct investment have been markedly eased, notably in the manufacturing sector. Last but not least, fiscal discipline has been improved by the passage of fiscal responsibility laws for the central government and all but three of the 28 state governments.

These reforms have had a major beneficial impact on the economy. By 2006, the average share of imports and exports in GDP had risen to 24%, up from 6% in 1985. Inflows of foreign direct investment increased to 2% of GDP from less than 0.1% of GDP in 1990, with outflows of foreign direct investment picking up substantially at the end of 2006. The combined fiscal deficit of central and state governments has been reduced from 10% of GDP in 2002 to just over 6% of GDP by 2006, with the ratio of debt to GDP falling from 82% in 2004 to 75% by March 2007. There has been a massive increase in output, with the potential growth rate of the economy estimated to be around 8½ per cent per year in 2006. GDP per capita is now rising by 7½ per cent annually, a rate that leads to its doubling in a decade. This contrasts to annual growth of GDP per capita of just 1¼ per cent in the three decades from 1950 to 1980. Faster growth has resulted in India becoming the third largest economy in the world (after the United States and China and just ahead of Japan) in 2006, when measured at purchasing power parities, accounting for nearly 7% of world GDP. Moreover, with increased openness and rapid growth in exports of merchandise and IT related services, its share in world trade in goods and services had risen to slightly over one per cent in 2005, when measured at market exchange rates. Overcoming Inequality and Structural Poverty in India we need inclusive growth and development. Rather, we need to look at how the basic set-up of society systematically denies opportunities for large numbers of marginalised people in India.

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