

Towards the Measurement of Exclusiveness in the process of Growth after Liberalization in India

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It is well known that India has ranked a leading position in respect of growth amongst the countries in the globe since it has started out the process of globalization. Interestingly, this fastest growth rate in India has been basically driven by the service sector such that the contribution of the service sector to the GDP of India has reached a conspicuous figure of around 64% recently. However, what is surprising to note is that the employment elasticity of GDP has fallen remarkably from 0.52 to 0.12. Astonishingly, this high growth has been accompanied by high level of poverty (33%) as per the domestic poverty line and 44% as per the international poverty line of \$1 per day; high rate of unemployment (7 to 8%); massive illiteracy (28%); lack of health facilities for a vast majority of people living specially in rural areas; lack of safe drinking water for a majority of people not only in rural areas but in urban areas also; lack of access to organized financial sector for a vast majority of rural people and lack of other social amenities of life for descent or dignified levels of living for a vast majority of people. Parallely, it is also surprising to note that India has started following the policy of inclusive growth since 11th five year plan (2007-2012) which has been made strengthen during the 12th five year plan period (2012-2017) with its goal of fastest sustainable inclusive growth.

Now, it is almost well known that the term inclusive growth refers to a growth process in which the fruits of growth should be distributed in an egalitarian manner to all sections of people irrespective of castes, religion, ethnicity, sex etc. and also across all regions and sectors. This clearly implies a growth process which should involve all people, regions and sectors in a balanced manner such that the growth becomes the participatory growth. Now it is interesting to note that the adoption of the policy of inclusive growth essentially implies that the development process pursued before 11th plan has led to the exclusion/deprivation of a vast majority of people from getting the benefits of growth. So, instead of developing an index of inclusiveness, we developed an index of exclusiveness and try to account for the same. Actually, given the performance of remarkable growth achieved by India since its globalization and also by other emerging market economies like China and BRICS countries, the fundamental question which has cropped up is: has the growth been inclusive or to what degree the growth has been exclusive?

Naturally, before evaluating the growth and its distributive impact one has to have a complete perception about the measurement of inclusiveness or the reverse, the exclusiveness. Therefore, in this paper we try to develop the indices of exclusiveness for all the major 16 states of India and then to relate the indices with the globalization, inequality and growth across the states through the use of panel regression technique. We develop the Exclusiveness index by considering the proportions of populations deprived of having educations, health facilities, safe drinking water, employment and access to organized financial sector. The exclusiveness index is a composite

index which will be the weighted sum of the dimension indices of the all variables considered above such that the Indices will be constructed by following the UNDP method of construction of human development index.

Further, since the state specific data on export and import of goods and services are not available it is really difficult to measure the intensity of participation of states in international trade or the participation of the states in the process of globalization, we shall develop the indices of globalization of trade and finance for the 16 major states by following the methods of construction of region specific trade indices as has been developed by Marjit et. al. (2007). As a measure of inequality we will use the Gini coefficients of inequality in the distribution of income. In our paper the state-specific indices of exclusiveness will be treated as a function of the state-specific indices of globalization of trade, inequality and growth rates of per-capita State Domestic Product. The existing literature on the nature of relationship between growth and inequality has failed to reach a consensus. Whereas some studies provide strong evidence of negative effect of growth on income inequality (Alesina and Rodrik, 1994; Barro, 2000; Wan, Lu and Chan, (2006); Sukiassyan, 2007), others ascertain that income inequality produces positive effect on growth (Kaldor, 1957; Saint-Paul and Verdier, 1993). Actually, the literature suggests two-way relationship between growth and inequality. It is true that in the presence of high degree of inequality the distributive impact of growth hardly becomes inclusive unless the strategy of growth is framed with the consideration of distributive justice. Surprisingly, in case of India the most preponderant emphasis has been given on the objective of the achievement of the high growth rates, performance of the stock market and well-being of the elite classes through restructuring of the product composition without paying heed to the distributive justice. Consequent upon this a vast majority of people both in rural and urban areas have been deprived of having a dignified or decent levels of living nevertheless Indian economy has ranked as fastest growing economy of the world. So, this paper is a modest attempt to develop an index of exclusiveness, the globalization of trade and to explain the cross-state as well as cross-time variations in the degree of exclusiveness in terms of the globalization of trade and the prevalence of inequality and growth using panel regression technique.