

# An inclusive growth policy( GS paper 3 , Inclusive growth ,The Hindu )

( Old article but important for both GS and Essay paper )

The impressive gain by rural households in spite of the favouritism towards non-primary activities appears real

The Indian economy has moved on a high growth path since the mid-1980s. After a blip in growth between 1990-92, liberalisation, initiated for aligning the Indian economy with the world in 1991, not only put the economy back on a higher growth path but also sustained this growth till the 2000s. During the last few years, India has been the second fastest growing economy in the world.

Despite the high growth over the past two decades, concerns have been raised over the growth not being equally distributed. Policy makers responded to these concerns arguing for inclusiveness in the 11th Five Year Plan in 2007. How has the rapid growth during the 11th Five Year Plan period helped in improving the income levels of the most vulnerable Indian households?

## **\*Sharing of growth**

The aggregate estimates routinely brought out by the Central Statistical Organisation (CSO) show a “feel good factor” – that real per capita income has been growing rapidly. But there is little evidence on (a) how this growth has been shared among households in rural India versus urban India and (b) whether households belonging to different socio-religious groups have grown together. Three rounds of the National Sample Survey Consumer Expenditure (NSS CE) surveys carried out between 2004-05 and 2011-12 suggest an unprecedented rise in household expenditure and a consequent decline in poverty.

These estimates imply that some benefits of growth have been shared by vulnerable households. But these data do not clarify whether poverty has declined because of new social safety net programmes or because vulnerable households have participated in the general economic growth.

The recently-concluded India Human Development Survey (IHDS) – a nationally representative survey of about 42,000 households conducted by researchers from the National Council of Applied Economic Research (NCAER) and the University of Maryland examines changes in the incomes of the households during the period of rapid economic growth, 2004-05 and 2011-12. It is the only nationally representative panel survey covering the same households. During the two rounds of IHDS, besides a range of outcome indicators, data on household income and its sources have also been collected.

Though validation of the data is still underway, we present some pointers based on preliminary analysis. The median real income of the households from all sources had been about Rs. 28,200 in 2004-05; this increased to about Rs. 37,500 in 2011-12, which is an average of 4.7 per cent annually. Unlike aggregate growth figures released by the CSO, IHDS data allows calculation of household income by the place of residence of households. Those IHDS calculations show for the first time that the real average household income in rural India has increased 5.0 per cent annually – almost twice the 2.6 per cent annual growth in urban India. This has resulted in a significant narrowing of the gap in household income – from 2.26 times in 2004-05 to 1.97 in 2011-12. These figures are consistent with the growth of per capita expenditure calculated from the respective NSS CE (61st and 68th rounds) monthly per capita expenditure growth in the rural and urban sectors.

When we normalise the household median income by the number of members in the household, the growth of income in rural India is even more impressive – an average annual median per capita

income increase of 7.2 per cent, which is more than twice the rate experienced by urban households (3.2 per cent annually). This story of growth at the aggregate level is fascinating in itself because most of the changes during the liberalisation phase have favoured the growth of non-primary activities. But the impressive gain by rural households in spite of the favouritism towards non-primary activities appears real and requires further investigation.

### **\*Further proof of growth**

We note similar differences in median income growth across different socio-religious groups that provide further confirmation of the inclusiveness of the recent economic growth. In IHDS surveys, we have defined six social and religious groups – high caste Hindus, Other Backward Classes, Dalits, Adivasis, Muslims and Other Religious Minorities. The highest growth in the median per capita incomes is reported for Dalits (7.8 per cent annually) and OBCs (7.3 per cent), while the real median income of high caste Hindus grew only at 4.6 per cent annually. The average income growth of other vulnerable groups was also higher than that of high caste Hindus. The income of Adivasis grew at 5.7 per cent annually while the income of Muslims grew by 5.4 per cent.

### **\*A working plan**

Our preliminary results point towards the largest gains for the traditionally vulnerable households – rural areas, Dalits, OBCs, Adivasis and Muslims. This narrowing of group differences is all the more remarkable in the face of a slightly diverging overall income distribution. Our preliminary calculations of per capita income inequality suggest a small increase from a Gini ratio of 53 in 2004-5 to 55 in 2011-12.

The relatively greater progress of vulnerable sectors despite this growing inequality seems to suggest that the inclusive

growth policy implemented during the 11th Five Year Plan may have been working. While a much more rigorous analysis is required to delineate the factors that have led to this, our conjecture is that some of the social sector schemes like the Mahatma Gandhi National Rural Employment Guarantee Act, Janani Suraksha Yojana, the National Rural Health Mission et al. may have contributed to this inclusive growth.

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## [Environment Ministry Directs CPCB to Ensure Better Implementation of Public Liability Insurance Act, 1991](#)

The Ministry of Environment, Forest and Climate Change has issued directions under the Water Act and the Air Act to Central Pollution Control Board (CPCB) to ensure better implementation of Public Liability Insurance (PLI) Act, 1991.

### What is Public Liability Insurance Act

- This act to provide insurance for the purpose of providing immediate relief to the persons affected by accident occurring while handling any hazardous substance and for matters connected therewith or incidental thereto.
- Act makes it obligatory upon the user industries handling 179 types of chemicals and compounds and other classes of flammable substances to subscribe a special insurance policy to cover the liabilities likely to arise on account of any chemical (industrial) disaster/accident and payable to those affected people who are not the workers on 'no fault basis'/ 'absolute liability'.
- The Act establishes an Environment Relief Fund (ERF), which is subscribed by all such user industries by an amount equal to the annual premium amount of such insurance policies.

### **Who administer it**

PLI Act is administered by the Ministry of Environment Forest and Climate Change.

### **Objective of act**

Main objective of the Public Liability Insurance Act 1991 is to provide for damages to victims of an accident which occurs as a result of handling any hazardous substance. The Act applies to all owners associated with the production or handling of any hazardous chemicals.

### **What are steps taken to strengthen implementation of act**

There are many cases where owners have failed to subscribe PLI policies because of ignorance. In view of the above strengthening the implementation of the provisions of the Act so far, the Ministry has initiated several steps to strengthen the implementation of the Act, some of which includes:

1. All the State Pollution Control Boards (SPCBs)/Pollution Control Committees (PCCs) for UTs have been advised on 16th April, 2015 for including PLI insurance policy as one of the point in the check list before according or renewing CTE or CTO to an industry with a follow up letter on 16th June, 2015.
2. A meeting of general insurance companies had been convened on 29th April, 2015 to sensitizing them.
3. A letter has been written to Insurance Regulatory and Development Authority (IRDA) on 1st July, 2015 to draft a standard PLI policy for uniformity.
4. An advisory has been written in July, 2015 to PSUs, big industry houses and industry associations such as FICCI, CII, CMA, ICC, etc. to subscribe to PLI policy and pay ERF.

### **About CPCB**

**Central Pollution Control Board (CPCB)**, statutory organisation, was constituted in September, 1974 under the Water (Prevention and Control of Pollution) Act, 1974. Further, CPCB was entrusted with the powers and functions under the Air (Prevention and Control of Pollution) Act, 1981.

### **Function of CPCB**

- It serves as a field formation and also provides technical services to the Ministry of Environment and Forests of the provisions of the Environment (Protection) Act, 1986.
- It promote cleanliness of streams and wells in different areas of the States by prevention, control and abatement of water pollution, and
- Work to improve the quality of air and to prevent, control or abate air pollution in the country.
- It advise the central government to prevent and control water and air pollution. It also advise the Governments of Union Territories about an industry or the pollution source causing water and air pollution.
- It Co-ordinates the activities of the State Boards by providing technical assistance and guidance and resolve disputes among them.