

FORUM:	Economic and Social Council
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Introduction

On February 1, 2023, India's Ministry of Finance unveiled the budget for the fiscal year 2023-2024. Throughout this budgetary plan, the notion of inclusive development is repeatedly emphasized. Inclusive development is an equal development approach built on the understanding that all individuals and communities, with different identities and experiences, play a crucial role in transforming their societies. The Indian government has prioritized inclusive development as the topmost focus in its announced budget.



Nirmala Sitharaman, the Finance Minister, poses for photos outside New Delhi's Finance Ministry at North Block

India, being a country of diverse cultures and identities, seeks to achieve greater social balance and equality by respecting and embracing this diversity. The selection of inclusive development as the foremost priority in the fiscal budget signifies the Indian government's determination to provide opportunities for all individuals and communities to achieve social equality and prosperity. It also demonstrates India's willingness to actively address the challenges of rural poverty and economic inequality through inclusive development, showcasing its commitment to realizing social responsibility and sustainable development. This focus on inclusive development serves as a significant indicator of India's commitment to social responsibility and sustainable growth.

Background

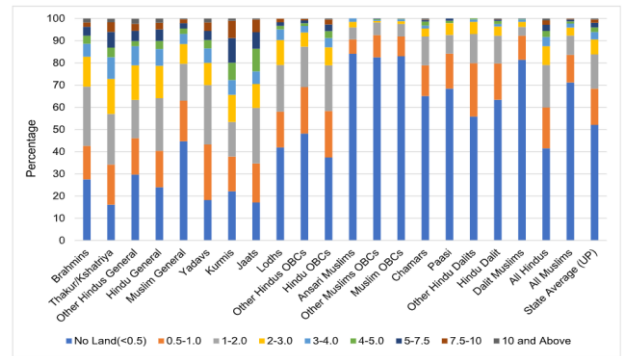
Economic disparities among social groups have been a matter of public concern both within the country and between nations. Particularly, the economic inequality among various social groups in India has been an urgent issue. Recent studies have shed light on the differences in poverty rates among different social groups in rural India. For example, according to global MPI estimates, out of every six



multidimensional poor households in India, five belong to Scheduled Castes (SCs), Scheduled Tribes (STs), or Other Backward Classes (OBCs). STs have the highest percentage of multidimensional poor households, accounting for over 50%, followed by SCs at 33.3% and OBCs at 27.2%.

India's social groups are broadly classified into two categories: OC (Other Castes) and non-OC groups.

OC refers to the general category or castes that do not fall under the Scheduled Castes, Scheduled Tribes, or Other Backward Classes. The gap between OC and non-OC groups can be attributed to economic and social backwardness. Non-OC groups often face restricted access to resources and reside in remote areas with inadequate access to essential public and social services like education and healthcare. Moreover, various caste-based discriminations further exacerbate the challenges faced by non-OC groups. The caste system historically hindered the income-generating capacity, including human capital formation, of non-OC communities by subjecting them to discrimination and exclusion. Consequently, this results in lower labor productivity compared to OC groups.



The economic status of households by caste

Problems Raised

Persistent Rural Poverty

According to World Bank, India's real GDP increased by about 6.9% in 2022-2023, supported by strong domestic consumption, robust investment activity driven by government infrastructure projects, and buoyant private consumption among the high-income class.

Despite this overall economic growth and development in India, rural poverty remains a persistent issue affecting a significant portion of the population. As per the 2022-2023 economic survey, 65% of India's population resides in rural areas, with 47% depending on agriculture for their livelihoods. In these rural regions, a considerable number of people struggle with poverty due to limited access to essential resources and opportunities for economic advancement. They are disconnected from the benefits of development in various sectors of the country. Basic amenities like clean water, healthcare, and quality education are particularly restricted in rural areas. The lack of infrastructure and investment in rural regions hinders India's potential for sustainable economic growth. This situation makes it difficult for many rural households to break free from the vicious cycle of poverty, perpetuating the social and economic disparities between urban and rural areas.

Agricultural Challenges

Despite the declining share of agriculture in India's economy to less than 15% due to the high growth rates in the industrial and service sectors, India remains the world's largest producer of milk, pulses, and spices. It also has the largest area under cultivation for cattle (buffalo), wheat, rice, and cotton, making agriculture a significant factor supporting India's economy and social structure. However, currently, the majority of Indian farmers hold small landholdings and are vulnerable to natural disasters. According to the National Bank for Agriculture and Rural Development (NABARD), about 37% of farmers own less than 0.4 hectares of land, and 30% hold land between 0.41 to 1.0 hectares. Moreover, only 5.2% of farmers in India own tractors, and a mere 1.8% have access to power tillers. Consequently, despite ranking second in rice and wheat production, India stands at the 52nd and 38th positions, respectively, in terms of productivity. These factors significantly contribute to low agricultural productivity and income for rural households.

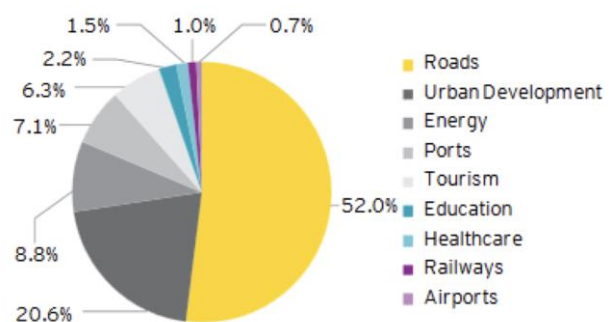
Income Disparities

India has significant income inequality. Income disparity in India is characterized by a substantial gap between the income levels of high-income individuals and businesses and a considerable portion of the population struggling to meet their basic needs. This urgent issue of income inequality stems from factors such as differences in education and skills, the rural-urban divide, the gender wage gap, and the lack of social safety nets. The World Inequality Database (WID) for 2021 indicates that the average national income for the adult population in India is 204,200 rupees. The bottom 50% earns 53,610 rupees, while the top 10% earns more than 20 times that amount, at 116,520 rupees. However, high-income individuals and businesses tend to accumulate wealth and resources, while a significant portion of the population struggles to meet their basic needs. In other words, India's wealth disparity between the top 10% and the bottom 50% is further exacerbated by income inequality.

International Actions

Public-Private Partnerships (PPPs)

Public-Private Partnerships (PPPs) are long-term agreements between governments and private institutions. This has played an important role in addressing India's rural poverty and economic inequality. By combining public and private sector expertise, resources, and innovation,



PPPs in India by sector



PPPs promoted infrastructure development, improved access to essential services such as education and healthcare, and promoted agricultural and rural industries. These efforts have empowered rural communities in India, increased financial inclusion, and created employment opportunities, contributing to poverty reduction and economic growth. Although issues such as project management, regulatory complexity, and equitable allocation of profits must still be considered for successful implementation, the PPP is still an essential strategy to eradicate rural poverty in India and promote sustainable development.

Multilateral Cooperation

Multilateral Cooperation has played a vital role in supporting India's economy and promoting sustainable development. Multilateral development banks like the Asian Development Bank (ADB) have provided financial support to significant infrastructure projects, creating jobs and stimulating economic growth.

Institutions such as the International Monetary Fund (IMF) and the World Bank have offered financial assistance during economic difficulties. Through technical expertise and policy support, multilateral organizations have aided India in making informed decisions and implementing effective reforms for long-term economic development. Trade agreements and investment treaties facilitated by multilateral cooperation have opened global markets for Indian businesses, enhancing export potential and attracting foreign investment. Additionally, during crises like the COVID-19 pandemic, multilateral institutions have supported India's response by providing medical supplies, expertise, financial aid, and strengthening the healthcare system, and safeguarding livelihoods. Overall, multilateral cooperation has been instrumental in helping India navigate economic complexities, implement effective policies, and achieve its development goals, fostering inclusive growth and prosperity for its citizens.



India has often had exchanges on various international platforms

Key Players

India

To resolve rural poverty and economic inequality in India, the government has implemented various strategic measures. One of these initiatives is the Pradhan Mantri Jan Dhan Yojana (PMJDY), which has played a crucial role in providing banking facilities to the unbanked population and enabling financial inclusion and credit access for the rural poor. This has helped in their financial empowerment and empowerment.

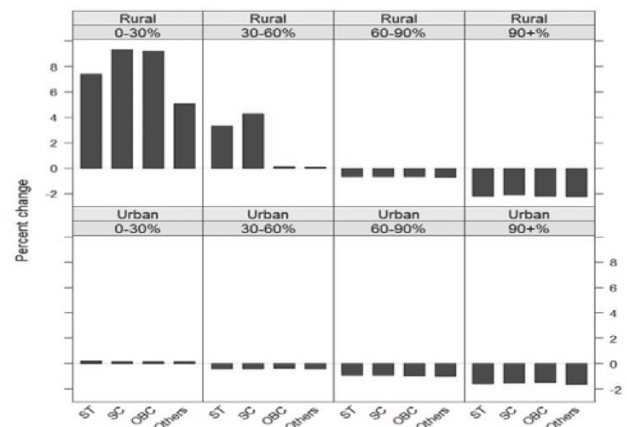


Additionally, Direct Benefit Transfer (DBT) ensures that targeted welfare benefits reach beneficiaries directly, reducing leakages and enhancing the effectiveness of social welfare programs. This ensures that the intended beneficiaries receive the benefits effectively.

Another measure by the government, the National Rural Livelihood Mission (NRLM), empowers rural women through Self-Help Groups (SHGs), providing financial services and opportunities for skill development for self-employment. Moreover, the government's emphasis on affordable housing, skill development through the Skill India Mission, and infrastructure development have all contributed to improving living standards in rural areas and creating better economic prospects.

United Nations Development Programme (UNDP)

United Nations Development Programme (UNDP) is dedicated to eradicating poverty and achieving sustainable economic growth and human development worldwide. In India, UNDP actively engages in projects aimed at reducing poverty and economic inequality. Their journal, 'Employing India: Guaranteeing Jobs for the Rural Poor,' showcases detailed research on Mahatma Gandhi's Rural Employment Act, which aims to create effective employment opportunities for the rural poor.



The impact of the rural employment act on rural and urban household welfare

Research findings reveal the positive impact of employment generation programs, such as the rural employment initiatives under the act. When operated within a budget of 0.65% of GDP, the program leads to approximately 0.40% increase in GDP and final demand, along with about 0.26% increase in trade. Moreover, the program's multiplier effects improve the welfare of impoverished rural households and contribute to limited poverty growth in urban areas.

In a like manner, UNDP supports plans to foster sustainable livelihoods and income-generating opportunities in rural regions. This includes initiatives, research, and support to enhance agricultural productivity, promote small and medium-sized enterprises, and encourage entrepreneurship in marginalized communities.

Professional Assistance for Development Action (PRADAN)

Professional Assistance for Development Action (PRADAN) is a nonprofit organization dedicated to revitalizing impoverished rural communities in India. Founded in 1983, PRADAN operates on a firm belief that it can effectively address India's deep-rooted and isolated rural poverty. The founders of the



organization strongly insisted that people with education and empathy come into direct contact with the most marginalized classes of society. They recognized that India's development agenda could be better carried out when educated professions work hand in hand with impoverished individuals with their roles in the industrial and commercial sectors.

PRADAN responded with dedication to the request, which currently employs a strong team of more than 426 young professionals spread across more than 9,127 remote villages in India. PRADAN's approach involves organizing groups within vulnerable communities, ensuring sustainable livelihoods and empowering families to support them. At the same time, organizations work hard to empower these communities as citizens to gain access to important government programs and other qualifications. This unwavering commitment demonstrates Pradhan's belief in the transformative power of well-educated professionals that involves empathy and the essential elements of knowledge in efforts to improve the lives of the underprivileged.

Possible Solutions

Implementing Universal Basic Income (UBI)

Universal Basic Income (UBI) is a social welfare policy that includes providing a fixed and unconditional cash transfer to all citizens or specific groups of citizens, regardless of their income level or employment status. The purpose of UBI is to ensure a minimum income level that allows everyone to meet their basic needs and reduce poverty and economic inequality. In fact, in 2017, Finland implemented UBI, and it demonstrated positive impacts such as increased trust in social institutions, encouragement of entrepreneurship and risk-taking, strengthened social inclusivity, improved financial management, and the possibility of simplifying the welfare system.

To implement UBI in rural India, a strong commitment from the government, cooperation with relevant stakeholders, and a data-driven approach to guarantee success in poverty alleviation and reduction of economic inequality are necessary. Policymakers should also learn from pilot programs and make decisions based on information regarding the program's expansion and sustainability. If implemented in India's rural areas, this policy could be expected to provide a safety net for impoverished households and reduce economic vulnerability.

Strengthening Public Distribution System (PDS)

Strengthening the Public Distribution System (PDS) can become a fundamental step in eradicating rural poverty in India and reducing economic inequality. PDS was conceived by the Indian government to provide subsidized food grains and essential commodities to economically vulnerable individuals.



However, it is facing challenges such as inefficiency, leakage, and targeting errors, resulting in improper coverage and benefits failing to reach the intended beneficiaries.

To address these issues, integrating technologies like biometric authentication and mobile applications can improve the functioning of PDS and ensure accurate identification of beneficiaries. Regular data updates and surveys are essential to precisely identify eligible recipients, and investment in supply chain management and monitoring systems is crucial to prevent stock theft and damages, ensuring efficient delivery of goods to rural areas. An enhanced PDS will better serve as a social safety net, alleviating rural poverty, improving food security, and contributing significantly to creating a more equitable society where all citizens have access to basic essentials for a dignified life.

Glossary

Inclusive Development

Refers to an equal development approach based on the understanding that all individuals and communities with all different identities and experiences, regardless of social identity or background, are important to change their own society.

Scheduled Castes (SCs)

Official names given to the lowest castes protected by the Indian government and offering special concessions.

Scheduled Tribes (STs)

Indigenous community of India with special protection and benefits under the constitution of India.

Other Backward Classes (OBCs)

It is a term used by the Indian government to classify educational or socially underdeveloped castes.

Economic Disparity

This focuses not only on economic inequality and economic consequences for historically disadvantaged populations, but also on economic consequences due to cross-problems of socioeconomic status, race, ethnicity, and other factors.



Public-Private Partnerships (PPPs)

It is a formal agreement between public and private counterparts to share risks and rewards in the provision of public services and infrastructure.

Sustainable Development

It is a universal call for action to end poverty, protect the planet, and ensure that everyone can enjoy peace and prosperity.



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