

# INDIA MUST CONTINUE TO FOCUS ON ECONOMIC GROWTH TO ALLEVIATE POVERTY: ECONOMIC SURVEY 2020-21

Relevant for: Developmental Issues | Topic: Poverty & Hunger and related issues

“Given India’s stage of development, India must continue to focus on economic growth to lift the poor out of poverty by expanding the overall pie.” Laying a clear cut emphasis on economic growth, the Economic Survey 2020-21 was tabled by the Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman in the Parliament today.

The Economic Survey states that the relationship between *inequality and socio-economic outcomes* on one hand, and *economic growth and socio-economic outcomes*, on the other hand is different in India from that observed in advanced economies. Unlike in advanced economies, economic growth and inequality converge in terms of their effects on socio-economic indicators in India.

The Economic Survey has arrived at this conclusion by examining the correlation of inequality and per-capita income with a range of socio-economic indicators including health, education, life expectancy, infant mortality, birth and death rates, fertility rates, crime, drug usage and mental health across the Indian states. The analysis shows that both economic growth, and inequality have similar relationships with socio-economic indicators. On the basis of the analysis, the Economic Survey 2020-21 observes in India, **“Economic growth has a far greater impact on poverty alleviation than inequality”**. Economic growth has been represented by income per capita at the state level.

The Economic Survey states that over time, global commentaries have mostly highlighted a potential conflict between economic growth and inequality. The conflict between economic growth and inequality becomes pertinent once again because of the inevitable focus on inequality following the COVID-19 pandemic, observes the Economic Surveys 2020-21.

However, the Economic Survey 2020-21 states that the policy objective of focusing on inequality may not apply in the Indian context given the differences in the stage of development, India’s higher potential rate of economic growth and the higher absolute levels of poverty. Also, the examples of India and China have posed a striking challenge to this conflict. **The growth stories of India and China have shown a significant reduction in poverty due to high economic growth, states the Survey.**

**The Economic Survey 2020-21 thus concludes that focus on policy of growth does not imply that the redistributed objectives are unimportant, but that redistribution is only feasible in a developing economy if the size of the economic pie grows.**

**To sum up, the policy recommendation of the Economic Survey 2020-21, for a developing country such as India is that where the growth potential is high and the scope for poverty reduction is also significant, the focus must continue on growing the size of the economic pie rapidly at least for the foreseeable future.**

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