

# Inclusive growth



Indian self reliance is a pipe dream that has consumed many of its greatest minds in the past half century. Its proponents often cite the litany of problems facing a nation whose population stretches to 1.1 billion and has hundreds of millions of people living in abject poverty. Ghandi famously said that the problem of production had not been solved by the free market economy. Using this premise he adopted the use of appropriate technology in an attempt to address the problem of resource in India and provide a sustainable growth model based on self reliance.

Energy crisis' across the world and ever increasing food prices mean, that despite its raise in wealth India's massive population will cause problems in resources. Despite the evident failings of the appropriate technology movement, it is clear that inclusive growth and resource management are two aspects of sustainability that go hand in hand. India's problems are too large, too systemic to be allowed them to resolve organically. Problems of corruption, bureaucracy and resources to name a few are major stumbling blocks for the future of India.

Regardless of the spectres of its high profile failures localising production and maintenance of resources such as energy can help promote inclusive growth and alleviate some of the strain on a highly centralised system of governance. A recent report by Deloitte Touche stated that attempting to replicate the success of a brand in an emerging market by copying previous business models is close to impossible and that innovation is an imperative of success in these markets. This is due to the fact that emerging economies have different needs to their more developed counterparts.

In the same fashion emerging economies should innovating and tailoring their growth models accordingly. This poses a conundrum; the booming economy and wealth of India are largely to do to the liberalisation of its markets, yet these short term gains are ultimately in contrast with its long term aims of providing sustainable growth. Microfinance the great white hope for inclusive growth shows in some senses the India problems in action. It started as a non-profit mini loans designed to help the very poor to buy means of alleviating the poverty. These loans were far more successful than previously assumed, with a payback rate of 92%.

With success comes opportunity. After the first microfinance bank began opening for profit India saw in less than a decade, microfinance grow into a \$7 Billion industry. However corruption seeped in and much like the subprime markets of the US there was neither adequate credit checks nor regulated collection practices. These new companies often operate high interest rates which are often undisclosed to the mostly illiterate recipients of the loans. They operate weekly payment collections and frequently use criminals to collect payments or collateral.

This is a clear example of the free market clashing with the problem of inclusion of the poorest in India's growing wealth. Good governance is a combination of strong central infrastructure and motivated grass roots mechanisms. The UN report Larger Freedom stated that " Each developing country has primary responsibility for its own development — strengthening governance, combating corruption and putting in place the policies and investments to drive private-sector-led growth and maximize domestic resources available to fund national development strategies.

Developed countries, on their side, undertake that developing countries which adopt transparent, credible and properly costed development strategies will receive the full support they need, in the form of increased development assistance, a more development-oriented trade system and wider and deeper debt relief. " As such many developing countries like India have made concerted efforts to make inroads in these areas, such as the inclusion of poverty irradiation and operating a sustainable growth model.

There are several key problems to the irradiation of poverty, energy production plus distribution, education, housing, health and corruption. India has a huge problem with power generation. Its blackouts are regular and its system of centralising infrastructure means that much of rural India does not have easily accessible electricity. Combined with the fact that most international energy companies look at Enron's failed attempt to create a power station in India that most of the population could use because of the high price, making electricity for the masses prohibitive.

That is until you consider Distributed Generation or Distributed Energy Resources (DER) systems which represent an opportunity, much like microfinance, of providing affordable stepping stones out poverty. Localising power generation means low maintenance and renewable energy sources that despite initial costs being high that ultimately it pays for its self. DER's can be used to provide local schools and hospitals with electricity will help keep some of the poorest people in India healthier and better educated.

DER can also be used as Microgrids that will connect to a larger national grid. Local generators using systems of energy trading platforms which are already in place can then sell excess energy. This system is monitored

against corruption online through use of production and expected use quotas which will be formulated by annual audits. This will go a long way to answering some of India's power needs. If this system works it could end power shortages across India and may even provide an avenue of wealth in power exportation.

DER has many opponents who decry the lack of economies of scale, and limited power generator output. There are two answers to these problems, firstly if the majority can't afford electricity then the economies of scale are wrong and second power generation from renewable resources are amongst the most effective methods of energy production. The effort it takes to mine, process and generate coal powered electricity mean that when you look at the actual amount of energy that is produced you question the efficacy and limit of power generated from coal.

Others would comment on the expense of producing this system, which is why I would suggest implementing this system in stages. Firstly to offset the high initial cost of creating a DER system, secondly to build up local expertise in each region during the implementation period. These experts will provide the workforce and monitoring units to measure and record use. But like other forms of localised projects in India the spectre of corruption is very evident, which

I would also advocate the use of external auditors (experts) to audit use of other regions to assure independence. The benefits of DER are clear in that it brings hugely needed amenities to households across India, and its successful implementation could help modernise even the most rural parts of India. Districts producing localised energy can help India's growth whilst

helping themselves. By fostering innovation in generating electricity India kill three birds with one stone, inclusive growth, limited centralised resources and providing a conduit for alleviating.