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## REVIEW ARTICLE

# INCLUSIVE GROWTH IN THE CONTEXT OF EXCLUDING PROPERTY RIGHTS SYSTEM: A LOOK INTO THE FEUDAL PAST AND CONTEMPORARY EVIDENCES

<sup>1,\*</sup>Dr. Hidhayathulla, A. and <sup>2</sup>Arunkumar, N.

<sup>1</sup>Associate Professor in Economics, Jamal Mohamed College, Tiruchirappalli, 620020, Tamil Nadu, India

<sup>2</sup>Ph.D Scholar in Economics, Jamal Mohamed College, Tiruchirappalli, Tamil Nadu, India

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### ABSTRACT

Inclusive growth refers to a growth process that reduces poverty faster, that is broad based and labor-intensive, reduces inequalities across regions and across different social groups, opens up opportunities for excluded and marginalized not only as beneficiaries but also as partners in the growth process. The secular prevalence of poverty and inequalities implies that the growth process had never been inclusive. The growth process in the context of unfettered private ownership right to own, use, and transfer habitat and landed properties was such that it excluded many and included few. Feudalism excluded the erstwhile peasants from cultivating the land. There was a persistent effort to conserve feudal land ownership system throughout history over the entire world. This led to extreme inequalities and exclusion of a large group of people from the benefits of growth. Analysis of evidences for economic exclusion from the 2011 population census data offers the conclusion that the 2000 years legacy of economic exclusion still prevails in India in terms of literacy, safe housing, access to safe drinking water, access to sanitation facilities and possession of assets.

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## INTRODUCTION

Economic growth refers to incremental change in national output of a country. Factor resources are employed in producing the output. The factor owners are paid a reward for offering their resources to produce the output. Thus, the economic growth results in incremental change in income of owners of the factor resources. If all the household are owners of factor resources and are paid a reward sufficient to lead a decent life, the growth becomes inclusive, rather to say all inclusive, the growth had never been inclusive. The process of economic growth was such that it excluded a vast group of people from receiving a decent reward as a factor owner. A suspicion looms large that whether the world ever had inclusive society. An inclusive society might have existed at the time of primitive age. Ajit Bhalla and Frederic Lapeyre (1977) stated that the concept of social exclusion was originally developed in France by sociologists. In French Republican thought, it refers to a process of social disqualification or social disaffiliation leading to a breakdown of the relationship between society and the individual while Dirk-Jan Omtzigt (2009) dates the origin of social exclusion to Plato's ideas which distinguished the artisans and farmers from the citizens arguing that being a citizen is in itself a full-time job, superior to all others.

Jane Mathieson *et al.* (2008), cites the eighteenth century writings of Adam Smith, according to whom: "the (in) ability to appear in public without shame" is an important deprivation in itself. Amartya Sen too relates social exclusion to the disadvantages arising from being excluded from shared opportunities enjoyed by others. Uni-dimensional income poverty, it seems from the arguments of Matt Barnes (2005), is first degree exclusion, deprivations manifest from the poverty is second degree exclusion and the resultant multidimensional poverty is socio-economic exclusion.

Wherever poverty prevails the consequent deprivations and exclusion on multiple counts are likely to prevail. In order to verify this link and explore the possibility of achieving inclusive growth this paper examines the inclusive growth process within the context of legitimate prevalence of private ownership rights, identifies indicators quantifying the degree of exclusion and looks for the evidences for the social and economic exclusion in India. The remaining part of this paper is divided in to four sections. Section two explains the concepts used in this paper. Section three examines the process of exclusion in the evolution of land ownership. Section four explains the sources of exclusion in the context of unfettered private property ownership rights and evidences for exclusion in India. Fifth section presents concluding remarks.

**\*Corresponding author: Dr. Hidhayathulla, A.,**  
Associate professor in Economics, Jamal Mohamed College,  
Tiruchirappalli, 620020, Tamil Nadu, India.

## Concepts

This paper discusses the possibility of inclusive growth in the context of excluding property rights systems by considering certain concepts as defined below.

### Inclusive Growth

Inclusive growth is a process of ensuring equal access to opportunities for all segments of society irrespective of individual circumstances. Thus, growth that enables the poor people to enjoy the fruitfulness of economic growth is inclusive growth. UNDP and consultation paper of Planning Commission of India (2011) puts the growth process that reduces poverty faster, that is broad based and labour-intensive, reduces inequalities across regions and across different socioeconomic groups, opens up opportunities for the excluded and marginalized not only as beneficiaries but also as partners in the growth process.

### Exclusion

Sheila B. Kamerman and Alfred J. Kahn (2003) view that social exclusion is an important concept because it does go beyond income poverty and can provide new information and insights regarding causes and solutions to a wider range of problems and dimensions of disadvantage. UK government Social Exclusion Unit defines exclusion in terms of a combination of "linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown".

### Feudalism

Feudalism is a land ownership system whereby a landlord holds land from a superior in exchange for allegiance and service. The Oxford dictionary defines it as the dominant social system in the medieval Europe, in which the nobility held lands from the crown in exchange for military service, and vassals were in turn tenants of the nobles, while peasants were obliged to live on their lord's land and give him homage, labour and a share of the produce, notionally in exchange for military protection.

### Land Tenure

The rules and arrangements connected with ownership of land especially land that is used for farming.

### Property Rights

Armen Alchian (2003) has defined property right as "a method of assigning to particular individuals the authority to select for specific goods". A property right is the exclusive authority to determine how a resource is used, whether the resource is owned by government or by individuals.

### Income and Wealth

According to Karen Rolingson (2012) wealth is the stock of economic resources compared with income which is a flow of resource.

Chade Stone *et al.* (2012) has defined wealth as the value of household's property and financial assets net of the value of its debts.

### Evolution of Land Ownership System

Ownership right of land remains either with individuals or with the state. In case of individuals they determine how to use land, while in the case of the state; the designated agencies determine how to use the land. In this section we discuss the evolution of land ownership systems. All the continents had human habitats during primitive age. The people of the primitive age fulfilled their needs collectively by acquiring the product available in nature. The produce was held in common possession. We call the system as primitive communism. The strong persons among the people started to lead a group and subjugated the weak persons. This led to the establishment of slavery. The strong persons settle in new lands, employed slaves and collected a part of their produce to fulfil common needs. This led to the emergence of feudalism. The surplus accumulated by feudal lords was used in the creation of further surplus. This paved the way for the emergence of the capitalism. This sequence of successive historical events: primitive communism-slavery-feudalism-capitalism was derived from European experience. Amar Farooqui (2010) says 'there is still no consensus on whether this sequence is valid for India.

Therefore, we can argue that the land ownership system has gradually attained the present form but the sequence of changes is not uniform throughout the world. The Indian sequence is characterized as follows: primitive communism-guild socialism of Mohandharo and Harapa-feudalism due to Central Asian nomadic invasion-slavery-capitalism. Evidences are not available to mention the prevalence of Mohandharo and Harapa type of urban civilization and guild community ownership elsewhere. Arab region of Asian continent seems to be the incubator of major religions. Judaism (religion of the Jews) originated first. Contemporarily the Vedic religion was practiced in Central Asia. Mohandharo and Harapan civilization too remained by then but the historical evidences show that they did not practice religion of any sort. The Central Asian nomads settled at Mohandharo and Harapan region and spread the Vedic religion. By the time when the Vedic religion was spreading rapidly between 2500 and 2000 BC, Old Testament Christianity was founded by Jesus Christ. It became a rival religion but accepted the core economic ideas of Judaism. The economic tenets common to both the religion are community land ownership, ban on charging of interest in money lending and exorbitant profit is a sin.

Feudalism and slavery were the oldest forms of capitalism. The capitalists of that era wanted to retain the feature of private land ownership so that they can retain the feudal lands they received from the ruling class under various kinds of land grants. Since this is against the core ideas of the Judaism they (the feudal lords, the capitalist of that era) began to spread hate against Judaism and Jews. Simultaneously they attempted to eliminate the community ownership feature in particular and other economic tenets in general.

Therefore, they extended their patronage to the religious scholars to create New Testament and successfully replaced Old Testament. This enabled them to lay a strong foundation for the institutions of private property ownership rights. In Indian subcontinent the Central Asian nomads settled with livestock including horse. The first ever feudal land grant of the world occurred in Mohandharo and Harapa where the nomads practicing Vedic religion obtained land grants from Vishwakarma Bhuvan. The purohitis received the grant for performing Yagna. References to fortify the occurrence of this event of conferring private land ownership was found in the post Vedic book Aitereya Brahman according to Rajeshkumar (as stated in [www.mkgandhi.org](http://www.mkgandhi.org)). From this event we can understand that private land ownership through feudalism came into being in the post Vedic era. This happened during the Pre-Mauryan period. The episode of obtaining land grants continued during Mauryan and Gupta dynasty. Evidently, the number of guilds had fallen down during the Gupta period according to Ramsharan Sharma (1965). He further argues that the peasants were evicted from the land and they lost their livelihood. A new class of landless agricultural labor emerged. This marks the first occurrence of the event of social and economic exclusion of a class of people.

It was in this context Islam was founded in the 7<sup>th</sup> century AD accepting the prophets of Judaism and Christianity as predecessor prophets. Islam accepted their economic tenets also. Islam spread to about 58 countries in the next five centuries. Muslim rulers in these countries brought back the lands given under a land grant to reinstate the community ownership. The peasants were allotted the lands to cultivate crops. They paid 1/10<sup>th</sup> of the crop to government as fee for using the land resource. The remaining 90 percentage of the crop produce is the means of their livelihood. Trade transactions in these agricultural commodities were carried out. This rose up the circulation of money in the hands of these people, who were erstwhile feudal serfs. Ramsharan Sharma gives a good account of this to have happened between AD 7<sup>th</sup> and 11<sup>th</sup> centuries. This is indicative of two points. One is there were no intermediate person between the state and peasants. The other is as high as ninety percent of crop output was available with peasants to ensure a decent economic life. Land grants were obtained from guild leaders, crowns and kings for offering religious services, military support, and administrative services. This transferred the ownership rights from the ruling agencies to feudal lords, thus instituted the private property rights system.

The self interest groups were at work even at that time to preserve the property rights institution. They worked to wage a war against any force that attempt to institute community ownership. The crusader war attacked Judaism and Islam. The clandestine objective of the war was protecting feudalism (private land ownership), the early form of capitalism. The economic principle of Judaism and Islam advocated community land ownership. Therefore, the powerful feudal lords started to spread hate against the two religions during the medieval period. This hate is actually against the economic ideologies of the religions advocating community land ownership. The hate propaganda still continues passing through the ages.

The feudal lords during the medieval period firmed to become landowning class and caste. This evidently shows the intergenerational passing through of social and economic exclusion. The wealth and income equalities and consequent poverty had been transmitted through the ages.

### Sources of Exclusions

The evolution of private property rights clearly shows that it causes socio-economic exclusion. This section explains the various sources of exclusion in the context of private property rights.

#### Caste

Caste is a system of social stratification. Sukhdeo Thorat (2007) says caste based exclusion and discriminations excluded about 70 percent of scheduled caste households to be land less and near landless upto one hectare. The author even argues the denial of access to some groups in both factor and commodity markets. Feudalism resulted in the caste structure in India. Land grants evicted peasants from self cultivation. These evicted persons become landless laborers and tenant cultivators. In the course of history they become dalits. Those received land grants for rendering administrative services become a backward class in due course. Those groups received land grants for offering military services become upper-class. Those received lands for performing religious services become forward caste. The land area received under various grants differed widely. The evolution of caste remains a significant source of exclusion from the wealth and income. Concentration of Land Ownership.

The concentration of land ownership could not be broken despite the abolition of Zamindari system after independence. Even the land holding estimate for 2000-01 shows that 62 percent farmers hold only 19 percent of total operational land holdings and the size of holding were less than 1 hectare. The remaining 38% medium and large farmers own 81% of land area. They have higher access to agricultural subsidy and institutional credit, thereby their income grows at a higher rate than that of 62% marginal farmers. This dimension of income and wealth inequalities reinforces the process of exclusion of the vast majority.

#### Property Rights System

Based on the evolutionary process of land ownership system countries have enacted private property rights laws. The powerful class of people, who had access to resources and political institutions, exerted strong influence in devising private property right laws. Property right systems act to preserve the interest of a rich minority. Dominant classes control key markets, access to assets and investment opportunities. When increasing protection is given to property rights, it increases income inequality. Income inequality implies that a small minority enjoys higher growth of income while a vast majority lags behind with slow income growth. This causes economic exclusion of the majority. The property rights systems also ensure inheritance and transfer of wealth legally.

This has become a major source of intergenerational transmission of economic exclusion. The Karen Rolings on estimate for UK of wealth distribution shows that top 10 percent own 100 times more than the bottom 10 percent. The legal protection to private property is given to individuals to provide incentive to carryout economic activities. The incentive simultaneously feeds greed instinct of the individuals. The greed instinct motivates a person to carry out economic activities without minding about violation of morals. They resort to earning by unfair means which leads to economic dishonesty and economic inequality.

The Crusades were military campaigns sanctioned by the Latin Roman Catholic Church during the High Middle Ages and Late Middle Ages...Several hundred thousand Roman Catholic Christians became crusaders by taking a public vow and receiving plenary indulgences from the church. These crusaders were Christians from all over Western Europe under feudal rather than unified command (<http://en.wikipedia.org/wiki/Crusades>) Ultimately, it results in the black economy far overseeing the real economy. In the process a vast majority of people living in the private property right protected countries being excluded from the benefits of economic growth to live in extreme poverty.

### Indicators of Exclusion

Ajit Bhalla and Frederic Lapeyre (1977) identified the following indicators to empirically estimate exclusion.

### Economic Indicator

Economic indicator of exclusion refers to unevenness in the distribution of economic assets.

birth, infant mortality rate, adult literacy rate or secondary school enrolment,

- Access to the labour market and specially to the 'good' segment of the labour market (rate of unemployment and long-term unemployment, vulnerability or precariousness of employment measured by some yardstick of insecurity and risk, e.g. rates of job turnover, proportion of second jobs, assessment of people working in the informal sector, household income trends);
- Social participation (defined, for instance, in terms of rates of membership of trade unions, local associations engaged in activities designed to integrate marginalized groups into the mainstream of civil society) or of the declining social fabric or fragmentation of society (e.g. crime and delinquency rates).

### Political Indicators

A composite index of political freedom based on its five ingredients, namely personal security, rule of law, freedom of expression, political participation and equality of opportunity. Janie Percy-Smith (2000) has presented the indicators as follows which is broader than the above.

### Evidences for Exclusion in India

Though we have not conducted exclusive survey to find evidences for exclusion in India by collecting data on the above indicators, we have attempted to collect data from available secondary sources (population census reports) to empirically verify the evidences for exclusion in respect of education, housing, access to water, latrine facility bathing facility and possession of assets.

**Table 1. Dimensions of Social Exclusion**

S.No	Dimension	Indicators
1	Economic	Long-term unemployment, Casualization and job insecurity, Workless households
2	Social	Income poverty, Breakdown of traditional households Unwanted teenage pregnancies Homelessness Crime
3	Political	Disaffected youth Disempowerment Lack of political rights Low registration of voters Low voter turnout Low levels of community activity Alienation/lack of confidence in political processes
4	Neighbourhood	Social disturbance/disorder Environmental degradation Decaying housing stock Withdrawal of local services
5	Individual	Collapse of support networks Mental and physical ill health Educational underachievement/low skills Loss of self-esteem/confidence
6	Spatial	Concentration/marginalization of vulnerable groups
7	Group	Concentration of above characteristics in particular groups: elderly, disabled, ethnic minorities

### Social Indicators

- Access to public goods and services (access to education and health can be evaluated through life expectancy at

### Educational Exclusion of India

Provision of education to the people lifts them up from the state of poverty. Failing to provide education exclude the people from the economic development process.

Educational exclusion can be estimated by subtracting the number of literates from the total population. Number of illiterates in India has been computed and given in the following Table.

**Table 2. Illiteracy Rate 1951-2011**

year	Population of India	Number of illiterate
* 1951	361,088,090	282,298,668.8
1961	439,234,771	301,007,588.6
1971	548,159,652	345,614,660.6
** 1981	683,329,097	376,377,666.6
1991	846,427,039	327,651,906.8
2001	1,028,737,436	317,468,372.8
2011	1,21,01,93,422	250,389,019

Sources: Censusindia.gov.in

**Note:** \* Literacy rates for 1951, 1961 and 1971 related to population aged five years and above.

\*\* The rates for the years 1981 to 2011 related to the population aged seven years and above.

The above table shows that, number of people who are illiterates in India according to reports of census of India. The number of illiterate people as per the reports of census of India was 28.22crore during 1951. The number has steeply increased till 1981 to become 36.63 corers. It has started to decline from 1991 to reach 25.03 crores in 2011. Even after 65 years of independence and 60 years of economic planning 25 crores of people remaining educationally excluded is an indication of strong case of exclusion.

### Housing Exclusion

People tend to face many deprivations because of economic exclusion. They live in houses which are unfit to live. Their house lacks the amenities required for healthy, peaceful and secured life.

**Table 3. Honsing Exclusion**

Condition of Census House	Absolute Number	Percentage in Total
Dilapidated	13,075,087	5.3
Predominant Material of Roof		
Grass/ Thatch/ Bamboo/ Wood/ Mud, etc.	46,987,669	15.4
Plastic/ Polythene	2,073,373	0.7
G.I./ Metal/ Asbestos sheets	50,336,403	16.5
Predominant Material of Wall		
Grass/ Thatch/ Bamboo etc.	28,947,594	9.5
Plastic/ Polythene	1,097,831	0.4
Mud/ Unburnt brick	66,449,827	21.8
Wood	2,781,271	0.9
Stone not packed with mortar	10,441,142	3.4
G.I./ Metal/ Asbestos sheets	2,331,869	0.8
Predominant Material of Floor		
Mud	138,685,946	45.5
Wood/ Bamboo	2,575,590	0.8
Households By Number of Dwelling Rooms		
No exclusive room	9,638,369	3.9
One room	91,491,894	37.1
Households By Main Source of Drinking Water		
Tap water from un-treated source	28,533,688	11.6
Well	27,185,276	11.0
River/ Canal	1,550,549	0.6
Tank/ Pond/ Lake	2,075,181	0.8
Households By Main Source of Lighting		
Kerosene	77,545,034	31.4
Other oil	505,571	0.2
No lighting	1,164,584	0.5
Households By Type of Latrine Facility		
Pit Latrine	23,279,128	9.4
- Without slab/ open pit	4,466,106	1.8
Other Latrine	2,606,278	1.1
-Night soil disposed into open drain	1,314,652	0.5
- Night soil removed by human	794,390	0.3
- Night soil serviced by animals	497,236	0.2
No Latrine within the premises	130,955,209	53.1
- Public latrine	7,997,699	3.2
- Open	122,957,510	49.8
Households By Bathing Facility		
Enclosure without roof	40,448,190	16.4
No	102,564,758	41.6
Households By Type of Drainage Connectivity For Waste Water Outlet		
- Open drainage	81,423,941	33.0
- No drainage	120,524,914	48.9
Households By Availability of Kitchen Facility		
Cooking Inside House	215,412,336	87.3
Does not have kitchen	77,818,213	31.5
Cooking Outside House	30,483,366	12.4
Does not have kitchen	16,885,487	6.8
No cooking	796,965	0.3
Households By Fuel Used For Cooking		
Fire-wood	120,834,388	49.0
Crop residue	21,836,915	8.9
Cowdung cake	19,609,328	7.9
Households availing banking services	144,814,788	58.7
Households By Possession of Assets		
None of the specified assets	43,950,672	17.8

The following table contains data extracted from 2011 census of India regarding the housing amenities. Out of the total number of residential houses in India, 13.07 crore houses are in dilapidated condition. It is 5.3 per cent of total number of houses. The roof of house determines the safety of the house from natural and manmade havoc like fire, cyclone etc... Grass/ Thatch/ Bamboo/ Wood/ Mud are the roof material, which make the house unstable. The people living in houses with these roofs are to live with constant threat that at any time the roof may collapse.

About 46.98 crore of Indian houses are having these unsafe material as roof. It is about 15.04 per cent total houses. The economic exclusion forces the people to live in such an unsafe houses, some people use plastic and polythene material as roof, nearly 2.07 crores houses are constructed with plastic and polythene roof. These also make the houses unsafe. Continuous exposure to the heat radiation from plastic may cause skin cancer.

The G.I. / Metal/ Asbestos sheets are somewhat better roof material than the above ones. However these sheets may transmit heavy heat or cool weather into the house during the respective season. Nearly 50.33 crore houses in India are having these sheets. It is about 16.05 per cent of total number of houses. Altogether 32 per cent of the houses in India are vulnerable to the natural and manmade havocs. Therefore it is found that about one third of Indian houses and people living in these houses are excluded from the safe and secured houses. Another material which makes a house stable and secure for living is material used for constructing wall. The Grass/ Thatch/ Bamboo/ Wood/ Mud/ Unburnt brick/ wood/ stone/ asbestos sheets are the material unfit for constructing a stable wall.

Houses constructed with these materials are likely to collapse at any time. Therefore people living in these houses are at constant threat and excluded from the benefit of safe houses. The material used for making floor of a house, also makes the house suitable for living. The floors in the 45.5 per cent of houses in India are made of mud. Therefore the people living in these houses can be considered to have excluded from a safe and stable houses. Rooms in houses ensure privacy to the people especially women face difficulties, when the rooms are not available in the houses. There are 96.38 lacks houses don't have rooms and 91.49 crore houses are with only one room. It is understood from these facts that about 40 per cent of house in India are not having sufficient dwelling rooms.

#### **Exclusion from Access to other Amenities in Houses**

The most essential thing needed for living is water. Because of the essential nature all the people living in a country must be ensured with safe drinking water. It should be available within the premise of the houses. The non-availability of access to clean drinking water is an indication of exclusion from the benefits of basic living amenities. About 24 per cent of Indian household are not having access to safe drinking water. They draw water from untreated sources. The main energy used for lighting is an indication of affordability to buy the safe energy.

Kerosene is the main source of lighting energy for 31.04 percent household in India. The kerosene smoke makes the room environment polluted. The people living in these houses can be considered to have excluded from the benefit of pollution free house atmosphere. Latrine facility also works as an excluding factor. Total percentage of houses in India without Latrine facility within the premise is 53.1 Out of these, 49.8 per cent household defecated in open place. The open place defecation spreads many communicable deceases. People living in 41.6 per cent houses are not having bathing facility and 16.4 per cent household are having bathroom without roof. The drainage facility determines the atmosphere health of the houses. About 48.9 per cent household in India do not have drainage facility, while 33 per cent has open drainage. Kitchen facility with chimney is required to cook without making the houses smoke full. About 31 per cent of household do not even have kitchen in India and 12 percentage cook outside their houses.

These 6.8 per cent household do not even have firewood, Crop residue and Cow dung cake are the fuel used for cooking by 49, 8.9, and 7.9 percentage of household respectively. These sources of fuel emit smoke which would make the person in the atmosphere prone to TB. These household are excluded from safe sources of cooking energy. About 17.8 per cent Indian households do not have any assets. The banking facility has not been available for 41 per cent of Indian household. It implies that financial inclusion has not been achieved in India.

#### **Conclusion**

After second world war the bureaucratic economists begun to use a slogan about economic policy goal. When one goal remains beyond reach they coin a new one. Self-reliance, human development, sustainable development, pro-poor growth, inclusive growths are some such slogans. Origin of inclusive growth could be seen in the millennium declaration of the UN. It sets some goals called millennium development goals (MDG). The word inclusive growth was derived from the MDG. Inclusive growth means broad based growth. It can be delivered by providing equal opportunity to all. The growth process must rise up income of poor more rapidly than rich. Since income inequality is historical, the root of inequality must be found in the history to remove the problem. Income is flow of resource while wealth is stock of asset. There was enormous disparity in both flow and stock, which is being inherited with the support of property laws. As inequality in stock of asset is inherited the inequality in income flow too is inherited. Feudalism evicted large mass of peasants from land. The peasants lost a factor resource land to the feudal lords who are few in number. They control the ownership of this land resource. The feudal lords kept the evicted labourers as slaves. This class became Dalits because of feudalism. This class remained slave, landless, low paid and unpaid (in some cases) class over a prolonged period of about 2000 years.

Before, feudalism community land ownership prevailed. All the people enjoyed prosperity. Feudalism ceased the land ownership and put private land ownership in place, which excluded a class of people from the economic growth process. This led to abject poverty and inequality among them.

Analysis of evidences for economic exclusion offers the conclusion that the 2000 years legacy of economic exclusion still prevails in India in terms of literacy, safe housing, access to safe drinking water, access to sanitation facilities and possession of assets. How long would we allow millions of people to subsist with living difficulties? So, abolishing private land ownership is the only solution for achieving inclusive growth, however, incentive structure theory states that property right is required to provide incentive to work, earn, invest profit and inherit.

The threat associated with unfettered private land ownership is that it feeds greed instinct of the people to earn without minding about moral violation and effect of exclusion. The greed instinct can be regulated by putting a limit on the incentive. Unfettered property rights may be permitted only on habitat properties. Unfettered private land ownership in agricultural land may be abolished.

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