

**CENTRE FOR DISTANCE & ONLINE
EDUCATION
UNIVERSITY OF JAMMU
JAMMU**



SELF LEARNING MATERIAL

MA ECONOMICS SEM-II

**Subject: Indian Economic Policy
Course No: ECO-207**

No. of Credits 6

Unit : I – IV

Lesson No. : 1-25

**Dr. Neelam Choudhary
Course coordinator**

<http://www.distanceeducationju.in>

***Printed and Published on behalf of the Centre for Distance and Online Education, University of Jammu,
Jammu by the Director, CDOE, University of Jammu, Jammu.***

Indian Economic Policy

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Centre for Distance and Online Education, University of Jammu , 2025

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M.A Economics under Non-CBCS (CDOE)

Semester-I1

Syllabus for the examination to be held in May 2026, 2027 & 2028

Course Code: ECO-207

Title – Indian Economic Policy

Credits:6

Max. Marks: 100

Internal Assessment: 30

Time: 3 Hours

Semester Exam: 70

Course Outcomes

- To acquaint the students fully with different economic aspects of the Indian Economy
- To understand various policy issues and measures to understand economic initiatives for improving economic development and growth, agriculture and industry and planning of different sectors of the economy.
- To prepare the students to critically evaluate and analyse the economic policies of India in the past and present, and to understand the place of Indian economy at the international level, particularly after the economic reforms in India
- To understand the recent initiatives for economic growth and development taken by the govt. have also been incorporated
- To sharpen the analytical faculty of the students to understand the whole system of economic policy in India

UNIT-I Economic Development and Growth Policies

Economic development and social opportunity- development, freedom and opportunity education, health ,state and the market: principles of integral humanism, Human Development, Indexing Human Development in India- indicators scaling and composition; recasting planning in terms of human development; the concept of inclusive growth -factors policies and measures for promoting inclusive growth in India- how inclusive growth can be a catalyst for economic development; Developed India: Model of SDG localization, SDG Agenda 2030; Vision and progress towards 2047.

UNIT-II Agriculture and Industrial Sectors of the Indian Economy

New Agricultural policy 2022- Objectives, salient features and role to strengthen Indian economy; recent changes to support the Agriculture sector in Budget-2023; National agriculture Market (e- NAM), critical appraisal of food security policy- Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) Pradhan Mantri Fasal Bima Yojana (PMFBY); Deendayal Upadhyay Grameen Kaushalya Yojana ;Make in India and Atamnirbhar Bharat- advantages and disadvantages from the make in India initiative; India's digital revolution- 21st century IT infrastructure and software capabilities- skill building for the future and digitally enabled jobs; impact of Covid -19 on Indian economy.

UNIT-III Recent trends in Indian planning

NITI Ayog-Objectives & Features, seven pillars of NITI Ayog, Strategy for new India@75- Drivers: growth, employment and labour reforms, technology and innovation, industry, doubling farmers' income, modernising agriculture, policy and governance, value chain and rural infrastructure; financial inclusion; housing for all; infrastructure-energy, road transport, railways, ports and waterways, digital connectivity, smart City for urban transformation, Swachh Bharat Mission and sustainable environment; New Education Policy- 2020, Skill Mission India: National Policy for Skill Development and Entrepreneurship; Start-up India programme, Public health management and action- Ayushman Bharat Yojana, gender- gender responsive budgeting, gender equity and closing the women's health gap, a \$1 trillion opportunity; governance- balanced regional development, the North East region,. Deendayal Upadhyay Grameen Kaushalya Yojana.

Unit-IV Economic Reforms & External Sector

Economic reforms- path to economic transformation in India, economic crisis and initiatives taken by the government; reforms for macroeconomic stabilization- fiscal reforms, monetary and financial reforms and currency exchange reforms, reforms for microeconomic structural adjustment- liberalisation of business, privatization of public sector and disinvestment, Public Private Partnership (PPP) and globalisation of the Indian economy; Critique of economic reforms- GDP growth, employment and poverty, impact of economic reforms on labour, India's foreign trade and BOPs, economic reforms and investment flows, economic reforms

and regional disparities, economic reforms and human development, external sector of India-components, reforms and significance.

Note for Paper Setting

The term end examination shall be of 70 marks. There shall be two types of questions in each unit, two short answer type (each of 250 words) and two medium answer type (each of 600 words). The candidate will have to attempt one short answer type question and one medium answer type question from each unit. Each short answer type question shall carry 4.5 marks and each medium answer type question shall carry 13 marks.

Basic Readings

1. Puri, VK & SK. Misra(2023), Indian Economy, Himalaya Publishing House, Mumbai.
2. TW Schultz (1961), "Investment in human capital", The American Economic Review, Vol.31, No.1.
- 3 Dreze. Jean & Amartya Sen (1997), Indian Economic Development and Social Opportunity, Delhi: Oxford India.
4. UNDP, Human Development Reports, different issues,, New Delhi: Oxford University Press.
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7. Sen, Amartya (1977), "Poverty and Economic Development", in CD Wadva.ed. *Some Problems of India's Economic Policy*.
8. World Bank (2003), India: Sustaining Reforms, Reducing Poverty, New Delhi: Oxford University Press.
9. Rakesh Mohan (2017). India Transformed: 15 Years of Economic Reforms.
10. Govemmers of India, Ministry of MSME, different reports.
- 11..Dreze, Jean & Amartya Sen (1998) Omnibus,, Oxford University Press, New Delhi.
12. Government of India, NITI AYOGE- Annual report-2022-23 and other issues.

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M.A. Eco Sem II	Introduction to Economic Development and Social Opportunity	Unit -I
Eco 207		Lesson 1

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1.0 Objectives

The main objectives of this lesson are to enable you to:

- Differentiate between the concepts of economic growth and economic development through theoretical and empirical perspectives.
- Outline the major schools of thought on development, including linear stages, structuralist, neoliberal, and capability approaches.
- Examine the core principles of Amartya Sen's capability approach and its relevance to development discourse.
- Interpret key composite indices such as HDI, IHDI, GII, and MPI used to measure human development.
- Analyse the role of social opportunity in enhancing individual well-being and fostering inclusive growth.

- Assess India's progress and setbacks in achieving equitable development across regions and social groups.
- Critique the role of India's development planning, Five-Year Plans, and NITI Aayog in expanding social capabilities.
- Propose policy recommendations for promoting sustainable, inclusive, and justice-oriented development in India.

1.1 Learning Outcomes

After completing this lesson, you will be able to:

- Define key terms such as economic growth, development, capabilities, and functioning.
- Compare and contrast different development models using real-world examples.
- Calculate and evaluate the components of the Human Development Index (HDI) and related measures.
- Illustrate how education, health, and social infrastructure expand human freedoms and opportunities.
- Investigate India's multidimensional development challenges using official statistics and case studies.
- Evaluate the effectiveness of major government schemes aimed at improving human development indicators.
- Summarize the evolution of development planning in India and its shift toward participatory and data-driven approaches.
- Formulate arguments for inclusive policy interventions that align economic growth with social justice.

1.2 Introduction

Dear learner, after going through this lesson, you would be able to critically engage with the evolving concept of economic development and distinguish it from mere economic growth. You will explore key development approaches, including the human development and capability perspective. The lesson will equip you to assess development using multidimensional indicators such as HDI and MPI. It will also help you analyse India's policy

efforts in promoting inclusive growth and social opportunity. Ultimately, you will develop the ability to evaluate development as a people-centric and equity-driven process.

1.3 Economic Development: Prologue

Economic development is a comprehensive concept that encompasses improvements in living standards, reduction in poverty, enhancement in education and health, expansion of employment opportunities, and access to basic services. While economic growth focuses primarily on the increase in a nation's output of goods and services (measured through indicators like GDP), economic development reflects a broader transformation of a country's social and economic structure to enable human well-being.

The term “development” came into prominence in the post-World War II period, particularly after President Truman's 1949 address in which he described underdeveloped areas as regions needing investment and modernization. Initially, the focus was on achieving higher growth rates through capital accumulation, industrialization, and technological progress. However, over time, development economists recognized that mere economic growth was insufficient unless accompanied by improvements in social conditions such as literacy, nutrition, health, housing, and equality.

Economic development refers to “a process whereby the real per capita income of a country increases over a long period of time along with improvements in social indicators such as literacy, life expectancy, and reduction in poverty.”

An underdeveloped economy is typically marked by features such as low levels of income and productivity, widespread poverty, dualistic economic structures, technological backwardness, poor health and education outcomes, and a high degree of dependence on agriculture. These features hinder the ability of people to realize their potential and contribute meaningfully to economic progress.

Modern perspectives on development, notably those influenced by **Amartya Sen**, have emphasized the expansion of human capabilities and freedoms as the essence of development. Sen argues that development should be evaluated not merely by the increase in per capita income but by the real opportunities that people enjoy—what he calls “capabilities.” These include the ability to live a healthy life, to be educated, to participate in social and political processes, and to have control over one's environment.

As we enter the third decade of the 21st century, development is increasingly viewed as a multidimensional process that is inclusive, sustainable, and equitable. It involves not only economic advancement but also environmental sustainability, gender equality, institutional transparency, and democratic participation. These dimensions are now part of global development frameworks such as the United Nations Sustainable Development Goals (SDGs), which emphasize a holistic and rights-based approach to human progress.

In sum, economic development is not just about building physical capital or increasing GDP—it is about transforming lives, expanding choices, and creating an environment where individuals and communities can flourish. The next sections will delve deeper into how development is conceptualized, measured, and achieved, especially in the context of India's socio-economic realities.

1.4. Economic Growth vs. Economic Development

The terms *economic growth* and *economic development* are often used interchangeably in everyday language, but they refer to fundamentally different concepts in economics. While economic growth is a necessary condition for economic development, it is not sufficient in itself.

1.4.3 Economic Growth: A Narrower Concept

Economic growth refers to an increase in the real output of goods and services in an economy over time. It is primarily measured by changes in Gross Domestic Product (GDP) or Gross National Product (GNP), adjusted for inflation. Growth emphasizes the quantitative aspect of progress—how much the economy is producing—and is commonly expressed as an annual percentage increase in real GDP. Therefore Economic Growth is typically associated with increase in per capita income, rise in consumption and investment, expansion in capital formation and technological advancements.

However, economic growth does not necessarily imply improvement in the quality of life. For instance, a country may experience high growth rates but continue to suffer from severe income inequalities, widespread poverty, poor healthcare, and illiteracy.

1.4.4 Economic Development: A Broader, Multidimensional Concept

In contrast, economic development encompasses not only growth in national income but also qualitative improvements in the standard of living, institutional arrangements, and

distribution of income and wealth. It includes changes in economic structure, such as the shift from an agrarian to an industrial economy, and improvements in social indicators, such as life expectancy, literacy, and access to basic services. Therefore, development signifies a “sustained increase in per capita income that is accompanied by a significant and progressive transformation in the economy and society.” These changes include reduction in absolute poverty, greater equity in income distribution, improved education and health outcomes, increased access to infrastructure and basic needs and institutional reforms and political stability. In short, development is growth with transformation.

Table 1: Key Differences Between Growth and Development

Aspect	Economic Growth	Economic Development
Nature	Quantitative	Qualitative and Quantitative
Measurement	GDP, GNP, Per Capita Income	HDI, MPI, PQLI, IHDI, social indicators
Scope	Narrow – output and income	Broad – income, health, education, standard of living
Time Frame	Short to medium term	Long-term structural change
Objective	Increase production and income	Improve human well-being and quality of life
Equity and Inclusion	Not necessarily inclusive	Focuses on reducing inequality and poverty
Example	Rapid GDP growth in China (1990s–2000s)	Kerala’s development model: high literacy, low infant mortality

Source: Adapted from Misra & Puri, 2023; Dutt & Sundaram, 2023

1.4.3 Interdependence Between Growth and Development

Although different in scope, growth and development are interdependent. Growth can lead to development by generating resources for investment in health, education, and infrastructure. Conversely, development can stimulate growth by improving productivity, human capital,

and governance. However, if growth is not inclusive or sustainable, it may exacerbate inequality, environmental degradation, and social exclusion.

India's experience post-1991 economic reforms highlight this divergence. While India's GDP growth has averaged over 6% annually, social indicators such as malnutrition, quality of education, gender disparity, and healthcare access continue to lag. Hence, development policies must ensure that the fruits of growth are equitably shared, especially among the marginalized.

1.5. Approaches to Economic Development

Understanding how economies develop has been the subject of several theoretical frameworks and development models over the decades. These approaches to economic development offer insights into the structural, institutional, and human aspects of transformation. Each school of thought reflects historical, ideological, and empirical contexts and contributes to how development policy is shaped today.

1.5.1 The Linear Stages of Growth Theory

Popular during the 1950s and 1960s, this approach views development as a **series of successive stages** that all countries must pass through. The most influential proponent of this school was **W.W. Rostow**, who outlined five stages in his *"Stages of Economic Growth"* (1960):

1. **Traditional society** (subsistence, agriculture-based)
2. **Pre-conditions for take-off**
3. **Take-off**
4. **Drive to maturity**
5. **Age of high mass consumption**

According to Rostow, economic development is a linear process driven by capital accumulation, investment, and industrialization. However, critics argue that this model is overly simplistic and fails to account for historical inequalities, institutional constraints, or diverse national trajectories.

1.5.2 Structuralist and Dependency Theories

Reacting to the limitations of linear models, Structuralist economists like **Raúl Prebisch** emphasized that underdevelopment is the result of structural constraints, including:

- Over-reliance on primary exports
- Weak domestic industry
- Unfavourable terms of trade

This led to the idea of Import Substitution Industrialization (ISI)—a policy pursued by many developing countries, including India in the post-independence period.

Dependency theorists, such as Andre Gunder Frank, further argued that the global economic system is inherently exploitative, locking developing countries into subordinate roles. Development in the Global South is often hindered by economic domination by developed countries.

1.5.3 Neoclassical and Neoliberal Approaches

The 1980s and 1990s witnessed a shift toward neoliberal economic thinking, emphasizing on market liberalization, privatization, free trade and fiscal discipline

Based on the works of Milton Friedman and institutions like the IMF and World Bank, this approach argued that development is best achieved through minimal government intervention, property rights, and macroeconomic stability.

India's **1991 economic reforms** reflected this orientation, marking a transition from a planned economy to a market-led one.

1.6.4 The Human Development and Capability Approach

Introduced by Amartya Sen and further developed in UNDP's Human Development Reports, this approach sees development as a process of expanding people's capabilities and freedoms. Instead of focusing solely on income, it emphasizes on functioning (what people are able to do), Capabilities (real opportunities available) and Agency (freedom to choose and act)

The Human Development Index (HDI)—comprising income, education, and health—reflects this multidimensionality. This paradigm shift moved global attention from GDP growth to well-being, social opportunity, and equity, aligning development goals with human dignity.

1.5.5 Sustainable Development and the SDGs

In recent years, the development discourse has been broadened to include environmental sustainability, gender equality, and inclusive institutions. The Sustainable Development Goals (SDGs)—adopted in 2015 by the United Nations—reflect a holistic framework that integrates economic, social, and environmental dimensions. India’s national development strategies are now aligned with the SDGs, recognizing the need for intergenerational equity, climate resilience, and inclusive governance.

Table 2: Major Approaches to Economic Development

Approach	Focus	Key Thinkers/Models
Linear Stages Theory	Investment, industrialization	W.W. Rostow
Structuralist Approach	Structural constraints, trade terms	Raúl Prebisch
Dependency Theory	Global inequality and exploitation	Andre Gunder Frank
Neoliberal Approach	Free markets, liberalization	Milton Friedman, IMF/World Bank
Human Development Approach	Capabilities, freedoms, social well-being	Amartya Sen, UNDP
Sustainable Development	Inclusive, equitable, and green development	UN SDGs

Source: Compiled from Misra & Puri, Dutt & Sundaram, UNDP, and academic sources

1.7 Role of Social Opportunity in Development

The concept of *social opportunity* has gained prominence in development discourse, especially through the pioneering work of **Amartya Sen**, who emphasized that development must go beyond income metrics and focus on the real freedoms that people enjoy. Social opportunities refer to the conditions and provisions that allow individuals to lead meaningful and flourishing lives, particularly through access to education, healthcare, nutrition, and civic participation. Social opportunities are the enabling conditions that allow people to acquire knowledge and skills (education), stay healthy and nourished (healthcare and food security), participate in decision-making (political freedom) and access employment and markets (economic inclusion) According to **Sen (1999)**, development must be seen as the expansion

of “substantive freedoms” rather than mere economic prosperity. These freedoms include the ability to avoid preventable mortality, receive quality education, and exercise agency over one’s life. Social opportunity, in this context, is both a means and an end of development. For example, a well-functioning healthcare system not only improves life expectancy (an end in itself) but also enhances a person’s productivity and economic participation (a means to further development).

1.6.1 Core Elements of Social Opportunity

Social opportunity comprises multiple dimensions, the most crucial of which are:

a) Education

Education empowers individuals, promotes upward mobility, and enhances capabilities. It improves awareness, innovation, employability, and civic engagement. Universal access to quality education—especially for girls and marginalized groups—is critical to inclusive development.

b) Healthcare

Access to affordable and quality healthcare enables people to live longer, healthier lives. Poor health limits productivity and educational attainment, reinforcing the cycle of poverty. Public health infrastructure, maternal care, and disease control programs are central to building human capital.

c) Nutrition and Sanitation

Malnutrition impairs cognitive development and learning ability. Adequate food, clean water, and sanitation are foundational for the well-being of any society. India’s POSHAN Abhiyaan and Swachh Bharat Mission are targeted efforts in this area.

d) Basic Infrastructure and Social Services

Electricity, roads, digital connectivity, and public safety are essential to enhance mobility, market access, and dignity of life. Rural infrastructure development—through schemes like PMGSY and UDAY—plays a catalytic role in expanding opportunities.

e) Legal and Institutional Access

Rule of law, protection of rights, and availability of legal redress enhance individuals' capacity to assert claims and participate in governance. Social opportunity thrives in an environment of justice and equality before the law.

1.6.2 Social Opportunity and Development Outcomes in India

Despite sustained economic growth, India continues to face large deficits in social opportunity:

- As per NFHS-5 (2019–21), 35.5% of Indian children under five are stunted, indicating deep-rooted nutritional challenges.
- The Annual Status of Education Report (ASER 2022) revealed persistent learning gaps among rural children.
- Government expenditure on health remains around **2.1% of GDP (2022–23)**, much lower than global averages.

These data points suggest that growth has not automatically translated into enhanced social opportunities. It is argued that unless the Indian state actively expands access to essential services, the benefits of growth will remain concentrated and development will remain incomplete.

1.7.3 The Link Between Social Opportunity and Economic Growth

Social opportunities are not just developmental ends but also drivers of economic growth. For example, better-educated populations adapt faster to technological changes, healthy workers are more productive and less dependent on public aid and improved gender equality in education and employment expands the labor force and boosts household incomes. This positive feedback loop—where social development leads to economic advancement, which in turn enables further social investment—is essential for sustainable and inclusive growth.

1.7 Human Development Approach and the Capability Perspective

The human development approach marks a significant departure from traditional notions of economic progress that equated development with income growth alone. Pioneered by **Amartya Sen** and institutionalized by the United Nations Development Programme (UNDP) through its *Human Development Reports*, this approach emphasizes the expansion of human capabilities and the enhancement of real freedoms that individuals enjoy in their lives.

1.7.1 Origin and Rationale

By the late 20th century, scholars and policymakers increasingly realized that GDP growth does not adequately capture the well-being of a population. A country could experience impressive economic growth, yet its population might continue to suffer from poverty, poor health, illiteracy, and gender inequality. This gap led to the evolution of the human development paradigm, which shifted focus from mere resource accumulation to people-centered development.

Amartya Sen (1999) argued that development must be assessed not by what people possess but by what they can do with what they have, their capabilities to lead the kind of life they value. His capability approach provided the ethical foundation for rethinking development goals, policies, and measurement.

1.7.2 The Capability Approach: Core Concepts

The capability approach evaluates development in terms of functioning and capabilities:

- **Functioning:** The various things a person may value doing or being, such as being healthy, being literate, being adequately nourished, or participating in community life.
- **Capabilities:** The real opportunities or freedoms people have to achieve these functioning. For example, two individuals may have the same income, but only one may have access to quality healthcare, implying greater capability.

Sen emphasizes that freedom is both the primary end and the principal means of development. These freedoms include Economic facilities (employment and income), Social opportunities (education and health), Transparency guarantees (access to information, legal rights) and Protective security (social safety nets).

1.7.3 Human Development Index (HDI)

The UNDP operationalized the capability approach through the Human Development Index (HDI), first introduced in 1990. It is a composite index that measures average achievements in three basic dimensions of human development:

- **Health:** Life expectancy at birth
- **Education:** Mean years of schooling and expected years of schooling
- **Standard of living:** Gross National Income (GNI) per capita (PPP-adjusted)

HDI Formula:

For each dimension:

Dimension Index = (Actual Value – Minimum Value) / (Maximum Value – Minimum Value)

HDI = Geometric Mean (Health Index × Education Index × Income Index)^(1/3)

This method ensures that poor performance in any one dimension has a proportionately larger negative effect on the overall HDI score.

1.7.4 Extensions of HDI

To capture additional aspects of inequality and deprivation, the UNDP has also developed:

- **Inequality-adjusted HDI (IHDI):** Adjusts HDI for internal disparities in each dimension.
- **Gender Development Index (GDI)** and **Gender Inequality Index (GII):** Capture gender-based gaps in development outcomes.
- **Multidimensional Poverty Index (MPI):** Measures overlapping deprivations in health, education, and living standards at the household level.

1.7.5 India's Performance in Human Development

India has made significant improvements in HDI since 1990, but challenges remain:

- India's HDI rank in 2023 was 134 out of 193 countries with a value of 0.633, placing it in the medium human development category.
- Life expectancy stands at around 67.2 years, mean years of schooling at 6.7 years, and GNI per capita at \$6,590 (PPP).
- Inequality-adjusted HDI drops by over 25%, indicating severe disparities.

Efforts like the National Health Mission, Samagra Shiksha Abhiyan, Ayushman Bharat, and Digital India aim to enhance capabilities and close the gaps in social opportunity. Despite progress, regional, caste-based, gender, and rural-urban inequalities persist. By shifting the metric of progress from **wealth to well-being**, this approach has transformed both the academic and policy landscapes of development economics.

1.8 Measures and Indicators of Development

Reliable metrics are essential for (i) diagnosing development gaps, (ii) designing policy, and (iii) benchmarking progress across countries and regions. Contemporary practice has moved well beyond single-dimension yardsticks such as growth of GDP to multidimensional, people-centred dashboards. This section surveys the main income-based, composite, gender-sensitive and poverty-focused indicators in use today, with special reference to India. The following tables show the various indicators:

Table 3: Income-based Indicators:

Indicator	Definition & Use	Key Limitations
Gross Domestic Product (GDP) & GDP per capita	Market value of all final goods & services produced within a country; proxy for economic size and average income.	Ignores distribution, unpaid work, environmental depletion.
Gross National Income (GNI) per capita (PPP)	Adds net factor income from abroad and adjusts for purchasing-power parity to allow cross-country comparisons.	Still output-centred; can conceal domestic inequalities.

Source: Misra & Puri (2023) and Dutt & Sundaram (2023)

Table 4 Composite Human-Centred Indices

Index	Components
Human Development Index (HDI)	Life expectancy, education (mean & expected years of schooling), GNI per capita.
Inequality-adjusted HDI (IHDI)	HDI discounted for within-country inequality.
Gender Inequality Index (GII)	Reproductive health, empowerment, labour-force participation.
Gender Development Index (GDI)	Ratio of female to male HDI.

Index	Components
Physical Quality of Life Index (PQLI)	Infant mortality, life expectancy at age 1, basic literacy.
Social Progress Index (SPI)	Basic needs, foundations of well-being, opportunity (57 variables).

Source: UNDP Human Development Report 2025 and the Social Progress Index.

The geometric mean penalises unbalanced progress—low schooling or poor health drags the HDI down even if income is high.

Table 5 Poverty-focused Composite Indices

Index	What it Captures
Multidimensional Poverty Index (MPI)	Simultaneous deprivations in health, education, living standards (10 indicators).
Global Extreme-Poverty Line (US \$2.15 /day, 2017 PPP)	Consumption-based head-count ratio.
SDG 1.2.2 (National poverty lines)	Context-specific thresholds.

Source: UNDP & Oxford Poverty and Human Development Initiative (OPHI), <https://pip.worldbank.org> and United Nations Statistics Division (UNSD) and national sources (e.g., PLFS, NITI Aayog).

Table 6 Emerging Indices

Index	Salient Features
SDG Index (NITI Aayog, 2024)	Tracks state progress on all 17 SDGs; composite score out of 100.
Happy Planet Index	Well-being per unit ecological footprint.
Environmental Performance Index	Ecosystem vitality, environmental health.

Index	Salient Features
(EPI)	

Source: NITI Aayog. (2024). *SDG India Index and Dashboard Report 2023–24*. New Delhi: Government of India, New Economics Foundation. (2024). *Happy Planet Index Report* and Yale Center for Environmental Law & Policy and CIESIN, Columbia University. (2024). *Environmental Performance Index 2024*.

While composite indices such as the HDI and MPI have significantly advanced the measurement of development, several limitations persist. One key concern is aggregation bias, as the weighting schemes—such as equal weights in HDI or arbitrary cut-offs in MPI—may not accurately reflect a society’s unique priorities or lived experiences. Additionally, data quality and timeliness remain major challenges. Household surveys like the National Family Health Survey (NFHS) are conducted at multi-year intervals, leading to data lags, while income from the informal sector, which employs a majority of India’s workforce, remains largely under-reported.

Furthermore, there are important development dimensions that are inadequately captured, such as subjective well-being, unpaid care work (especially by women), digital inclusion, and climate resilience. These omissions limit the comprehensiveness of existing indices. Lastly, although league-table rankings such as those produced by the SDG Index or HDI can stimulate healthy competition and policy reform—as seen in Kerala’s emphasis on education—they also run the risk of promoting “indicator chasing” rather than genuine, transformative development. Policymakers may focus narrowly on improving scores rather than addressing structural issues.

1.10 Inclusive Development and Social Justice

The pursuit of economic development in the 21st century is increasingly being evaluated through the lens of inclusion and equity. While high growth rates are essential, they are not sufficient unless their benefits reach all sections of society, especially the marginalized and disadvantaged. The concept of inclusive development is thus intertwined with the principle of social justice, which calls for fair access to opportunities, removal of structural barriers, and the promotion of human dignity. Inclusive development refers to a growth process that ensures Equal access to opportunities, Reduction in disparities (regional, social, gender-based), Protection of the most vulnerable, and Active participation of all groups in economic, social, and political life. It prioritizes the quality of growth—who benefits, how sustainably,

and how equitably. According to the World Bank, inclusive development is defined as “broad-based shared growth that reduces poverty and builds equality.” Therefore, inclusivity in development implies both process and outcome: it is not just about expanding income, but also about expanding the capability set of those who have been historically left out—such as Scheduled Castes (SCs), Scheduled Tribes (STs), women, rural poor, religious minorities, and people with disabilities.

1.9.2 Understanding Social Justice in Development

Social justice is the normative foundation for inclusive development. It demands fairness in the distribution of wealth, opportunities, and privileges, and recognizes that different social groups may require differentiated treatment (affirmative action) to achieve equitable outcomes.

India’s **constitutional commitment** to social justice is reflected in:

- **Article 15 and 17:** Prohibition of discrimination and abolition of untouchability,
- **Article 46:** Promotion of educational and economic interests of SCs/STs,
- **Article 39(b):** Equitable distribution of material resources.

Therefore, social justice goes beyond legal equality to ensure substantive equality, which includes removal of systemic disadvantages, such as those created by caste, gender, region, or class.

1.9.3 Key Dimensions of Inclusive Development and Justice

The key dimensions of Inclusive Development and Justice includes the following:

a) Poverty Alleviation and Employment

- **MGNREGA** (Mahatma Gandhi National Rural Employment Guarantee Act) ensures minimum employment security for rural households.
- **Deendayal Antyodaya Yojana** supports rural livelihoods for SHGs and urban poor.

b) Gender Inclusion

- **Beti Bachao Beti Padhao**, **MUDRA Yojana**, and **One-Stop Centres** are schemes aimed at empowering women economically and socially.

- However, **female labour force participation** remains low (~23% as per PLFS 2022–23), reflecting persistent structural constraints.

c) Education and Health Equity

- **Samagra Shiksha Abhiyan** and **PM SHRI Schools** aim to bridge learning gaps in underdeveloped districts.
- **Ayushman Bharat – PM-JAY** provides free health coverage to the bottom 40% population.

d) Digital and Financial Inclusion

- **Jan Dhan Yojana**, **Digital India**, and **PM SVANidhi** aim to democratize access to finance, technology, and entrepreneurship.

e) Scheduled Groups and Regional Backwardness

- **Scheduled Caste Sub Plan (SCSP)** and **Tribal Sub-Plan (TSP)** allocate resources proportionally to marginalized groups.
- **Aspirational Districts Programme** targets lagging regions using data-driven governance to ensure convergence of welfare schemes.

Despite extensive welfare architecture, India's development remains marred by several structural inequalities in land, labour markets, and education, intergenerational transmission of poverty among Dalits and Adivasis, exclusion errors in welfare targeting and delivery, digital divide that excludes the elderly, rural poor, and uneducated from full participation. And disability and mental health issues that remain under-addressed in mainstream policy.

As **Sen (1999)** cautions, development must focus on the actual ability of individuals to convert entitlements into capabilities—something that formal equality alone cannot ensure.

1.9.4 Inclusive Development in Global Context: SDGs and India's Commitment

India's commitment to Sustainable Development Goal 10 (Reduce Inequality) and SDG 1 (End Poverty) reflects its broader agenda of equitable development. The NITI Aayog SDG India Index 2024 reports progress, but also highlights gaps:

- SCs/STs continue to lag in education outcomes and asset ownership.

- Regional disparities persist between high-performing states (Kerala, Tamil Nadu) and lagging states (Bihar, Jharkhand, Uttar Pradesh).

The policy challenge is thus to move from welfare-based inclusion to empowerment-based inclusion, enabling every citizen to actively contribute to and benefit from the country's development. Inclusive development is not a luxury but a development imperative. A society that excludes large sections from growth processes is both economically inefficient and morally indefensible. Social justice ensures that development is not just about expanding GDP but about expanding dignity, equality, and opportunity.

1.10 India's Development Experience: Opportunities and Challenges

India's journey of economic development since Independence has been marked by both commendable achievements and persistent challenges. The country has emerged as one of the world's fastest-growing economies, yet continues to grapple with deep-seated structural inequalities, inter-regional disparities, and gaps in human development. This section critically examines India's development experience in terms of opportunities created and challenges that constrain equitable progress.

1.10.1 Opportunities in India's Development Trajectory

a) Demographic Dividend

India's large and youthful population presents a tremendous opportunity for growth. With **over** 65% of the population below the age of 35, India has the potential to become the human capital powerhouse of the world, provided adequate investments are made in education, health, and skill development.

b) Economic Liberalization and Growth

The 1991 economic reforms marked a turning point, ushering in an era of market-led growth, FDI inflows, export expansion, and sectoral diversification. India's GDP has grown at an average of 6–7% annually over the past three decades, lifting millions out of poverty and positioning the country as a major global economic player.

c) IT and Digital Revolution

The rise of India's information technology (IT) and digital services sector has significantly contributed to GDP and employment. Initiatives like Digital India, UPI, and JAM trinity (Jan Dhan–Aadhaar–Mobile) have expanded access to banking, welfare schemes, and digital infrastructure across urban and rural regions.

d) Poverty Reduction and Social Programmes

India has made notable progress in poverty reduction. According to the Global MPI Report 2023, around 415 million people exited multidimensional poverty between 2005 and 2021. Flagship schemes like PMAY, MGNREGA, Ayushman Bharat, and PM-KISAN have attempted to build a more inclusive welfare framework.

e) Green and Sustainable Growth Initiatives

India's focus on renewable energy (solar, wind), sustainable agriculture (e.g., natural farming), and climate resilience (e.g., National Action Plan on Climate Change) indicates a commitment to aligning development with environmental sustainability.

1.10.2 Challenges in India's Development

a) Regional Disparities

While southern and western states like Kerala, Tamil Nadu, Gujarat, and Maharashtra have achieved relatively high human development, the BIMARU states (Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh) lag in most socio-economic indicators. For example:

Kerala's HDI (2023): 0.78 vs Bihar's HDI: 0.54

- **Literacy rate:** Kerala ~96%; Bihar ~70%
- **Per capita NSDP:** Punjab ₹1,73,000 vs Uttar Pradesh ₹72,000 (2022–23, MoSPI)

b) Employment and Jobless Growth

Despite high GDP growth, **employment elasticity** has remained low. The unemployment rate, especially among youth and graduates, remains a concern (8.5% youth unemployment as per PLFS 2022–23). A large proportion of the workforce is employed in the informal sector with low wages, job insecurity, and limited social protection.

c) Gender Inequality

- Female Labour Force Participation Rate (FLFPR) stands at 23.3%, one of the lowest among G20 countries.
- Women continue to face discrimination in access to education, property, credit, and digital services.
- Gender wage gap and underrepresentation in political and corporate leadership remain high.

d) Health and Education Deficits

- Despite schemes like Ayushman Bharat, public health spending remains low at 2.1% of GDP.
- Learning poverty is high—ASER (2022) reported that only 50% of Class V students can read a Class II-level text in rural India.
- Malnutrition persists: NFHS-5 shows 35.5% of children under five are stunted.

e) Inequality and Wealth Concentration

- India’s top 10% holds over 77% of the nation’s wealth (Oxfam, 2023).
- Gini coefficient for income inequality has increased steadily.
- Inequality-adjusted HDI (IHDI) shows a 26.2% loss due to internal disparities.

f) Governance and Institutional Bottlenecks

Issues like leakages in welfare schemes, bureaucratic delays, corruption, and political populism often dilute the impact of well-designed policies. A lack of decentralization, weak local institutions, and limited citizen participation affect implementation and accountability.

Table 7: Structural Constraints Hindering Development

Constraint	Description
Low Tax-to-GDP Ratio	Limits public investment in education, health, and infrastructure.
Land and Labour Market Rigidities	Inhibit industrial expansion and formal job creation.

Constraint	Description
Environmental Stress	Air pollution, water scarcity, and land degradation threaten long-term sustainability.
Urban-Rural Divide	Urban centres benefit disproportionately from growth and services.

Source: Author's Compilation

1.11.3 Towards Equitable and Sustainable Development

India's future development strategy must focus on enhancing public investment in human capital, promoting employment-intensive sectors (e.g., MSMEs, agro-processing, tourism), strengthening federalism and local governance, mainstreaming climate action into planning, and leveraging technology for inclusive service delivery.

As **Sen (1999)** asserts, development should be assessed by the expansion of freedoms and choices that people have—not just by aggregate growth numbers.

1.11 Development Planning and Social Opportunity in India

Development planning has played a pivotal role in shaping India's socio-economic transformation since independence. Rooted in the vision of achieving growth with equity, India's planning efforts have aimed not only at economic expansion but also at promoting social opportunity—by improving education, healthcare, housing, nutrition, and public welfare. This section evaluates how planning has attempted to institutionalize social justice and human capability expansion through targeted interventions and inclusive frameworks.

1.11.1 Evolution of Development Planning in India

India adopted a planned development model soon after independence, inspired by the Soviet five-year plans and the ideas of Jawaharlal Nehru. The objective was to overcome the colonial legacy of poverty, underdevelopment, and social backwardness through state-led investments.

The **Planning Commission (1950–2014)** spearheaded this effort by preparing Five-Year Plans (FYPs) that set national priorities. The plans laid emphasis on:

- Public sector-driven industrialization (1st and 2nd Plans)

- Employment generation and poverty alleviation (6th to 8th Plans)
- Human development, decentralization, and social sector investment (9th to 12th Plans)

Post-2014, the NITI Aayog (National Institution for Transforming India) replaced the Planning Commission, shifting focus to cooperative federalism, evidence-based policymaking, and alignment with Sustainable Development Goals (SDGs).

Table 8: Social Opportunity in Five-Year Plans

Plan	Social Focus
First (1951–56)	Emphasis on agriculture, community development, and social welfare.
Fifth (1974–79)	Poverty alleviation through Garibi Hatao and targeted programs.
Sixth (1980–85)	Rural employment and health with schemes like IRDP and NREP .
Ninth (1997–2002)	Shift toward human development and women’s empowerment.
Eleventh (2007–12)	Titled as the “ Education and Health Plan ”; expansion of school access, ICDS, and NRHM.
Twelfth (2012–17)	Stressed “ Faster, Sustainable, and More Inclusive Growth ” with focus on skills and capabilities.

Source: Compiled from <http://planningcommission.gov.in>

These plans progressively recognized that sustainable development requires building people’s capabilities, not merely achieving growth targets.

1.11.5 NITI Aayog and Social Opportunity Frameworks

Established in 2015, NITI Aayog aims to foster Cooperative and competitive federalism by engaging states in development goals, data-driven governance using the Aspirational Districts Programme and SDG Index and integration of technology and innovation in public service delivery. Key social opportunity initiatives by NITI Aayog include School Education Quality Index (SEI), Health Index, Women Empowerment Dashboard and Nutrition Surveillance

Mechanism. These tools help identify backward regions and monitor service delivery outcomes.

1.11.3 Major Flagship Schemes Enhancing Social Opportunity

India has implemented a wide array of centrally sponsored schemes to translate planning goals into ground-level impact:

a) Education and Skills

- Samagra Shiksha Abhiyan (integrated education scheme)
- PM SHRI Schools (upgrading 14,500 model schools)
- Skill India Mission and PM Kaushal Vikas Yojana

b) Healthcare and Nutrition

- Ayushman Bharat – PM-JAY (insurance for 500 million people)
- Health and Wellness Centres (HWCs)
- POSHAN Abhiyaan (national nutrition mission)

c) Rural Development and Housing

- MGNREGA: Guaranteed 100 days of rural employment
- PMAY – Gramin/Urban: Affordable housing for all
- Swachh Bharat Mission: Sanitation and hygiene

d) Digital and Financial Inclusion

- PM Jan Dhan Yojana: Over 50 crore bank accounts opened
- Aadhaar-based DBT: Targeted subsidies and benefit delivery
- Digital India: Bridging the digital divide in governance

1.11.4 Challenges in Translating Plans into Social Opportunity

Despite progressive policy frameworks, several bottlenecks continue to hinder the effective expansion of social opportunity in India. One of the primary challenges lies in implementation gaps, where issues such as leakages, corruption, and bureaucratic delays dilute the intended impact of welfare schemes. Additionally, unequal access remains a

concern, as marginalized groups—especially those disadvantaged by caste, gender, or geographic location—are often excluded from the benefits of development initiatives. The urban–rural divide further exacerbates inequality, with urban regions disproportionately attracting investment, infrastructure, and skilled manpower, while rural areas lag behind in service delivery and opportunities. Moreover, inadequate real-time data and weak monitoring mechanisms hamper the ability to track progress and evaluate outcomes effectively. In light of these challenges, development planning in India must undergo a paradigm shift—from a narrow focus on **“target setting”** to a more comprehensive strategy of **“capability building.”** This approach emphasizes equipping every individual with the necessary freedoms, opportunities, and institutional support to live a life of dignity and purpose.

1.11.5 India’s Alignment with Global Development Goals

India is one of the key signatories of the 2030 Agenda for Sustainable Development and has integrated SDG targets into national planning. The NITI Aayog SDG Index tracks the performance of states across indicators such as:

- **Quality Education (SDG 4)**
- **Good Health and Well-Being (SDG 3)**
- **Gender Equality (SDG 5)**
- **Reduced Inequalities (SDG 10)**

The Aspirational Districts Programme (covering 112 districts) uses real-time dashboards to rank districts and accelerate improvements in health, education, and livelihoods.

India’s experience with development planning highlights the gradual shift from input-driven to outcome-based governance. While the foundational goals of social opportunity—health, education, equity—remain unchanged, the methods of delivery are being recalibrated through digital tools, decentralization, and real-time monitoring. For planning to truly enhance social opportunity, it must be inclusive, participatory, adaptive, and equity-oriented.

1.12 Conclusion and Critical Reflection

Economic development, once measured merely by the rise in national income or industrial output, has now evolved into a multidimensional concept centered on human well-being, freedom, and equity. This lesson has explored how development is not just about expanding

production or raising per capita income but is fundamentally about enhancing human capabilities and enabling social opportunity for all individuals, particularly the marginalized and disadvantaged. India's development trajectory over the past seven decades reflects both remarkable progress and stubborn challenges. On the one hand, the country has witnessed impressive GDP growth, demographic potential, technological advancement, and expansion in social sector schemes. On the other, persistent issues such as income inequality, inter-state disparities, gender-based exclusion, and inadequate human capital continue to hinder the realization of inclusive and sustainable development. The contributions of Amartya Sen's capability approach and the Human Development paradigm have been instrumental in shifting the discourse from aggregate economic metrics to a more humane and people-centered framework. Tools like the Human Development Index (HDI), Multidimensional Poverty Index (MPI), and Gender Inequality Index (GII) have allowed for a more nuanced and accurate assessment of development outcomes.

India's development planning—from Five-Year Plans to NITI Aayog's SDG-aligned initiatives—has attempted to integrate the principles of social justice and capability enhancement. Flagship programmes in education, health, skill development, and digital empowerment reflect the state's commitment to broadening social opportunity. Yet, challenges remain in implementation, targeting, monitoring, and ensuring that policies translate into tangible improvements in people's lives.

Moving forward, India's development strategy must place greater emphasis on equity over averages, ensuring that policies are designed to address intra-country disparities across caste, gender, region, and income groups. The focus should shift from mere increases in consumption to capability expansion, safeguarding the quality of education, healthcare, and livelihoods even amid rapid growth. Moreover, sustainability must take precedence over speed, aligning developmental aspirations with environmental constraints and the need for climate resilience. Equally important is the shift towards participatory governance over centralized planning, by empowering local governments and communities to actively engage in decision-making and execution.

Ultimately, development must be recognized not only as an economic pursuit but as a fundamentally ethical and political project—a continuous process of creating a society that is just, inclusive, and respectful of human dignity. As Amartya Sen rightly observes, *“Development is the expansion of the real freedoms that people enjoy.”* In this light, fostering

social opportunity is not merely a tool for development—it is its very foundation and purpose.

Check Your Progress

Q1. Distinguish between economic growth and economic development with appropriate examples.

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Q2. Explain the main tenets of Amartya Sen’s capability approach.

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Q3. What is the Human Development Index (HDI)? How is it calculated?

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1.13 Let Us Sum Up

Dear learner, this lesson provided a comprehensive overview of the concept and evolution of economic development, highlighting the shift from a purely income-based understanding to a

multidimensional, people-centric framework. It explained how economic growth and economic development differ, and how the capability approach—pioneered by Amartya Sen—reshaped the global discourse by focusing on expanding freedoms, functionings, and social opportunities.

We examined various development models, from Rostow’s linear stages to structuralist and human development approaches. Measures such as the Human Development Index (HDI), Multidimensional Poverty Index (MPI), and Gender Inequality Index (GII) were discussed to assess development more holistically.

India’s development experience has been marked by significant achievements—economic liberalization, poverty reduction, digital expansion—as well as ongoing challenges such as inequality, regional disparity, low human capital investment, and jobless growth. The role of development planning, especially through Five-Year Plans and NITI Aayog, was emphasized as essential for translating policy into social opportunity.

In conclusion, development is not just about economic progress—it is about creating an equitable, inclusive, and sustainable society where everyone can flourish.

1.14 Keywords

- **Economic Growth:** Increase in a country’s output of goods and services over time.
- **Economic Development:** Multidimensional improvement in living standards, income, education, health, and capabilities.
- **Capability:** Real freedom a person has to live the life they value.
- **Functionings:** The various things a person may value doing or being.
- **Human Development Index (HDI):** A composite index measuring life expectancy, education, and per capita income.
- **Multidimensional Poverty Index (MPI):** Measures overlapping deprivations across health, education, and living standards.
- **Social Justice:** The fair distribution of wealth, opportunities, and privileges within a society.
- **Inclusive Development:** Growth that ensures benefits are shared equitably across social, regional, and gender lines.

- **Planning Commission:** Central institution (1950–2014) responsible for formulating India’s Five-Year Plans.
- **NITI Aayog:** Successor to the Planning Commission, promoting cooperative federalism and data-driven policy.

1.15 Suggestive Readings

- Dutt, R., & Sundaram, K. P. M. (2023). *Indian Economy* (73rd ed.). New Delhi: S. Chand.
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1.16 Hints to Check Your Progress (CYP)

CYP-I

Q1. Refer section 1.4

Q2. Refer section 1.7.2

Q3. Refer section 1.7.3

1.17 Examination Oriented Questions

Q1. Distinguish between economic growth and economic development. Discuss why economic growth is a necessary but not sufficient condition for development.

Q2. Explain the Human Development Index (HDI). How is it constructed? Discuss India’s recent performance in HDI rankings.

Q3. Critically evaluate Amartya Sen's capability approach. How does it differ from traditional income-based measures of development?

Q4. Discuss the various approaches to economic development, with reference to linear stages theory, structuralist models, and the human development paradigm.

Q5. What is inclusive development? Examine the relationship between inclusive development and social justice in the Indian context.

Q6. Analyse the role of development planning in enhancing social opportunity in India. Discuss the shift from the Planning Commission to NITI Aayog.

Q7. What are the major challenges faced by India in achieving equitable and sustainable development? Suggest policy measures to address them.

Q8. Explain the concept of multidimensional poverty. How does the MPI differ from traditional income-based poverty measures?

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Structure

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2.17 Examination Oriented Questions

2.0 Objectives

The main objectives of this lesson are to enable you to:

- Define the concepts of Integral Humanism and the Human Development approach within the framework of development economics.
- Trace the philosophical and historical evolution of human-centric development ideas in both Indian and global contexts.
- Describe the economic vision articulated by Pt. Deendayal Upadhyaya under Integral Humanism.
- Illustrate the key elements of Amartya Sen's Capability Approach and its application in development measurement.
- Differentiate between Integral Humanism and the Human Development Approach based on their ethical, cultural, and economic dimensions.
- Assess the applicability of these paradigms to India's current policy environment.
- Construct a value-based and inclusive economic framework drawing insights from both approaches.

2.1 Learning Outcomes

After completing this lesson, the learner will be able to:

- Define core terms such as Dharma, Swadeshi, Capabilities, and HDI.
- Describe the multi-dimensional components of human development and holistic well-being.

- Summarize the contributions of thinkers like Deendayal Upadhyaya, Mahatma Gandhi, and Amartya Sen to development theory.
- Apply the principles of Integral Humanism to evaluate real-world economic policies and programs in India.
- Analyze key differences between GDP-led growth models and human-centric frameworks.
- Critically evaluate government schemes like NEP 2020, MGNREGA, and SHGs through the lens of human development.
- Develop recommendations for integrating ethics, ecology, and economy in future policy planning.
- Formulate strategies that link spiritual and cultural values with measurable economic outcomes.

2.2 Introduction

Dear learner, after going through this chapter, you would be able to identify and define the core principles of *Integral Humanism* and *Human Development* as foundational frameworks in the discourse of inclusive and ethical economics. You will be equipped to analyse and compare these two approaches in terms of their philosophical origins, normative goals, and policy implications for a developing country like India. The chapter will help you interpret and apply concepts such as *Dharma*, *Swadeshi*, and *Capabilities* to real-world economic policies and development programs. It will also enable you to critically evaluate the limitations of GDP-centric models and assess alternative strategies that promote human dignity, equity, and ecological balance. Ultimately, this chapter aims to empower you to formulate holistic, culturally rooted, and ethically sound economic solutions for contemporary development challenges.

2.3 Integral Humanism and Human Development: Prologue

In the evolving landscape of development economics, two profound paradigms—Integral Humanism and Human Development—have emerged as vital frameworks advocating for a more inclusive, ethical, and sustainable model of growth. While mainstream economic thought has often prioritized metrics such as Gross Domestic Product (GDP) and national income aggregates, these paradigms emphasize the centrality of the human being in the development process. This section introduces both concepts and establishes the groundwork for understanding their intersection, particularly in the Indian socio-economic context.

2.3.1 Integral Humanism

Integral Humanism (Ekatma Manav Darshan), articulated by **Pt. Deendayal Upadhyaya** in 1965, presents a holistic worldview that seeks to balance material progress with spiritual well-being. It posits that development should not be limited to economic prosperity but must also encompass intellectual, emotional, moral, and spiritual growth. Upadhyaya criticized both capitalism and socialism as being reductionist—either emphasizing materialism or suppressing individual freedom. Instead, he proposed a third alternative rooted in Indian civilizational values, where the individual is seen as part of an organic whole—society—and where economic development is harmonized with ethics and duty (Dharma).

According to Upadhyaya, the four dimensions of human personality—body, mind, intellect, and soul—must be developed in balance. Any model that ignores these interrelations leads to alienation, social conflict, and unsustainable development. In this light, Integral Humanism becomes not just a political or spiritual ideology but also a developmental philosophy that calls for an ethical, decentralized, and sustainable approach to economic policy.

2.3.2 Human Development

On the other hand, Human Development, as formulated in the United Nations Development Programme's (UNDP) Human Development Reports and championed by thinkers like Amartya Sen and Mahbub ul Haq, shifts the focus of development economics from output and income to human capabilities and freedoms. The Human Development Index (HDI), introduced in 1990, measures development by assessing health (life expectancy), education (literacy and enrolment), and income (per capita GNI). Sen's Capability Approach emphasizes that the real objective of development is expanding people's capabilities—their ability to lead lives they value. Development should enable individuals to be educated, healthy, empowered, and participatory members of society, rather than merely increasing their consumption. This approach redefines economic growth to an end, not an end in itself.

2.3.3 Linking the Two Frameworks: A Human-Centric Economic Vision

Although stemming from different intellectual traditions—Integral Humanism from Indian philosophical thought and Human Development from global developmental economics—both frameworks converge on the core idea that human beings must be at the centre of economic planning. They critique the narrow materialism of GDP-centric models and argue for qualitative aspects of development. In the Indian context, where development disparities, social stratification, and ecological degradation persist despite economic growth, the relevance of such human-centric paradigms becomes acute. The National Education Policy

(NEP) 2020, Aspirational Districts Programme, and Mission Antyodaya reflect attempts to realign development strategies with values of equity, dignity, and empowerment—hallmarks of both Integral Humanism and Human Development approaches.

2.3.4 Significance for Economics and Public Policy

From an economic standpoint, these philosophies encourage the state to adopt policies that balance efficiency with equity, growth with sustainability, and individual freedom with collective responsibility. They also provide a normative foundation for rethinking development indicators, promoting decentralized planning, and encouraging value-based public expenditure—themes that are becoming increasingly relevant in 21st-century development discourse.

Hence, the study of Integral Humanism and Human Development is not merely philosophical; it has significant implications for macroeconomic planning, welfare economics, and policy formulation. As India aspires to become a \$5 trillion economy and a global leader, embedding these humanistic principles into its growth trajectory becomes imperative.

2.4 Historical Evolution of Human-Centric Development Philosophies

The intellectual journey toward a human-centered model of development did not begin in the 20th century. It has deep philosophical roots in ancient civilizations, ethical traditions, and religious doctrines that valued human dignity, community well-being, and spiritual consciousness. In the Indian context, these ideas are richly embedded in Vedantic thought, Buddhist philosophy, Gandhian economics, and more recently, the philosophy of Integral Humanism. This section traces the evolution of such human-centric development philosophies and their resonance with modern economic thought.

2.4.1 Ancient Indian Thought: Dharma, Artha, and the Holistic Pursuit of Well-being

Indian civilization has long held a holistic view of human development, integrating the material (Artha), ethical (Dharma), sensual (Kama), and spiritual (Moksha) aspects of life. The Purusharthas, or the four aims of human life, recognized that material prosperity (Artha) was essential, but it had to be pursued within the bounds of Dharma. This concept inherently discourages greed and material excess, promoting ethical economic behavior that sustains the individual, the community, and nature. The Arthashastra of Kautilya (4th century BCE) offers an early Indian articulation of economic governance. It emphasized welfare-oriented policies,

equitable taxation, state responsibility for public goods, and disaster relief—elements that modern welfare economics recognizes today. Furthermore, ancient Indian village systems promoted decentralized governance, cooperative production, and communal resource sharing, long before these became buzzwords in contemporary development economics.

2.4.2 Gandhian Economic Thought: Simplicity, Swaraj, and Sarvodaya

The 20th century saw the revival of these ancient values in the economic philosophy of Mahatma Gandhi. Rejecting both Western capitalism and Soviet-style socialism, Gandhi advocated for an economy of permanence based on simplicity, self-reliance (Swadeshi), and Sarvodaya (welfare of all). His famous maxim, “*Earth provides enough to satisfy every man's need but not every man's greed,*” captures the essence of sustainable and equitable development.

Gandhi's emphasis on Gram Swaraj (village self-rule) as the foundation of India's development architecture proposed an alternative to top-down industrialization. In his framework, the economy must serve the needs of the most vulnerable, particularly rural communities, women, and artisans. These ideas are reflected in current policies like PM-KUSUM, National Rural Livelihood Mission, and cooperative movements that seek to empower the grassroots economy.

While Gandhi did not formulate formal economic models, his ideas greatly influenced later development thinkers like E.F. Schumacher (*Small is Beautiful*) and J.C. Kumarappa, who introduced the concept of a "Gandhian economy of permanence"—where economic growth is subordinated to moral and social well-being.

2.4.3 Western Influences: Humanism and Welfare Economics

In the Western world, the post-World War II period saw the rise of welfare economics, pioneered by thinkers like A.C. Pigou, John Maynard Keynes, and later Amartya Sen. These economists argued that state intervention and redistribution were essential to correct market failures and ensure equitable development.

By the 1970s and 1980s, critiques of purely growth-oriented policies intensified. The Limits to Growth report (1972) by the Club of Rome and the emergence of ecological economics shifted focus toward sustainability, quality of life, and intergenerational equity. This growing discontent with GDP-centric models laid the foundation for new metrics such as the Human

Development Index (HDI), Multidimensional Poverty Index (MPI), and Gross National Happiness (GNH)—all aiming to capture human well-being beyond income.

2.4.4 The Capability Revolution: Amartya Sen and Mahbub ul Haq

The Human Development Approach received its most structured expression through the works of Amartya Sen and Mahbub ul Haq. Sen's Capability Approach revolutionized development theory by asserting that development is about expanding the substantive freedoms people enjoy, rather than merely increasing national income. His work laid the foundation for the UNDP's Human Development Reports beginning in 1990.

Sen's framework draws on both utilitarian economics and ethical philosophy, particularly that of Aristotle and John Rawls, but it also resonates with Indian ideas of holistic well-being. The Capability Approach places intrinsic value on education, health, participation, and empowerment, making it conceptually proximate to Integral Humanism, which values all aspects of human potential—physical, intellectual, moral, and spiritual.

2.4.5 Synthesis: Toward a Value-Based Development Discourse

While ancient Indian thought emphasized spirituality and ethical duty, modern human development discourse emphasizes empowerment, freedom, and dignity. Despite the differing languages and origins, both schools agree that economic policy must serve human beings, not the other way around. The convergence of these ideas provides a fertile ground for India to articulate a development model grounded in both indigenous values and global best practices.

As India charts its future toward becoming a developed economy, this intellectual heritage demands re-examination and revival—not in romanticized terms but through rigorous policy innovation rooted in cultural integrity, social justice, and human dignity.

2.5 Philosophy of Integral Humanism

Pt. Deendayal Upadhyaya (1916–1968), a profound thinker and visionary, presented Integral Humanism (Ekatma Manav Darshan) as a socio-economic and political philosophy that synthesizes India's cultural values with modern developmental goals. Introduced formally in a series of lectures in 1965, Integral Humanism serves as a third alternative to both Western capitalism and Marxist socialism, both of which Upadhyaya viewed as alien to India's civilizational ethos. His philosophy provides a holistic blueprint for development—balancing

the material and the spiritual, individual needs and collective welfare, and economic efficiency with moral responsibility.

Integral Humanism is built on the premise that human beings are not merely economic agents, but integral entities composed of body, mind, intellect, and soul. Western economic systems, according to Upadhyaya, reduce humans either to producers and consumers (as in capitalism) or as instruments of class struggle (as in communism). Both neglect the moral and spiritual dimension of the human being. In contrast, Integral Humanism seeks the harmonious development of all facets of human personality, asserting that true progress lies in the alignment of the individual with society and the larger cosmic order.

At the heart of his model are four interlinked concepts:

- **Dharma** – not merely religion, but ethical duty and cosmic order
- **Chiti** – the inner spirit or cultural soul of the nation
- **Rashtra** – the organic unity of people, land, culture, and tradition
- **Virat** – the universal manifestation of the nation’s collective consciousness

Development, thus, is not a technocratic exercise but a spiritual and ethical journey where the economy is one component within a moral-social framework.

Pt. Upadhyaya envisioned an economy that grows not for growth’s sake, but for enabling each citizen to realize their full human potential. The goal of economic activity, in his view, was not unbridled consumption or the accumulation of wealth, but the welfare of all (Sarvodaya). This required grounding development policies in Swadeshi principles—local production, decentralized governance, and cultural self-reliance.

He rejected the binary of state control and free markets, advocating instead a “need-based” economy where production and consumption are driven by community welfare, not profit. Village-centric planning, cooperatives, and dignity of labor were critical pillars of his economic thought. This aligns closely with Gandhi’s Gram Swaraj and modern ideas of participatory planning and inclusive growth.

Furthermore, Integral Humanism critiques the overdependence on Western models and asserts that India must formulate its development trajectory by drawing from its own traditions, social structures, and values. In that sense, the model is also civilization ally

rooted, envisioning Bharat as not merely a geographical entity but as a living cultural organism.

From a policy perspective, Integral Humanism provides a compelling normative framework for prioritizing basic needs like food, health, shelter, and education, especially for the poorest, encouraging employment-centric rather than capital-intensive growth, promoting ethical entrepreneurship and indigenous innovation, fostering environmental sustainability and balance with nature and advocating for spiritual and moral education alongside economic literacy. These ideas are mirrored in India's contemporary initiatives such as Aatmanirbhar Bharat Abhiyan (Self-reliant India), PM-FME Scheme for local food processing enterprises, National Education Policy (2020) which blends knowledge with values and Gram Uday Se Bharat Uday campaigns for rural self-governance. The term "Ekatma Manav" itself—translated as "integrated human being"—implies that no aspect of life, including economic policy, can be viewed in isolation. Economic planning must serve not just efficiency or productivity, but also harmony, self-discipline, and social justice. This is particularly relevant in a nation like India, where cultural pluralism, rural diversity, and social asymmetries demand a development model that is locally adaptable, morally grounded, and holistically designed. In this framework, GDP becomes a tool, not a goal. Decentralization, community participation, spiritual upliftment, and ethical trade become essential features of the economic order.

In today's era of global economic uncertainty, climate crisis, and social fragmentation, Integral Humanism offers a value-driven alternative that resonates with the Sustainable Development Goals (SDGs) while also asserting India's civilizational identity. Its call for integrated development—physical, economic, intellectual, and spiritual—makes it a timeless framework for nations grappling with the contradictions of growth and inequality.

2.6 Integral Humanism: Economic Vision

The economic vision embedded within Integral Humanism offers an alternative paradigm to dominant economic models that often prioritize growth, consumption, and profits at the expense of human dignity, social equity, and ecological balance. Pt. Deendayal Upadhyaya's Integral Humanism is not a blueprint for a specific economic system, but a framework for value-driven economic thought and policy rooted in the principles of duty (Dharma), self-reliance (Swadeshi), and holistic well-being (Sarvodaya). This section explores the economic contours of Integral Humanism and how they inform a distinctly Indian model of

development. At the core of Integral Humanism lies the distinction between “need” and “greed”. Upadhyaya argued that economic activity must aim to fulfill the genuine needs of individuals and communities, rather than encouraging unlimited accumulation and conspicuous consumption. He critiqued the Western capitalist model for reducing human beings to producers and consumers, thereby perpetuating a cycle of inequality, alienation, and resource depletion. In a need-based economy, production is guided by social necessity and moral responsibility, not by market demand or profit maximization alone. This idea resonates with Gandhian economics and aligns with contemporary concepts such as sustainable development, de-growth, and circular economy, where the focus is on sufficiency, well-being, and intergenerational equity. Integral Humanism revives the economic principle of *Swadeshi*, emphasizing self-reliance in production, local resource utilization, and economic decentralization. Upadhyaya envisioned villages as self-contained units that would generate employment, ensure food security, and preserve cultural autonomy. The emphasis on village-centric development can be seen as a precursor to current initiatives like Aatmanirbhar Bharat Abhiyan, Vocal for Local Campaigns and One District One Product (ODOP) scheme. By focusing on local production, cottage industries, cooperatives, and handicrafts, the economic vision of Integral Humanism promotes an inclusive and resilient economy capable of withstanding global shocks such as pandemics and recessions. Integral Humanism promotes economic decentralization as a critical element of human-centric development. Rather than relying solely on central planning or corporate-driven growth, Upadhyaya envisioned an economy where decision-making is localized, production is diversified, and communities are empowered to define their developmental needs.

This vision aligns with modern ideas of Participatory planning (e.g., Gram Panchayat Development Plans), Local governance and social audit mechanisms, Community-based natural resource management. Such decentralization not only enhances economic efficiency but also reinforces democratic accountability and social cohesion. A major innovation in Integral Humanism is the integration of ethical values within economic life. Upadhyaya insisted that economic growth must not come at the cost of ethics, equity, or ecology. The market cannot be an autonomous moral sphere; rather, it must function under the guidance of *Dharma*—a set of ethical norms rooted in truth, non-violence, cooperation, and compassion.

This approach opposes the idea of value-neutral economics and instead supports what can be called "Dharmic Economics", where Fair pricing, honest taxation, and moral conduct in trade are mandated, Labor dignity, worker welfare, and social security are emphasized and Profit is

earned within limits of justice and social responsibility. Such a moral-economic order is increasingly relevant in a time of corporate social irresponsibility, climate crisis, and growing inequality. Integral Humanism also contains an implicit environmental ethic. The belief in “unity of the individual and nature” leads to an economic approach that respects ecological limits and avoids exploitation of natural resources. This mirrors contemporary goals of sustainable development and ecological economics, such as reducing carbon footprints through local production, preserving biodiversity via community forest management, and promoting organic farming and indigenous seed varieties. Government programs like Namami Gange, Jal Shakti Abhiyan, and National Mission for Sustainable Agriculture (NMSA) reflect the vision of economic development that is both human and environmentally friendly. Finally, the principle of Sarvodaya (welfare of all) underlines that economic policy must prioritize the last person in the queue (Antyodaya). This idea has shaped India’s modern pro-poor policies, including Pradhan Mantri Jan Dhan Yojana (financial inclusion), PM-KISAN (direct support to small farmers), Ujjwala Yojana (clean energy access) and National Rural Livelihood Mission (NRLM). These initiatives reflect the Integral Humanist belief that development must be judged by its ability to uplift the poorest and most vulnerable—a view that resonates with Amartya Sen’s argument that development should enhance capabilities, dignity, and agency.

2.7 Human Development Paradigm in Development Economics

The Human Development paradigm emerged as a significant transformation in the field of development economics in the late 20th century, shifting the focus from economic growth alone to a broader concern for people’s well-being, capabilities, and freedoms. At its core, this paradigm recognizes that economic growth is a means—not an end—and must ultimately enhance human lives. Influenced heavily by the Capability Approach of Amartya Sen and institutionalized by the United Nations Development Programme (UNDP) through its Human Development Reports, this framework has reshaped global discourse on what it means for a nation to “develop.”

2.7.5 Critique of GDP-Centric Models

Traditional economic models, especially those dominant in the post-war era, relied heavily on Gross Domestic Product (GDP) as a proxy for national well-being. However, by the 1970s and 1980s, economists and philosophers began criticizing the inadequacies of GDP as a measure of real progress. GDP fails to account for Income inequality, Health and educational

outcomes, Environmental degradation, Unpaid work and informal economies and Quality of life and human dignity. This led to growing concern among policymakers that economic growth, by itself, may not lead to human flourishing, particularly in low- and middle-income countries.

2.7.2 Birth of the Human Development Index (HDI)

In response to these concerns, Mahbub ul Haq, with conceptual inputs from Amartya Sen, designed the Human Development Index (HDI) in 1990. HDI is a composite index that measures:

- **Health:** Life expectancy at birth
- **Education:** Mean years of schooling and expected years of schooling
- **Standard of living:** Gross National Income (GNI) per capita (PPP adjusted)

This marked a significant departure from purely economic indicators. HDI enabled countries to assess development performance in more human-centric terms, focusing on people rather than just production. Later, complementary indices such as the Gender Development Index (GDI), Gender Inequality Index (GII), and Multidimensional Poverty Index (MPI) were introduced to address other dimensions of development.

2.7.3 Amartya Sen's Capability Approach

The theoretical backbone of the Human Development paradigm is Amartya Sen's Capability Approach, which asserts that development should be evaluated by the real freedoms people enjoy to lead lives they value, not merely by the resources they possess. Two key concepts in this approach are:

- **Functionings** – the things a person can do or be (e.g., being healthy, educated, participating in community life)
- **Capabilities** – the freedom to achieve different functionings (i.e., the opportunity aspect)

Sen argued that policies must enhance people's capabilities, such as the ability to live long, be well-nourished, acquire education, and participate meaningfully in social and political life. His model introduced a strong ethical dimension into economics, focusing on freedom, agency, and dignity. This approach parallels many values in Integral Humanism, such as

prioritizing holistic well-being over material accumulation, and recognizing the interconnectedness of individuals, society, and values.

2.7.4 Human Development in Indian Policy Context

India adopted the Human Development paradigm gradually in its policy planning, beginning in the 1990s. Various Five-Year Plans, particularly the 8th and 9th Plans, emphasized human resource development alongside economic liberalization. The Planning Commission and later the NITI Aayog promoted human development goals through:

- Decentralized education and health systems
- Targeted poverty alleviation programs
- Skill development and employment schemes
- Public service delivery improvements through e-governance

The Human Development Reports (HDRs) published by Indian states (e.g., Karnataka, Madhya Pradesh, and Kerala) provided sub-national insights into regional disparities and helped refine local planning mechanisms. Moreover, NITI Aayog's SDG India Index, National Multidimensional Poverty Index, and programs like Aspirational Districts Programme are grounded in the logic of capability enhancement and regional equity—core ideas from the Human Development school.

2.7.5 Broader Global Impact and Limitations

The Human Development paradigm has gained worldwide acceptance and has redefined development goals in international agendas such as:

- **Millennium Development Goals (MDGs)** (2000–2015)
- **Sustainable Development Goals (SDGs)** (2015–2030)

However, despite its normative appeal, the paradigm faces challenges such as Operational complexity in measuring capabilities, Data limitations in many developing countries, Tensions with neoliberal growth agendas and Lack of spiritual or ethical depth, which is emphasized in Integral Humanism Therefore, some scholars argue for a fusion between human development and ethical economics, especially in non-Western societies where moral, spiritual, and community values continue to shape economic behaviour.

2.8 Reconciling Integral Humanism with the Human Development Approach

While Integral Humanism and the Human Development Approach arise from different intellectual and cultural contexts—Indic spiritual philosophy on one hand and liberal ethical economics on the other—they both converge on the idea that human beings must be the central concern of development. This section explores how these two frameworks can be reconciled, highlighting their commonalities, philosophical distinctions, and the potential to build an integrated, value-based development model suitable for contemporary India.

2.8.1 Common Philosophical Ground: Human-Centricity and Holistic Development

At their core, both frameworks challenge the materialistic bias of conventional economics, rejecting the notion that higher income or GDP alone equates to development. Instead, they advocate for a multi-dimensional view of human well-being.

Table 1: Integral Humanism and Human Development Approach

Dimension	Integral Humanism	Human Development Approach
Focus	Moral, spiritual, and cultural upliftment	Capabilities, freedoms, well-being
Unit of Analysis	Individual as part of society & nature	Individual as agent with choices
Development Objective	Harmony with Dharma & holistic welfare	Expanding capabilities & choices
Economic Vision	Need-based, ethical, decentralized	Rights-based, inclusive, participatory

Both views place strong emphasis on education, health, freedom, and social inclusion. They seek to empower people to live dignified lives and contribute meaningfully to society. This philosophical synergy creates a solid foundation for dialogue between Indic ethics and global development theory.

2.8.2 Ontological Differences: Spiritual vs Secular Foundations

Despite the alignment in goals, the two paradigms differ significantly in their underlying ontologies:

- **Integral Humanism** is rooted in Dharma-centric metaphysics. It posits a worldview where individual well-being is inextricably linked with spiritual growth, collective consciousness (Virat), and cosmic order (Rta). It draws from the Vedic tradition, emphasizing that the soul (Atman), not the ego, is the real self.
- **Human Development**, as articulated by Sen and Haq, is primarily secular and empirical. It is grounded in Enlightenment humanism, liberal ethics, and utilitarian or Rawlsian justice theories. It avoids metaphysical claims, focusing instead on measurable indicators and individual choice.

This divergence is critical in policy interpretation. Integral Humanism demands that economic choices conform to moral and spiritual principles, while the Human Development paradigm emphasizes autonomy and pluralism, allowing individuals to define their own concept of the good life.

2.8.3 Capability vs Duty: Differing Notions of Human Agency

Another key difference lies in the notion of human agency:

- Amartya Sen's Capability Approach centers on freedom of choice and individual agency—the ability of people to pursue lives they value. Here, the emphasis is on entitlements, rights, and opportunities.
- In contrast, Integral Humanism prioritizes duties over rights. Agency is understood not as autonomy from social and moral constraints, but as the fulfilment of one's Dharma—ethical obligations towards self, society, and nature. This makes it duty-oriented rather than rights-centric.

Reconciling these perspectives may involve recognizing that freedoms and duties are not contradictory, but complementary. A truly human-centric economic model must provide individuals the freedom to flourish, while also nurturing social responsibility and ethical restraint.

2.8.4 Toward a Synthesized Framework: Ethics-Driven Capability Expansion

An integrated approach would combine:

- Sen's operational tools—such as HDI, MPI, and GII—for measuring development outcomes

- With Integral Humanism's normative vision, ensuring that those outcomes are ethically sustainable, culturally rooted, and spiritually conscious

This synthesis has already begun to inform India's developmental trajectory in various ways:

- The National Education Policy 2020 combines capability-building (skills, digital literacy) with value-based education
- Aspirational Districts Programme applies data-driven governance (Sen's legacy) to empower the most underdeveloped regions with community participation and moral accountability
- Schemes like Antyodaya Anna Yojana and PM Ujjwala Yojana reflect the principle of Sarvodaya (welfare of all)

Thus, the Indian state is moving—albeit gradually—toward a development model that fuses ethics with capabilities, efficiency with inclusion, and modern tools with ancient values.

2.9 Policy Implications – Building a Human-Centric Economic Model for India

The reconciliation of Integral Humanism and the Human Development paradigm offers a compelling framework for crafting a human-centric economic model for India. Such a model would prioritize not only growth and productivity, but also dignity, equity, sustainability, and cultural values. This section translates the theoretical insights of the previous sections into concrete policy implications across key sectors such as agriculture, employment, education, health, and community development.

a) Agriculture and Rural Economy: The Foundation of Human-Centric Development

In the spirit of Integral Humanism, agriculture is not merely an economic activity but a way of life rooted in dharma, ecological harmony, and community well-being. Policies must prioritize agrarian dignity, smallholder welfare, and rural self-reliance.

The policy directions include encouraging natural and organic farming practices, aligned with both ecological sustainability and spiritual reverence for nature (e.g., Bharatiya Prakritik Krishi Paddhati under Paramparagat Krishi Vikas Yojana), strengthening Farmer Producer Organizations (FPOs) and cooperatives to enhance bargaining power and community ownership, promoting local value addition and agro-based industries to create rural employment and retain wealth in villages and leveraging schemes like PM-KISAN, PM-FME, and Rural Infrastructure Development Fund (RIDF) for inclusive rural growth. These

initiatives reflect both Integral Humanism's Gram Swaraj vision and the Human Development focus on income, health, and empowerment in rural areas.

b) Education and Skill Development: Integrating Values with Capabilities

Education policy must enable both intellectual growth and character formation, blending skill-building with ethical grounding—a synthesis of Sen's capabilities approach and Upadhyaya's dharmic worldview. Policy priorities include Curriculum reform to include value-based education, civic responsibility, and cultural heritage, as proposed in the National Education Policy (NEP) 2020, Focus on foundational literacy and numeracy, especially through Samagra Shiksha Abhiyan, to bridge educational inequalities, Promote skilling with dignity, especially in rural and semi-urban areas, via schemes like Skill India Mission and PM Kaushal Vikas Yojana, Integrate vocational education with academic streams to respect all forms of work and break elitist hierarchies. Such policies foster self-reliant citizens who are not only economically productive but also morally grounded and socially responsible.

c) Employment and Livelihoods: From Job Creation to Human Empowerment

Employment policies inspired by Integral Humanism and human development must move beyond mere job counts to the quality, dignity, and meaningfulness of work. Strategic directions include promote labor-intensive and decentralised sectors like textiles, handicrafts, tourism, and agro-processing, expand Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) into climate-resilient livelihoods and skill-based employment, encourage self-employment, entrepreneurship, and women-led micro-enterprises with access to finance, training, and market linkages and strengthen the informal sector's social security net via E-Shram, PM-SYM, and digital integration. Such measures not only reduce unemployment but restore human dignity in economic participation, a key pillar of both Integral Humanism and the Human Development approach.

d) Health and Well-Being: From Disease Control to Holistic Care

Health policy must transition from treating illness to enabling holistic well-being, reflecting the four-fold development (body, mind, intellect, soul) espoused in Integral Humanism. Policy imperatives include ensure universal primary health coverage through Ayushman Bharat – Health and Wellness Centres, integrate AYUSH systems (Ayurveda, Yoga, etc.) with modern medicine to promote preventive care and spiritual wellness, address malnutrition and maternal-child health through POSHAN Abhiyaan, Mid-Day Meals, and anganwadi reforms

and expand mental health services, especially for youth and rural populations, with community participation and awareness. Such policies resonate with the capability approach's call for healthy functionings and with the dharmic goal of balanced living.

e) Community Participation and Ethical Governance

A human-centric model must prioritize democratic decentralization, ethical governance, and community empowerment. Governance should be both technocratic and value-driven. Key approaches include strengthen Panchayati Raj Institutions (PRIs) with financial and decision-making autonomy, implement social audits, citizen charters, and Jan Bhagidari (public participation) in development programs, use digital tools for transparency while preserving privacy, dignity, and digital inclusion. and encourage ethical leadership and public service motivation in bureaucracy and politics. This mirrors Upadhyaya's idea of Rashtra as a moral community and Sen's idea of development as democratic dialogue.

2.10 Challenges and Critiques

While Integral Humanism and the Human Development Approach offer powerful frameworks for ethical and inclusive economic policy, their implementation faces significant theoretical, practical, and political challenges. These range from philosophical tensions to administrative constraints, and from data limitations to ideological contestations. This section outlines the major critiques and limitations of these models, particularly in the context of building a human-centric development paradigm for India.

a) Conceptual Ambiguities in Integral Humanism

One of the primary criticisms of Integral Humanism lies in its lack of operational clarity. While it articulates a profound moral vision, it often lacks specific policy blueprints or quantifiable indicators that can guide implementation. Critics argue:

- Terms like Dharma, Chiti, or Virat are philosophically rich but vague in policy contexts.
- The model does not provide clear metrics for measuring success in areas like employment, poverty reduction, or education outcomes.
- It may risk being idealistic or spiritualized, detached from modern policy analysis and statistical tools.

To overcome this, there is a need to translate philosophical principles into empirical frameworks, bridging the gap between ethical intentions and economic realities.

b) Secular Critique and Constitutional Concerns

Integral Humanism, though not religious per se, is often critiqued for its Hindu philosophical undertones, which may be seen as exclusionary in a pluralistic and secular democracy like India. Critics raise concerns that:

- The language of Dharma, Atman, or Rashtra as spiritual entity might be interpreted as privileging one tradition.
- Integrating such concepts into public policy could blur the lines between state and religion, raising constitutional questions under Articles 25–28 (freedom of religion).
- Diverse communities might feel alienated if spiritual nationalism overshadows secular governance norms.

Addressing these critiques requires inclusive interpretation, emphasizing universal ethical values like truth, compassion, cooperation, and sustainability that resonate across traditions.

c) Practical Implementation Barriers

Both Integral Humanism and the Human Development approach demand a shift in institutional culture, bureaucratic practices, and political accountability—challenges that are not easily overcome. Key barriers include:

- Bureaucratic inertia: Administrators are often trained in target-based, output-driven models, not in holistic or ethical planning.
- Fragmented governance: Education, health, rural development, and employment are managed by different ministries with little coordination.
- Elite capture: Policies intended to empower the poor and marginalized are often hijacked by local elites, weakening impact.
- Data deficits: Lack of real-time, disaggregated data on capabilities, livelihood quality, and informal sector conditions hampers effective planning.

Such challenges highlight the need for capacity-building, integrated governance models, and data-driven ethical decision-making.

d) Economic Globalization and Market Pressures

In a globalized economy, implementing a self-reliant, need-based, ethically restrained economic model is extremely difficult. The pressures of:

- FDI and global capital flows
- Free trade agreements and WTO regulations
- Technology dependence and digital monopolies
- Global value chains that prioritize efficiency over equity

often compel governments to pursue growth-first, export-oriented strategies, sidelining human development goals or spiritual-ethical considerations.

Critics argue that Integral Humanism's emphasis on Swadeshi and localization, though noble, may appear economically regressive or non-competitive in a global market economy. Therefore, reconciling local autonomy with global integration remains a major strategic tension.

e) Critiques of the Human Development Paradigm

Despite its international popularity, the Human Development paradigm has also faced criticism like It may be too individualistic, neglecting community, spirituality, or moral duty—areas emphasized in Integral Humanism, Many capabilities are difficult to measure, leading to over-reliance on proxies like income, school years, or life expectancy and It assumes that more choices always equal better outcomes, which may not hold in societies valuing discipline, restraint, or simplicity. Further it often lacks contextual sensitivity, applying global norms to countries with diverse cultural traditions.

As such, there is growing demand to “decolonize” development thinking, making it more contextual, ethical, and culturally grounded—a call that aligns with the Integral Humanist critique of Western models.

2.11 Way Forward

While these challenges are real, they need not lead to rejection. Rather, they demand creative reinterpretation, cross-disciplinary collaboration, and innovation in public administration. The goal should not be to impose Integral Humanism or Human Development paradigms uncritically, but to adapt them to India's complex, evolving reality. India's policy landscape

must embrace ethical pluralism while preserving secular constitutionalism, promote spiritual and cultural values without compromising scientific and empirical rigor, build capability-enhancing institutions that are accountable, decentralized, and inclusive and develop Indian indicators of development, combining global best practices with local wisdom. The preceding sections have illuminated the philosophical depth and practical value of Integral Humanism and the Human Development paradigm in reimagining economic development for India. However, in an era of climate emergencies, ethical crises in capitalism, and rising socio-economic inequalities, there is a pressing need to move beyond dualisms of growth vs. equity, state vs. market, and tradition vs. modernity. This calls for a new economic model that unites ethics, ecology, and economy—a convergence that lies at the heart of the way forward.

a) Ethics as the Foundation of Economic Policy

At a time when economic decisions are driven largely by market logic and statistical targets, restoring ethical considerations to the center of policymaking is essential. Drawing inspiration from Integral Humanism, economic development must be reoriented to serve human dignity, social justice, and collective welfare. Policy imperatives includes Institutionalizing value-based education and public service ethics in governance and economic institutions, Promoting ethical entrepreneurship, where profit-making is harmonized with sustainability and societal good. And encouraging corporate social responsibility not as a compliance measure but as a reflection of moral accountability. The idea is to replace the homo economicus with a ‘dharmic economic agent’, whose decisions are rooted in duty, compassion, and long-term societal welfare.

b) Ecological Sustainability as a Core Economic Principle

Economic development must respect the ecological limits of the planet, a principle deeply embedded in Indic philosophy and Integral Humanism, which views nature not as a resource to exploit, but as a sacred partner in life. Integrating ecology into the economic calculus is essential for long-term sustainability. Strategic directions focuses on Shifting to regenerative agriculture, including traditional agroecological practices, to restore soil, water, and biodiversity., promoting clean energy transitions (solar, wind, biogas) with decentralized grids and rural access, Institutionalizing environmental accounting and green GDP in national development frameworks and implementing sacred ecology zones where development is prohibited or heavily regulated to protect biodiversity hotspots. By fusing spiritual ecology

with environmental economics, India can offer a globally relevant model of eco-dharmic development.

c) Reimagining Growth: From Quantity to Quality

A critical transformation required in India's economic strategy is the redefinition of what constitutes progress and growth. Instead of solely focusing on quantitative expansion—GDP, FDI inflows, or industrial output—the emphasis must shift toward qualitative improvements in life and society. This entails Emphasizing well-being indicators such as the Human Development Index (HDI), Gross National Happiness (GNH), and Multidimensional Poverty Index (MPI), Redefining productivity to include emotional health, cultural vitality, and social cohesion and Promoting slow, localized economies where human relationships and environmental rhythms shape economic activity. Such a transition will require not just new policies but a cultural shift in how success is measured—placing compassion, community, and consciousness at the center of economic thinking.

d) Integrating Spirituality with Development Economics

Spirituality, often dismissed in modern economics, can play a critical role in cultivating resilience, ethical restraint, and inner contentment—qualities essential in resisting the excesses of consumerism and hyper-materialism. Practical avenues include introducing mindfulness and value-education in schools and workplaces to encourage ethical behavior., recognizing cultural-spiritual practices as part of the informal economy and supporting them through tourism and heritage funding and encouraging life-purpose and spiritual health metrics alongside income-based indicators in development planning.

Spiritual traditions can serve as a psychological and social safety net, supporting well-being in ways that income alone cannot. This aligns with Integral Humanism's spiritual anthropology and offers a unique Indian contribution to global development debates.

e) Building Institutions for Integrated Development

A human-centric development model must be institutionally embedded, with robust, ethical, and inclusive institutions. Therefore, it must include reforming planning processes to include multi-dimensional impact assessments—economic, ecological, social, and ethical, establishing Development Ethics Councils at state and national levels to oversee major policies, encouraging community ownership models in public infrastructure and service delivery (e.g., water, sanitation, education). And promoting federal cooperation and

decentralized planning, ensuring local wisdom and values guide development. This institutionalization of ethics and ecology into economic governance is the next step in realizing a truly Integral Humanist economy.

f) India's Global Role: A New Civilizational Model

India, with its ancient civilizational ethos, democratic structure, and emerging economic status, is uniquely positioned to lead the global transition toward human-centric development. By integrating Integral Humanism's values with modern economic tools, India can offer a civilizational alternative to both neoliberal capitalism and authoritarian statism. As the world grapples with climate change, inequality, and alienation, India's success in building an ethical, inclusive, and sustainable economic model could serve as a moral compass for the 21st century.

2.12 Conclusion

This chapter has explored the philosophical foundations, practical relevance, and policy implications of two transformative frameworks—Integral Humanism and the Human Development Approach—in shaping a human-centric economic paradigm for India. While originating from distinct intellectual traditions—Indic spiritual philosophy in the case of Integral Humanism and liberal ethical economics in the case of the Capability Approach—they converge on a central principle: development must serve people, not the other way around.

Integral Humanism, as articulated by Pt. Deendayal Upadhyaya, emphasizes the holistic evolution of the individual—body, mind, intellect, and soul—within a framework that harmonizes economic activity with ethical duty (Dharma), social responsibility, and cultural rootedness. It critiques both capitalism's excessive materialism and socialism's mechanical collectivism, offering instead a third path rooted in self-reliance (Swadeshi), decentralization, and spiritual purpose.

On the other hand, the Human Development Approach, pioneered by Amartya Sen and Mahbub ul Haq, redefined development as the expansion of human capabilities and freedoms. It shifted the focus of policy and planning from economic growth to people's well-being, operationalized through indices such as HDI, GII, and MPI. It provided governments, especially in the Global South, with practical tools to measure and address the multidimensional nature of poverty, inequality, and exclusion.

Through a comparative lens, the chapter has shown that these two frameworks, when synthesized, offer a robust ethical and empirical foundation for India’s development journey. They underscore the need for policies that respect ecological limits, prioritize the most vulnerable, uphold cultural values, and empower communities. Case studies such as Amul, SHGs, and NEP 2020 demonstrate that this convergence is not merely theoretical but increasingly reflected in India’s policy landscape.

However, significant challenges remain—ranging from conceptual ambiguities and bureaucratic inertia to global market pressures and secular critiques. Addressing these requires not only political will and institutional reform, but also a cultural reawakening that sees development not as a race for wealth, but as a journey toward human flourishing.

In a world grappling with inequality, climate collapse, and moral voids, India has the civilizational and institutional potential to lead the way toward a new development model—one that balances ethics, ecology, and economy. The path forward lies not in imitating the West or romanticizing the past, but in integrating timeless values with timely reforms, forging a development paradigm that is uniquely Indian in spirit and global in relevance.

Check Your Progress

Q1. Define Integral Humanism in the context of development economics.

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Q2. What are the four components of human personality according to Deendayal Upadhyaya?

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Q3. What is the Human Development Index (HDI)?

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2.13 Let Us Sum Up

This chapter examined the intersection of Integral Humanism, a moral-philosophical framework rooted in Indian thought, and the Human Development Approach, an empirical framework from modern development economics. It began by introducing the foundational concepts, followed by a historical tracing of human-centric development philosophies—from ancient Indian dharmic economics to Gandhian and Senian paradigms.

The philosophy of Pt. Deendayal Upadhyaya's Integral Humanism was explored in detail, emphasizing a model of development rooted in ethics, spirituality, and social harmony. The economic implications of Integral Humanism—such as need-based production, Swadeshi, decentralization, and ethical entrepreneurship—were connected to contemporary Indian policies.

Parallely, the Human Development paradigm, through Sen's Capability Approach and the UNDP's HDI framework, was discussed for its emphasis on health, education, income, and empowerment as central to development.

A key contribution of the chapter was reconciling the two frameworks by highlighting their common emphasis on human dignity and holistic well-being, while acknowledging their ontological and philosophical differences. Finally, the chapter proposed a way forward, advocating for a development model that integrates ethics, ecology, and economy, offering India a distinct, globally relevant trajectory for inclusive and sustainable growth.

2.14 Keywords

- **Integral Humanism:** A socio-economic philosophy by Pt. Deendayal Upadhyaya that advocates holistic human development balancing body, mind, intellect, and soul.
- **Dharma:** In the Indian philosophical context, it means moral duty or ethical order.
- **Swadeshi:** A principle promoting local self-reliance and indigenous production.
- **Capability Approach:** A framework by Amartya Sen that defines development as the expansion of people's freedoms to achieve valuable functionings.
- **Functionings:** States of being and doing that individuals value (e.g., being healthy, being literate).
- **Human Development Index (HDI):** A composite index measuring a country's average achievements in health, education, and income.
- **Sarvodaya:** Welfare of all; a Gandhian concept influencing Integral Humanism.

- **Antyodaya:** Upliftment of the last person; focus on the poorest and most marginalized.
- **Decentralization:** Transfer of planning and decision-making authority to lower levels of governance.
- **Ethical Economics:** An approach to economics that incorporates values, morality, and justice into economic analysis.

2.15 Suggested Readings

- Haq, M. (1995). *Reflections on Human Development*. Oxford University Press.
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- Planning Commission. (2002). *India Vision 2020*. Government of India.

2.16 Hints to Check Your Progress

CYP-I

Q1. Refer section 2.3

Q2. Refer section 2.5

Q3. Refer section 2.7

2.17 Examination Oriented Questions

Q1. Compare and contrast Integral Humanism and the Human Development Approach as frameworks for economic development.

Q2. Examine the relevance of Integral Humanism in formulating India's economic and social policies today.

Q3. Discuss the policy implications of combining ethics, ecology, and economy in development planning.

Q4. Trace the historical evolution of human-centric development thinking in Indian and global traditions.

Q5. Critically assess the limitations of GDP-centric models of development.

Q6. How does the Capability Approach redefine the goals and tools of development economics?

Q7. Evaluate the challenges in implementing Integral Humanism in a secular, pluralistic, and globalized economic environment.

Q8. Propose a human-centric policy framework for rural development drawing on both Integral Humanism and the Human Development paradigm.

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3.0 Objectives

The main objectives of this lesson are to enable you to:

- Explain the concept and significance of human development beyond conventional economic indicators.
- Describe the methodology and components of the Human Development Index (HDI).
- Trace the evolution of human development reporting and measurement in India.
- Analyze trends and disparities in HDI across Indian states and globally.
- Evaluate the effectiveness of government interventions in improving human development outcomes.
- Identify the major challenges in indexing human development in the Indian context.
- Recommend strategic policies for strengthening human development indicators and reducing regional and social disparities.

3.1 Learning Outcomes

After studying this lesson, the learner will be able to:

- Define key terms related to human development and HDI.
- Interpret the components and calculation of HDI using real-world data.
- Compare India's HDI performance with that of other countries and Indian states.
- Examine the role of health, education, and income in shaping HDI outcomes.
- Assess policy frameworks and institutional mechanisms for human development in India.

- Identify gaps and limitations in current measurement practices such as IHDI and MPI.
- Formulate evidence-based policy suggestions for inclusive and sustainable human development.

3.2 Introduction

Dear learner, after going through this chapter, you will gain a comprehensive understanding of how human development is conceptualized, measured, and operationalized in India. The Human Development Index (HDI), introduced by the UNDP, serves as a powerful alternative to GDP-centric measures by integrating health, education, and standard of living into a single composite indicator. In the Indian context, where growth has been uneven and regional disparities are sharp, HDI-based analysis becomes crucial for inclusive policy planning. This chapter delves into the evolution of HDI measurement in India, examines state-wise and national trends, explores complementary indices like the Inequality-adjusted HDI and Multidimensional Poverty Index, and evaluates the government's role in promoting human development through targeted interventions. The discussion culminates in a set of policy recommendations designed to ensure that human development becomes both the means and the end of economic progress.

3.3 Human Development: Prologue

The concept of human development has evolved significantly over the past few decades, moving beyond the narrow confines of income and economic growth to embrace a more comprehensive understanding of human well-being. Traditionally, the progress of nations was measured by their Gross Domestic Product (GDP), which reflected the total value of goods and services produced in an economy. However, this approach overlooked critical aspects such as health, education, and equity, which directly influence the quality of life of individuals. In response to these limitations, the idea of human development emerged as a paradigm that emphasized expanding the capabilities and freedoms of individuals to lead lives they value.

The United Nations Development Programme (UNDP) played a pioneering role in institutionalizing the concept of human development by introducing the Human Development Index (HDI) in its first Human Development Report in 1990. The HDI was conceptualized as a composite index that included three basic dimensions of human life: health (measured by life expectancy at birth), education (measured by mean years of schooling and expected years of schooling), and standard of living (measured by Gross National Income per capita). These dimensions were selected to reflect the foundational elements of human well-being and to capture the multifaceted nature of development.

In the Indian context, the relevance of human development became particularly significant in the post-liberalization era. While economic reforms initiated in 1991 led to higher GDP growth, they also revealed stark interpersonal and interregional inequalities. This prompted scholars and policymakers to reassess the country's development priorities and focus more on inclusive and equitable growth. Indian economists like Amartya Sen strongly influenced the global human development discourse by advocating for the capability approach, which asserts that development should be judged not merely by economic metrics but by the actual freedoms and choices people have.

Human development is essentially a process of enlarging people's choices and enhancing their capabilities. It is intrinsically linked with improving literacy levels, ensuring access to quality health services, reducing poverty, promoting gender equality, and fostering participation in democratic governance.

India has made considerable progress in human development over the past three decades, but challenges persist. The country still ranks below many of its Asian peers on the HDI, and vast disparities exist across states, genders, castes, and rural-urban divides. This chapter, therefore, aims to explore the framework of human development indexing, analyze India's progress and setbacks, and identify policy pathways for enhancing human development in a more inclusive and sustainable manner.

3.4 Theoretical Framework and Measurement of Human Development Index (HDI)

The Human Development Index (HDI) serves as a composite statistical measure that reflects average achievements in three essential dimensions of human well-being: health, education, and standard of living. Developed by the Pakistani economist Mahbub ul Haq and Indian economist Amartya Sen, and formally introduced in the **1990 Human Development Report (HDR)** by the UNDP, the HDI was designed to shift the focus of development economics

from national income accounting to a people-centered approach. The theoretical underpinning of the HDI is deeply rooted in the capability approach, which posits that true development involves expanding individuals' capabilities—their freedom to choose the life they value.

HDI represents a marked departure from traditional growth metrics by highlighting the qualitative aspects of human progress. It synthesizes three core dimensions:

1. Health – measured by life expectancy at birth, reflecting the ability to live a long and healthy life.
2. Education – measured by mean years of schooling for adults aged 25 years and above and expected years of schooling for children entering school.
3. Standard of living – measured by Gross National Income (GNI) per capita (PPP adjusted), reflecting command over resources.

Each of these indicators is first **normalized** to a scale between 0 and 1, using the formula:

Each dimension index is calculated using the following normalization formula:

$$\text{Dimension Index} = (\text{Actual Value} - \text{Minimum Value}) / (\text{Maximum Value} - \text{Minimum Value})$$

After normalization, the Human Development Index is computed as the geometric mean of the three dimension indices:

$$\text{HDI} = (\text{Health Index} \times \text{Education Index} \times \text{Income Index})^{(1/3)}$$

This methodology was revised in 2010 to improve accuracy and prevent any one dimension from compensating excessively for deficiencies in others. The shift from an arithmetic to geometric mean ensures imperfect substitutability among the dimensions, reflecting a more realistic interaction between health, education, and income in human development. HDI offers an aggregate view of development outcomes, but it also has certain limitations. For example, it does not account for inequality, sustainability, gender disparities, or political freedoms. To address these shortcomings, the UNDP has developed additional indices such as:

- **Inequality-adjusted HDI (IHDI)**
- **Gender Development Index (GDI)**

- **Gender Inequality Index (GII)**
- **Multidimensional Poverty Index (MPI)**

These supplementary indices help in understanding the distributional aspects of development, which are particularly relevant for a diverse and unequal society like India.

In the Indian policy landscape, these indices are increasingly being used for decentralized planning and performance evaluation. The NITI Aayog's SDG India Index, for example, draws from HDI-type indicators to assess the performance of states on Sustainable Development Goals (SDGs), making the HDI framework more integrated into mainstream governance.

Thus, the HDI represents a robust, though not exhaustive, measure of human development. It provides a meaningful benchmark for cross-country comparisons and for assessing national progress over time. However, its true utility lies in being complemented by disaggregated and context-sensitive indicators that reflect the multidimensional realities of development, especially in a complex country like India.

3.5 Evolution of Human Development Reporting in India

India's engagement with the human development approach has evolved significantly since the early 1990s, paralleling global efforts led by the United Nations Development Programme (UNDP). Although the Human Development Index (HDI) was globally adopted following the UNDP's **first Human Development Report (1990)**, India began integrating these concepts into its national policy framework in a phased and strategic manner. The evolution of human development reporting in India reflects a growing recognition that **economic growth alone is not sufficient to ensure equitable and inclusive development**.

Initial Engagement with the Global Framework

India's formal participation in the global HDI rankings began in the early 1990s. The country was ranked in the medium human development category, and although its GDP was growing post-liberalization, its social indicators—particularly those related to health, education, and gender—lagged behind. This disjunction between economic growth and social development prompted Indian economists and policymakers to explore **context-specific applications** of the human development framework. Eminent scholars like **Amartya Sen** were instrumental in shaping these early debates.

As highlighted by **Misra and Puri (2023)**, the publication of global Human Development Reports (HDRs) by the UNDP served as an important reference for Indian scholars and policymakers in assessing India's relative position in global development. However, there was also a growing realization that national and state-level indicators were necessary to capture the **complex diversity and regional disparities** within the country.

State and District Human Development Reports

Recognizing the need for more granular and region-specific assessments, India became one of the first countries to adopt the practice of preparing sub-national Human Development Reports (HDRs). With technical and financial assistance from the UNDP, India launched the National Human Development Initiative in the mid-1990s. This led to the publication of the first State Human Development Report (SHDR) in 1995 by Madhya Pradesh, which became a model for subsequent reports.

Over the next two decades, more than 25 Indian states prepared their own State Human Development Reports, covering critical issues such as gender inequality, access to public services, regional imbalance, and poverty. These reports helped mainstream the human development perspective into state-level planning and served as tools for identifying local development challenges.

The success of SHDRs was followed by the development of District Human Development Reports (DHDRs), especially in states like West Bengal, Tamil Nadu, and Rajasthan. These reports utilized localized data and community participation to measure development outcomes at the grassroots level. According to Dutt and Sundaram (2023), DHDRs brought the human development discourse closer to decentralized governance and were crucial for preparing district-level plans under schemes like Backwards Regions Grant Fund (BRGF) and Aspirational Districts Programme (ADP).

Role of Planning Commission and NITI Aayog

The Planning Commission of India (now replaced by NITI Aayog) played a critical role in institutionalizing human development indicators into the broader development strategy of the country. The National Human Development Report (2001) by the Planning Commission was a landmark document that provided a comprehensive HDI ranking of Indian states based on parameters aligned with UNDP methodologies. The report also introduced an Adjusted Human Development Index (AHDI) that factored in state-specific socio-economic realities.

Since its inception in 2015, NITI Aayog has adopted a more performance-based, outcome-oriented framework. It publishes the SDG India Index and Dashboard annually, which includes HDI-related indicators such as maternal mortality rate, school enrolment ratio, life expectancy, and per capita income. This index enables a **ranking of states and union territories** based on their progress toward Sustainable Development Goals (SDGs), aligning closely with the philosophy of human development.

Community-Based and Thematic Human Development Indices

In addition to government-driven initiatives, several academic institutions and civil society organizations have developed thematic indices focusing on gender, child development, tribal welfare, and urban deprivation. These efforts have expanded the scope of human development measurement beyond traditional metrics. For example, the Oxford Poverty and Human Development Initiative (OPHI) collaborated with Indian agencies to develop the Multidimensional Poverty Index (MPI) tailored to India's rural-urban and inter-caste inequalities.

Such thematic approaches have helped embed equity and rights-based considerations into policy dialogues. The focus has also shifted toward outcome-based monitoring rather than input-based evaluations, which has strengthened the role of human development reporting as a planning and accountability tool.

Contemporary Trends and Digital Transformation

In recent years, the use of digital dashboards, real-time data, and geo-spatial mapping has enhanced the credibility and accessibility of human development data in India. Platforms like the National Data & Analytics Platform (NDAP) and Aspirational Districts Dashboard integrate HDI-like indicators with policy monitoring. The increasing digitization of surveys such as NFHS, U-DISE+, and Periodic Labour Force Survey (PLFS) has improved the timeliness and reliability of data used in HDI assessments.

Furthermore, India's evolving approach toward climate-resilient and sustainable development is influencing the way human development is measured. The inclusion of environment-related indicators in the SDG framework reflects a growing recognition of the interconnectedness of ecological and human development.

India's journey in human development reporting—from adopting global HDI norms to innovating with state- and district-level indices—demonstrates a proactive and adaptive

approach. The localization of human development concepts has helped bridge the gap between national policy objectives and regional developmental needs, making human development a central concern of both academic inquiry and governance.

3.6 India's HDI Performance – Trends and Global Comparisons

India's performance in terms of human development has steadily improved since the HDI was first introduced by the United Nations Development Programme (UNDP) in 1990. However, when benchmarked against global averages or peer countries, India's progress reveals mixed results, characterized by steady improvements in some indicators and persistent challenges in others, such as inequality, gender disparity, and regional imbalances.

Long-Term Trends in India's HDI Rank and Value

From a low HDI category in the 1990s, India entered the medium human development group in the early 2000s and has maintained that status since then. As per the UNDP Human Development Report 2023, India's HDI value stood at 0.633, placing it at rank 134 out of 193 countries. This marked a modest increase from 0.645 in 2019, prior to the COVID-19 pandemic, reflecting a partial recovery after a temporary setback caused by the health and economic crisis. India's HDI has grown **over 50% since 1990**, driven primarily by:

- **Life expectancy** improvements (from ~58.6 years in 1990 to 70.1 years in 2022),
- Expansion in **mean years of schooling** (from 3.0 years in 1990 to 6.8 years in 2022),
- Substantial increases in **GNI per capita (PPP)**.

Global Comparisons: India and Peer Economies (2022–23)

The table below compares India's HDI and its sub-indices with selected countries for the year 2022–23:

Table 1: Global Comparisons: India and Peer Economies (2022–23)

Country	HDI Value	Life Expectancy (Years)	Mean Years of Schooling	GNI per Capita (PPP, \$)	HDI Rank
India	0.633	70.1	6.8	6,951	134
China	0.788	78.2	7.6	17,271	79

Country	HDI Value	Life Expectancy (Years)	Mean Years of Schooling	GNI per Capita (PPP, \$)	HDI Rank
Bangladesh	0.661	72.4	7.0	5,633	129
Sri Lanka	0.782	76.2	10.8	13,897	78
Brazil	0.754	75.6	8.1	14,186	89
Norway (Highest)	0.961	84.4	12.8	73,276	1
Niger (Lowest)	0.400	61.6	2.1	1,220	189

Source: UNDP Human Development Report 2023; compiled from national statistical offices and World Bank data.

The data shows that while India’s human development performance is improving in **absolute terms**, it lags significantly behind **China, Sri Lanka, and Brazil**, both in income and non-income dimensions. India’s education indicators, in particular, remain below the global average.

3.7 Gender and Inequality Adjusted Indicators

India performs **relatively poorly** in gender-sensitive indices:

- **Gender Development Index (GDI):** India’s GDI stands at **0.849**, indicating a large gender gap.
- **Gender Inequality Index (GII):** Ranked **122 out of 170 countries**, with high maternal mortality and low female labor force participation.

Furthermore, India’s **Inequality-adjusted HDI (IHDI)** drops to approximately **0.475**, reflecting the **inequitable distribution of development gains** across social groups and regions. According to **Dutt and Sundaram (2023)**, inequality in education and access to basic services among **rural, SC/ST, and female populations** contributes significantly to the lower IHDI score.

3.8 Components of HDI in India – Sectoral Analysis

India's Human Development Index (HDI) score is derived from three key components that reflect long-term progress in **health, education, and standard of living**. Each of these sectors holds distinct importance and is influenced by both historical legacies and contemporary policies. This section dissects India's performance in each of the three domains, highlighting trends, achievements, and ongoing challenges.

3.8.1 Health: Life Expectancy and Access to Healthcare

The health dimension of HDI is measured by life expectancy at birth, which serves as a proxy for overall public health outcomes and living conditions. India's life expectancy has improved significantly—from around 58.6 years in 1990 to 70.1 years in 2022 (UNDP, 2023). This improvement is attributed to better immunization coverage, expansion of primary health care services, and declining infant and maternal mortality rates.

According to NFHS-5 (2019–21), India has achieved substantial reductions in Infant Mortality Rate (IMR) (from 66 per 1,000 in 1990 to 28 in 2021) and Maternal Mortality Ratio (MMR) (from 437 in 1990 to 97 in 2020). However, these averages mask significant inter-state disparities. For instance, Kerala reports a life expectancy above 75 years, while Uttar Pradesh and Chhattisgarh remain below 65.

Public health expenditure in India has historically remained low, at around 2.1% of GDP as of 2023. Despite the launch of flagship health missions like the National Health Mission (NHM) and Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PM-JAY), large segments of the population, particularly in rural areas, face inadequate access to quality health services. Furthermore, issues of malnutrition, communicable diseases, and out-of-pocket expenditures continue to hinder equitable health outcomes.

3.8.2 Education: Mean and Expected Years of Schooling

Education is a vital pillar of human development and is measured in HDI through two indicators — Mean Years of Schooling (MYS) for adults and Expected Years of Schooling (EYS) for children entering school. India's mean years of schooling increased from 3.0 years in 1990 to 6.8 years in 2022, while expected years rose from around 8 to 12.6 years in the same period (UNDP, 2023).

India has made significant strides in universalizing elementary education, especially after the enforcement of the Right to Education (RTE) Act, 2009. The Sarva Shiksha Abhiyan (SSA) and the more recent Samagra Shiksha Abhiyan have enhanced enrolment and retention,

particularly among girls and disadvantaged communities. The National Education Policy (NEP) 2020 aims to transform the learning ecosystem by introducing multidisciplinary curricula, early childhood care, and vocational training.

Yet, the challenges remain substantial. High dropout rates at the secondary level, poor learning outcomes (as revealed by ASER Reports), inadequate infrastructure in government schools, and a digital divide in education delivery during COVID-19 have affected India's overall education quality. There are also vast regional and gender disparities — states like Himachal Pradesh, Kerala, and Tamil Nadu outperform the national average, whereas Bihar, Jharkhand, and Uttar Pradesh continue to lag behind.

3.8.3 Income: Gross National Income per Capita (PPP)

The third component of HDI, standard of living, is measured by Gross National Income (GNI) per capita, adjusted for purchasing power parity (PPP). In 2022, India's GNI per capita (PPP) was estimated at \$6,951, up from around \$1,200 in 1990 (UNDP, 2023). This growth reflects India's rapid economic expansion post-liberalization and the structural shift toward services and industry.

Despite improvements, India's income dimension remains constrained by informality, underemployment, and income inequality. The PLFS (2022) shows that over 90% of the workforce remains employed in the informal sector, with limited access to job security, social security, or skill development. Moreover, the wage gap across gender, caste, and location continues to widen the income inequality.

Schemes such as MGNREGA, PM-KISAN, Stand Up India, and Start-Up India have aimed to boost rural incomes and entrepreneurship, while tax reforms (GST) and financial inclusion programs (JAM Trinity, PMJDY) have formalized segments of the economy.

India's sectoral performance in HDI components shows a mixed landscape—marked progress in health and education in some states, stagnation and inequality in others, and growing income levels with persistent precarity. The lack of integration between sectoral achievements and distributive justice remains a critical concern. Strengthening public service delivery, addressing social inequities, and sustaining employment generation are key to improving all three dimensions of human development in a synergistic manner.

3.8.4 Inequality-Adjusted HDI

Although the conventional HDI tells us how far India has progressed on average, it *conceals* two critical realities: (i) the unequal distribution of those gains across population groups, and (ii) the overlapping, non-income deprivations that many households still face. To surface these realities, the UN DP publishes two complementary measures—the Inequality-adjusted HDI (IHDI) and the Alkire-Foster Multidimensional Poverty Index (MPI). Together they offer a sharper picture of who is being left behind and why.

The HDI assumes that an extra year of schooling or an extra rupee of income has the same social value no matter who receives it. The IHDI corrects this blind spot by discounting each of the three HDI dimension indices (health, education, income) in proportion to their dispersion across people. If a society were perfectly equal, its IHDI would equal its HDI; any gap between the two is interpreted as the “loss” in potential human development caused by inequality. (hdr.undp.org)

India’s IHDI in 2023

- **HDI (2023):** 0.633
- **IHDI (2023):** 0.475
- **Loss due to inequality: 30.7 %**—meaning nearly one-third of India’s potential human development is wiped out once inequality is factored in. (hdr.undp.org)

Table: 1 Inequality-Adjusted HDI

Dimension	Inequality (%)	Contribution to total loss
Health	29.9	Rising life-expectancy gaps across states and income groups
Education	37.4	Wide rural-urban, caste and gender gaps in schooling years
Income	32.8	Large informal sector, wage-gender gaps, regional income divergence

Source: Derived from UN DP statistical annex figures.

The steepest discount comes from **education**, underscoring the persistence of uneven learning outcomes despite near-universal enrolment. Health inequality has narrowed over two

decades but spiked temporarily during the COVID-19 shock; income inequality has remained structurally high as growth has been unevenly distributed.

3.8.5 Multidimensional Poverty Index

The **MPI** identifies a household as poor if its weighted deprivation score across *ten* indicators (nutrition, child mortality, years of schooling, school attendance, cooking fuel, sanitation, drinking water, electricity, housing, and assets) $\geq 1/3$. Poverty is summarised by:

$$\text{MPI} = H \times A$$

where **H** = headcount ratio (share of people who are multidimensionally poor) and **A** = intensity (average share of weighted deprivations among the poor).

India follows the global Alkire-Foster specification, but NITI Aayog's *National MPI* also reports rural/urban and state splits for policy use. (undp.org)

Table 2 India's MPI trajectory

Survey round	Headcount (H)	Intensity (A)	MPI value	People escaping multidimensional poverty*
2005-06 (NFHS-3)	55.3 %	51 %	0.282	—
2015-16 (NFHS-4)	24.9 %	47 %	0.117	~ ~
2019-21 (NFHS-5)	14.96 %	44 %	0.066	135 million (2015-21)
Global MPI 2024 (same NFHS-5 micro-data)	16.4 %	42 %	0.069	—

Source: UN DP uses population-weighted differences between successive rounds. (niti.gov.in)

Urban–rural split (NFHS-5). Headcount: **19.28 % rural** vs **5.27 % urban**; All-India average 11.28 %. **State extremes (NFHS-5).** Kerala (0.48 %), Goa (0.37 %), and Tamil Nadu (1.43 %) have almost eradicated multidimensional poverty, while Bihar (26.6 %), Jharkhand (23.3 %), and Meghalaya (25.5 %) are the most deprived. **Fastest improvements.** Between 2015-16 and 2019-21 the sharpest falls in headcount occurred in **Uttar Pradesh, Bihar, Madhya Pradesh, Odisha, and Rajasthan**, collectively accounting for over half the national decline. (niti.gov.in)

3.8.9 Policy implications

- **Targeting precision.** The IHDI pinpoints dimensions with the greatest inequality penalties—education and income—guiding redistribution and affirmative-action budgets.
- **Sub-national action.** MPI dashboards enable competitive federalism: aspirational districts use the same 10 indicators for monthly monitoring, letting administrators see *which* deprivations (e.g., sanitation) drive local poverty.
- **Gender lens.** Disaggregated MPI shows that female-headed households face higher deprivation in cooking fuel and sanitation, aligning with India’s high Gender Inequality Index rank.
- **Climate-sensitive poverty.** Adding climate-risk overlays to MPI maps, as suggested by NITI Aayog’s 2024 framework, helps prioritise adaptation finance to districts where drought worsens nutrition and schooling outcomes.

3.10 Regional Disparities in Human Development in India

Despite substantial progress in improving national averages for health, education, and income, India continues to experience deep and persistent regional disparities in human development. These disparities manifest not only in inter-state differences in HDI scores but also within states, across rural–urban divides, and among social groups. Such variations highlight the uneven capacity of Indian states to deliver quality services, generate employment, and ensure equitable access to education and healthcare.

Inter-State Variations in HDI Scores

India’s federal structure grants considerable autonomy to states in social sector policymaking. As a result, some states have consistently outperformed others in human development outcomes. According to the **NITI Aayog SDG India Index (2023–24)** and recent UNDP-supported estimates, the HDI across Indian states ranges from **0.80 in Kerala** to below **0.60 in Bihar and Jharkhand**, reflecting large developmental asymmetries.

Table 3: Inter-State Variations in HDI Scores

State	HDI Value	Life Expectancy (Years)	Mean Years of Schooling	Per Capita NSDP (₹)
Kerala	0.800	75.1	9.5	229,488
Delhi	0.790	74.6	9.0	444,768
Tamil Nadu	0.765	73.4	8.3	242,309
Maharashtra	0.748	72.5	7.9	237,145
Gujarat	0.717	70.8	7.5	230,480
Uttar Pradesh	0.603	66.3	5.8	82,759
Bihar	0.586	65.8	5.1	59,637
India (Average)	0.633	70.1	6.8	112,749

Source: NITI Aayog (2023), UNDP estimates, RBI Handbook of Statistics on Indian States (2023).

Kerala continues to top the rankings due to its strong public health infrastructure, universal literacy, and high female labor participation. In contrast, Bihar, Jharkhand, Uttar Pradesh, and Madhya Pradesh exhibit poor outcomes across all three HDI dimensions. These states suffer from inadequate public investment, high dependency ratios, and social exclusion of marginalized communities, including Scheduled Castes and Tribes.

India's rural areas, home to nearly 65% of the population, lag significantly behind urban centers in HDI indicators. The rural HDI is pulled down by lower schooling years, inadequate healthcare infrastructure, and low incomes due to underemployment and agrarian distress. For instance, NFHS-5 (2019–21) data shows that institutional delivery rates are as high as 95% in urban India but drop to 75% in some rural districts of Bihar and Uttar Pradesh.

The urban advantage is especially visible in education and access to services. Cities like Bengaluru, Mumbai, and Pune show average schooling levels and per capita incomes comparable to upper-middle-income countries. However, even urban India is not homogeneous—urban slums face high deprivation in sanitation, nutrition, and housing security, underlining the need for disaggregated urban data in HDI calculations.

In addition to inter-state differences, there exist stark disparities within states, especially between districts and blocks. The Government of India's Aspirational Districts Programme (ADP), covering 112 districts with poor social indicators, acknowledges that national development goals cannot be met unless lagging regions are prioritized.

Further, disparities across **social groups**—particularly Scheduled Castes (SCs), Scheduled Tribes (STs), and Muslims—remain entrenched. NFHS and NSS data consistently show that these groups have lower **school completion rates**, higher **child mortality**, and poorer **nutritional outcomes** than the national average. For instance, stunting among tribal children is nearly 15 percentage points higher than the general population.

3.10.1 Reasons for Regional Disparities

Several factors account for the persistence of regional inequalities in human development in India:

- **Historical neglect and colonial legacies** in eastern and central India
- **Differential administrative capacities** and governance quality
- **Variations in fiscal capacity and public expenditure**
- **Cultural factors and social stratification**, especially in education and gender outcomes
- **Geographical remoteness and conflict** in tribal belts and border regions

The analysis of regional disparities in HDI highlights a fundamental challenge for India's development: **growth and progress have been geographically concentrated**, leaving vast regions and communities behind. While states like Kerala and Tamil Nadu have near-universal health and education access, others remain far from achieving even basic standards. Bridging these divides requires targeted investments, decentralized planning, and robust social protection policies tailored to local contexts.

3.11 Challenges in Human Development Indexing in India

While the Human Development Index (HDI) has emerged as a valuable tool to evaluate development beyond GDP, its application in the Indian context is fraught with several **conceptual, data-driven, and structural challenges**. These issues not only limit the index's

ability to capture the complexity of India's developmental landscape but also pose constraints on its utility for planning and policymaking.

1 Conceptual and Methodological Limitations

One of the foremost challenges in indexing human development in India is the **simplification inherent in composite indices** like the HDI. By reducing multidimensional realities into a single number, the index tends to obscure inequalities, regional variations, and qualitative aspects such as the quality of education or healthcare.

Additionally, the choice of indicators and weights is a subject of critique. For example, HDI gives equal weight to health, education, and income dimensions, which may not reflect their relative importance in all contexts. As pointed out by Dutt and Sundaram (2023), this aggregation ignores trade-offs and complementarities among different dimensions of well-being. Moreover, mean years of schooling and GNI per capita fail to capture intra-household dynamics, gender disparities, or the quality of outcomes. Education measured in years does not account for learning outcomes, and income data does not reflect asset ownership, job security, or informality, which are critical in India's socio-economic fabric.

2 Data Deficiencies and Time Lags

Reliable and disaggregated data remains a significant barrier to human development assessment in India. Key sources like **NFHS**, **PLFS**, and **Census** are periodic, resulting in **time lags** between ground-level realities and policy responses. For example, **NFHS-5** data (2019–21) is still being used in 2024 policy evaluations despite the socioeconomic shocks of the COVID-19 pandemic and recent inflationary pressures.

Further, data gaps are especially severe in:

- **Urban slums**, where service delivery and deprivation levels remain under-measured;
- **Tribal and border regions**, where survey coverage is poor;
- **Gender-disaggregated indicators**, which are either unavailable or inconsistent across datasets.

The limited use of **real-time digital monitoring systems** restricts the ability of planners to dynamically assess the effectiveness of human development programs.

3 Inequality and Marginalization

The standard HDI does not adequately address inequality across caste, gender, religion, or geography. While the Inequality-adjusted HDI (IHDI) provides a more refined view, its calculation requires high-frequency and quality data on income distribution, which India currently lacks.

For instance, Scheduled Tribes (STs) and Dalits (SCs) face systemic barriers in accessing health services and education, leading to group-based deprivation that is rarely captured by national averages. Similarly, Muslim-majority districts have been shown to perform poorly in schooling and employment, a phenomenon noted by the Sachar Committee (2006) but still inadequately addressed in HDI analysis.

4 Climate and Environmental Vulnerabilities

Human development in India is increasingly being shaped by **climate-related risks**, such as droughts, floods, heatwaves, and crop failures. However, **HDI does not factor in environmental sustainability**, climate adaptation capacity, or exposure to ecological stress. This is a serious omission given that **climate change disproportionately affects the poor**, who lack resilience and coping mechanisms.

For example, **agriculture-dependent states** like Odisha, Jharkhand, and parts of Maharashtra frequently suffer climate shocks that affect nutrition, health, and income—but these are not reflected in current HDI measures.

5 Implementation Gaps and Policy Incoherence

Even where human development data exists, **fragmented institutional responsibilities** and weak convergence across departments hamper effective policy implementation. Programs such as **Ayushman Bharat**, **NEP 2020**, and **Digital India** are implemented by different ministries, often without integrated monitoring mechanisms.

There is also a lack of synergy between **state-level HDI initiatives** and **national planning**, especially in terms of **budgetary prioritization**, **fiscal devolution**, and **accountability mechanisms**. Some states continue to under-invest in key areas like public health and education, contributing to **inter-state divergence** in development outcomes.

6 Technological and Digital Exclusion

Although digital tools have improved data collection and public service delivery, they have also introduced new forms of digital inequality. The digital divide in rural India—exacerbated

by gender and income gaps—affects access to online education, digital health platforms, and financial inclusion services, all of which influence HDI dimensions.

For example, the implementation of online learning during the COVID-19 lockdowns exposed massive disparities in access to internet-enabled devices and reliable electricity, especially among rural and marginalized communities. These digital exclusions are not currently captured in HDI or MPI measurements.

India's experience with HDI indexing reveals both the utility and the limitations of composite development indicators. While the HDI has helped shift focus from GDP to people-centric measures of development, it fails to fully capture the multi-layered nature of deprivation, particularly in a country as large and diverse as India. Overcoming these challenges requires not just methodological innovation, but also data strengthening, inter-sectoral coordination, and inclusive policy design that is sensitive to spatial, social, and ecological disparities.

3.12 Government Interventions and Policy Framework

Recognizing the multidimensional nature of human development, successive Indian governments have introduced a wide array of **social sector interventions** to improve outcomes in health, education, and income. These interventions aim to reduce poverty, expand capabilities, and enhance quality of life. While the **HDI framework provides a benchmark for outcomes**, public policies and schemes provide the **instruments for change**. This section discusses the major policy instruments that support human development in India.

1 Health Sector Interventions

India's healthcare policy framework has evolved over the years to address access, affordability, and quality of care—key determinants of the health component of HDI.

- **National Health Mission (NHM):** Launched in 2005 (including NRHM and later NUHM), the NHM aimed to strengthen primary and secondary healthcare infrastructure, particularly in rural and underserved urban areas. It focused on maternal and child health, disease control, and health system strengthening.
- **Ayushman Bharat – PM Jan Arogya Yojana (PM-JAY):** Introduced in 2018, this is the world's largest government-funded health insurance scheme, offering up to ₹5 lakh coverage per family per year to over 50 crore beneficiaries. The initiative is complemented by **Health and Wellness Centres (HWCs)** for primary care.

- **POSHAN Abhiyaan and ICDS:** These programs focus on improving nutrition among women and children. Given the high burden of child stunting and anemia, nutrition policies are directly tied to human development indicators like life expectancy and health equity.

Despite these initiatives, **public health expenditure** remains below 2.1% of GDP (2023), which limits service reach and quality. Enhancing the availability of trained medical personnel, improving public hospitals, and expanding digital health services are key priorities.

2 Education Policies and Programs

India's education sector reforms aim to enhance access, equity, and quality—core factors in improving schooling years and learning outcomes.

- **Right to Education Act (2009):** Guarantees free and compulsory education for children aged 6–14 years, marking a legal commitment to universal primary education.
- **Samagra Shiksha Abhiyan:** Launched in 2018, it merges SSA, RMSA, and teacher education initiatives into a unified program for school education (Class I to XII). It promotes inclusive education with digital tools and gender equity.
- **Mid-Day Meal Scheme:** One of the world's largest school nutrition programs, it incentivizes enrolment, retention, and learning by addressing classroom hunger.
- **National Education Policy (NEP) 2020:** Represents a paradigm shift, advocating early childhood care and education, multidisciplinary learning, skill development, and digital education through platforms like **DIKSHA** and **PM e-Vidya**.

However, concerns persist regarding dropout rates at secondary levels, teacher vacancies, and learning inequalities, especially post-COVID. Greater focus on foundational literacy and digital equity is now central to policy implementation.

3 Income and Livelihood Support

Government efforts to enhance income levels and reduce poverty have included direct benefit transfers, employment guarantees, and livelihood missions.

- **MGNREGA (2005):** Guarantees 100 days of wage employment to rural households, contributing directly to income security and indirectly to nutrition and health.
- **PM-KISAN (2019):** Provides income support of ₹6,000 per year to small and marginal farmers, covering over 11 crore beneficiaries.
- **Deendayal Antyodaya Yojana – NRLM:** Promotes self-employment and financial inclusion of rural women through Self-Help Groups (SHGs).
- **Skill India Mission and PMKVY:** Focus on improving employability and creating a skilled workforce, especially for youth in rural and backward regions.
- **Social security schemes** such as **Atal Pension Yojana**, **PM Jeevan Jyoti Bima Yojana**, and **PM Suraksha Bima Yojana** aim to provide a safety net to the informal workforce.

These schemes contribute to the income dimension of HDI by reducing vulnerability and expanding opportunities for sustainable livelihoods.

4 Institutional and Policy Frameworks

India has institutionalized human development objectives within its national planning apparatus.

- **NITI Aayog** serves as the apex policy think tank, preparing the **SDG India Index**, which monitors state-wise performance on HDI-related targets like education, health, and gender equity.
- **Decentralized Planning and Finance Commissions** have enabled targeted resource allocation to states and local bodies for health, education, and welfare schemes.
- **Aspirational Districts Programme (ADP):** Covers 112 backward districts, aiming to improve key indicators through convergence, competition, and collaboration.
- **Digital Governance Platforms:** Tools like **National Digital Health Mission**, **JAM Trinity (Jan Dhan–Aadhaar–Mobile)**, and **DBT** platforms enhance the efficiency and transparency of human development programs.

India's human development trajectory has been shaped by a **multitude of sectoral policies** addressing health, education, and income. While these interventions have led to measurable improvements in HDI indicators, challenges of inequality, underinvestment, and

administrative fragmentation persist. For further gains in human development, policies must not only expand coverage but also ensure **quality, sustainability, and inclusion**, particularly for the most marginalized communities.

3.13 Way Forward and Strategic Recommendations

As India strives to become a \$5 trillion economy and achieve its Sustainable Development Goals (SDGs) by 2030, it must prioritize inclusive human development. Despite progress in health, education, and income, challenges like regional inequality, data gaps, and institutional fragmentation persist. Moving forward, human development must be embedded in the country's developmental vision, not as an outcome of growth but as a driver of sustainable and equitable growth.

1 Enhance Investment in Health and Education

Robust human capital formation requires significantly higher **public investment in social infrastructure**:

- Raise public health expenditure to at least **2.5% of GDP**, with emphasis on **primary healthcare**, particularly in underserved rural and tribal regions.
- Expand the reach and improve the quality of **Health and Wellness Centres** under **Ayushman Bharat**, integrating maternal health, NCD care, and nutrition services.
- Increase education spending to **6% of GDP** in line with NEP 2020 targets, with specific allocations for teacher training, digital infrastructure, and outcome-based learning.
- Strengthen **early childhood care and education (ECCE)** through better integration of **Anganwadi services**, health screening, and pre-primary education.

2 Address Inequality and Social Inclusion

For HDI improvements to be sustainable, India must reduce **interpersonal and inter-group disparities**:

- Expand the coverage of **inequality-adjusted HDI (IHDI)** and integrate it into NITI Aayog's SDG dashboards for more targeted planning.

- Focus on **social justice reforms** for historically marginalized groups—Scheduled Castes, Scheduled Tribes, and religious minorities—through affirmative action, livelihood missions, and targeted subsidies.
- Empower **women and girl children** through access to property rights, reproductive health services, and participation in governance.
- Launch targeted programs in **aspirational districts** and **backward blocks** that face chronic deprivation in multiple HDI dimensions.

3 Strengthen Data Systems and Real-Time Monitoring

Reliable and disaggregated data is essential for evidence-based policymaking:

- Modernize household surveys like **NFHS, PLFS, and NSSO** with **shorter cycles** and digital collection tools to reduce time lag.
- Develop a **Human Development Data Portal** integrating real-time data from ministries, states, and civil society for tracking HDI and MPI indicators.
- Mandate **disaggregated reporting** of HDI indicators by gender, caste, age, disability, and geography.
- Institutionalize **third-party social audits** and community-based scorecards for health, education, and livelihood schemes.

4 Promote Decentralized and Participatory Planning

Localized solutions are crucial in a country as diverse as India:

- Strengthen **Gram Panchayats and Urban Local Bodies** by devolving financial powers and technical capacities to develop and implement human development plans.
- Foster **community participation** in data collection, needs assessment, and monitoring of public services, especially in the education and health sectors.
- Encourage state governments to regularly publish **State and District Human Development Reports (SHDRs, DHDRs)** aligned with global HDI methodologies.

5 Integrate Climate Resilience and Sustainability into HDI

With rising climate vulnerabilities, human development must be aligned with environmental sustainability:

- Incorporate **climate and environmental indicators** (e.g., air quality, water access, disaster exposure) into HDI and MPI frameworks.
- Prioritize **climate-resilient livelihoods** (e.g., agroecology, solar power jobs) in regions vulnerable to floods, droughts, and heatwaves.
- Expand the use of **green infrastructure and clean energy** in rural schools, health centers, and skill centers.

6 Foster Intersectoral Coordination and Institutional Reform

Effective implementation of human development policies requires institutional coherence:

- Establish an **Integrated Social Development Authority** at the national and state levels to coordinate efforts across education, health, nutrition, gender, and employment ministries.
- Use **performance-based grants** to reward states that improve on human development indicators, as done under the NITI Aayog's Aspirational Districts Programme.
- Ensure alignment between **Union Budget allocations** and HDI-focused goals, particularly for health, education, and welfare ministries.

India's human development challenges are complex and interlinked, requiring multidimensional, inclusive, and forward-looking policy responses. Improving HDI values is not merely a statistical goal but a reflection of the nation's commitment to dignity, equity, and opportunity for all. As India moves into the Amrit Kaal, placing human development at the heart of policymaking will be essential for achieving both economic transformation and social justice.

Check Your Progress

Q1. What are the key components of the Human Development Index (HDI) and how are they measured?

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Q2. State any two reasons for regional disparities in human development in India.

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Q3. Mention any two government initiatives aimed at improving human development outcomes in India.

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13.14 Let us sum up

This chapter explored the multidimensional concept of **human development** and its measurement through the **Human Development Index (HDI)** in the Indian context. We began by understanding the theoretical foundations of human development, drawing on Amartya Sen's capability approach and the UNDP's composite HDI framework. The chapter explained how India has adopted and adapted this framework through national and sub-national human development reporting.

We analyzed India's HDI performance over the years and compared it with global peers. The sectoral analysis revealed improvements in health, education, and income dimensions, but also highlighted regional disparities and social inequalities. By exploring the **Inequality-adjusted HDI** and the **Multidimensional Poverty Index (MPI)**, we recognized the importance of looking beyond averages.

The chapter also reviewed India's major **government interventions** in health, education, and livelihood sectors and critically examined challenges in data, inclusion, and environmental integration. Finally, we proposed a set of **strategic recommendations** to enhance the accuracy and relevance of HDI-based planning in India's pursuit of equitable and sustainable human development.

13.15 Keywords

- **HDI:** Human Development Index – Composite measure of health, education, and income.
- **IHDI:** Inequality-adjusted HDI – HDI adjusted for inequality in distribution of dimensions.
- **MPI:** Multidimensional Poverty Index – Indicator measuring poverty across multiple non-income deprivations.
- **Life Expectancy:** Average number of years a newborn is expected to live.
- **Mean Years of Schooling:** Average years of education received by people aged 25 and older.
- **GNI per capita:** Gross National Income per person, adjusted for purchasing power parity.
- **Capability Approach:** Amartya Sen's concept focusing on people's real freedoms to lead lives they value.
- **Samagra Shiksha Abhiyan:** An integrated education scheme for school development.
- **Ayushman Bharat:** Government-funded health protection scheme.
- **Aspirational Districts Programme:** NITI Aayog initiative targeting underdeveloped districts.

13.16 Suggestive Readings

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13.17 Hints to Check your progress

CYP-I

Q1. Refer to section 3.4

Q2. Refer to section 3.10.1

Q3. Refer to section 3.12

13.18 Examination Oriented Questions

1. Critically analyze the evolution of Human Development Reporting in India with examples from state-level HDI rankings.
2. Examine the trends in India's HDI from 1990 to 2023. How does India compare with countries like China and Sri Lanka?
3. Discuss the role of education and income in shaping India's human development outcomes. Cite policy examples.
4. Explain the need for and significance of inequality-adjusted and multidimensional indicators in measuring development.
5. Propose policy measures to improve HDI outcomes in underperforming states like Bihar, Jharkhand, and Uttar Pradesh.

6. How can human development indicators be integrated into climate-sensitive and sustainable policymaking?
7. What institutional reforms are needed to improve the effectiveness of human development programs in India?
8. “HDI is not just a number but a reflection of people’s capabilities and freedoms.”
Elaborate this statement in the Indian context.

M.A. Eco Sem II	Inclusive Growth- Policies and Measures	Unit -I
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Structure

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4.12 Examination oriented questions

4.0 Objectives

The main objectives of this lesson are to enable you to:

1. Define the concept of inclusive growth and differentiate it from general economic growth.
2. Examine the theoretical underpinnings and sectoral dimensions of inclusive growth in India.
3. Analyze trends in poverty, unemployment, and inequality using recent data and reports.

4. Evaluate the effectiveness of government initiatives and sector-specific strategies promoting inclusive development.
5. Identify the structural and institutional challenges that hinder inclusive growth in India.
6. Propose policy recommendations and reforms to advance a more equitable and sustainable growth model.

4.1 Learning Outcomes

After completing this lesson, you will be able to:

1. Articulate the importance of inclusive growth in ensuring social and economic equity.
2. Interpret data from the PLFS, NITI Aayog, and MPI reports to assess India's inclusive development performance.
3. Compare sector-wise government policies aimed at fostering inclusion across agriculture, MSMEs, health, and education.
4. Critically assess the implications of inequality, unemployment, and regional disparities on growth outcomes.
5. Apply knowledge of inclusive growth frameworks to real-world policy analysis and development planning.
6. Design context-specific solutions to address key challenges in inclusive growth using multidimensional perspectives.

4.2 Introduction

Dear learner, after going through this chapter, you will gain a comprehensive understanding of the concept of inclusive growth and its critical importance in the Indian developmental context. You will explore how inclusive growth goes beyond GDP to ensure that the benefits of economic progress reach all sections of society. This chapter will equip you to analyze sector-specific policies and institutional frameworks designed to promote equity and social justice. It also highlights challenges such as poverty, unemployment, and inequality, and discusses their impact on sustainable development. With the help of recent data and policy evaluations, you will learn to assess the effectiveness of inclusive growth strategies.

Ultimately, the chapter will encourage you to think critically about how inclusive growth can serve as a transformative tool for nation-building.

4.3 Inclusive Growth: Prologue

Inclusive growth has emerged as a critical paradigm in modern economic discourse, particularly in the context of rising inequalities and the growing recognition that economic expansion alone is not sufficient to ensure well-being for all. Traditional development models have often prioritized aggregate economic growth—measured primarily through GDP—without adequately addressing the disparities in wealth, access to resources, and opportunities among various segments of the population. This has led to an urgent need to reformulate development strategies to make growth not only faster but also more equitable and sustainable.

According to the Organisation for Economic Co-operation and Development (OECD), *“Inclusive growth is an economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.”* This definition highlights the twofold essence of inclusive growth: it must generate opportunities that reach the marginalized and underrepresented, and it must ensure that the benefits of economic progress—such as income, education, health, and environmental quality—are fairly shared. At its core, inclusive growth embodies the principle that wealth creation, economic freedom, and equal opportunity can coexist. It rejects the idea that efficiency must be traded off for equity and instead promotes a model where both objectives are mutually reinforcing. A society can be both free and equal, provided that policies are designed to enable all individuals, regardless of their socio-economic status, to contribute to and benefit from economic activity.

This approach places a strong emphasis on long-term structural change, not just short-term redistribution. Inclusive growth is therefore deeply connected to investments in human capital, institutional reform, equitable access to markets and services, and the dismantling of systemic barriers that perpetuate poverty and exclusion.

In the context of developing economies like India, inclusive growth is not only a moral imperative but also a practical necessity. With vast income disparities, regional imbalances, and vulnerable communities at risk of being left behind, fostering inclusive growth is crucial for social cohesion, political stability, and sustainable development.

This chapter explores the multifaceted dimensions of inclusive growth—its theoretical underpinnings, measurement tools, key sectors and policy instruments, and both national and global best practices. It critically analyzes the challenges impeding inclusivity and suggests a roadmap for a more just and equitable growth trajectory that aligns with the Sustainable Development Goals (SDGs) and the broader vision of a developed, equitable society.

4.3.1 Inclusive Growth: Rationale

Inclusive growth plays a vital role in addressing some of the most pressing challenges India faces today. It serves as a strategic approach to reduce persistent poverty, curb rising unemployment, and bridge deep-rooted social and regional inequalities. By ensuring that the benefits of economic development are equitably shared across all segments of society, inclusive growth fosters both social justice and economic stability. It empowers marginalized communities by improving access to education, healthcare, and livelihood opportunities. Thus, inclusive growth is not only a developmental priority but also a foundation for a more resilient and harmonious India.

Inclusive growth is important for India to alleviate three main problems that India is facing-

- **Poverty Alleviation**

Poverty remains one of the most complex and persistent development challenges in India, and addressing it is fundamental to the vision of inclusive growth. Inclusive growth ensures that the benefits of economic development are shared equitably across society, especially with the most disadvantaged sections. In recent years, India has made remarkable progress in reducing poverty—not only in income terms but also through a multidimensional lens that reflects deprivations in health, education, and living standards.

According to the NITI Aayog's Discussion Paper titled "*Multidimensional Poverty in India since 2005–06*", India has witnessed a dramatic reduction in multidimensional poverty over the past decade. The incidence of multidimensional poverty fell from 29.17% in 2013–14 to 11.28% in 2022–23, representing a significant decline of 17.89 percentage points. This improvement translates into 24.82 crore (248 million) individuals moving out of multidimensional poverty within a span of just nine years.

This substantial progress indicates that India is well poised to achieve the Sustainable Development Goal (SDG) target of halving multidimensional poverty well ahead of the 2030 deadline. However, despite these gains, it is widely recognized that economic growth alone

has not resulted in inclusive outcomes. The persistence of poverty in certain regions and among marginalized communities highlights that growth has not been uniformly inclusive, and targeted policy interventions beyond mere economic expansion are essential.

Poverty alleviation has been a central tenet of India's development strategy since Independence. The Preamble to the Indian Constitution emphasizes the commitment to securing social and economic justice for all citizens. The economic liberalization of the early 1990s brought a measurable impact on poverty reduction. After 1991, poverty declined by 1.3 percentage points per annum, a significant acceleration compared to the 0.44 percentage points per annum reduction prior to the reforms. Further the urban growth emerged as a key driver in this trend, highlighting the transformative impact of infrastructure, employment opportunities, and urbanization. The Tendulkar Committee reported that around 138 million people rose above the poverty line between 2004 and 2009. Similarly, the Rangarajan Committee noted a sharper poverty decline between 2009–10 and 2011–12, confirming the effectiveness of reform-driven development in poverty alleviation. The Global Multidimensional Poverty Index (MPI), developed by the Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Programme (UNDP), provides a nuanced framework for measuring poverty beyond income. It captures multiple overlapping deprivations faced by individuals across three equally weighted dimensions:

Dimensions and Indicators of MPI includes Health (Nutrition and Child Mortality, Education (Years of Schooling and School attendance) and Standard of Living (Cooking fuel, Sanitation, Drinking water, Electricity, Housing and assets ownership).

Each person is assessed across these 10 indicators. A person is considered *multidimensionally poor* if they are deprived in at least one-third of the weighted indicators. The MPI reflects both the incidence of poverty (the percentage of people who are poor) and its intensity (the average number of deprivations experienced by each poor person). In the 2024 Global MPI Report, India's efforts were once again recognized for making substantial gains in reducing multidimensional poverty:

- India registered one of the largest reductions in the number of people living in multidimensional poverty globally, reaffirming its status as a global leader in poverty reduction.
- The MPI value for India showed continued improvement, indicating progress in both incidence and intensity of poverty.

- Rural India led the charge, with major gains in access to sanitation, electricity, drinking water, and nutrition.
- States like Uttar Pradesh, Bihar, Madhya Pradesh, Jharkhand, and Rajasthan contributed significantly to national improvements, although they still house a large share of the country's poor.
- India's progress is also credited to government flagship schemes such as PMAY (housing), Swachh Bharat (sanitation), Ujjwala Yojana (clean fuel), and Ayushman Bharat (health insurance).

The Government of India has institutionalized the use of global indices like MPI under the framework of Global Indices for Reforms and Growth (GIRG). This initiative, spearheaded by NITI Aayog, aims to:

- Regularly monitor India's standing on critical global indices,
- Use this data to drive evidence-based policy reforms,
- Improve last-mile delivery of government schemes,
- And strengthen institutional accountability through competitive and cooperative federalism.

By integrating MPI monitoring into the national reform agenda, the Indian government aims to further accelerate progress in poverty alleviation, ensuring that no one is left behind in the journey of development.

2 Unemployment:

Unemployment remains a critical barrier to inclusive growth in India. Beyond raising living standards, sustained job creation enhances social stability and economic resilience, particularly in a country with a large youth population and fast-paced economic transformation. According to the Periodic Labour Force Survey, both unemployment and underemployment rates saw an upward trend until 2018 but have shown a consistent decline since then. The overall unemployment rate dropped from 6% in 2018 to 3.2% in 2023. A similar trend is observed in youth unemployment, which fell significantly from 17.8% in 2018 to 10% in 2023.

The latest data from the Monthly Periodic Labour Force Survey (PLFS) reveals a notable rise in unemployment. India's unemployment rate increased from 5.1% in April 2025 to 5.6% in May 2025, affecting individuals aged 15 and above. This rise is primarily attributed to seasonal factors, especially the conclusion of the Rabi harvest, compounded by extreme summer temperatures, which disrupted rural economic activities.

A closer look at disaggregated data shows that female unemployment rose from approximately 5.0% to 5.8%, while male unemployment remained stable at around 5.6%. Urban unemployment rose from 6.5% to 6.9%, and rural unemployment increased from **4.5% to 5.1%**, indicating a broader economic impact beyond urban centers. The situation is more concerning for young individuals aged 15–29, where unemployment climbed from 17.2% to 17.9% in urban areas and from 12.3% to 13.7% in rural regions, highlighting a critical issue of youth joblessness.

In terms of labour participation, the Labour Force Participation Rate (LFPR)—which represents the proportion of people either working or seeking work—declined from 55.6% in April to 54.8% in May 2025, driven largely by a contraction in rural economic activity. The Worker-Population Ratio (WPR) also dropped from 52.8% to 51.7% over the same period. Rural women were disproportionately affected, with their LFPR falling to 36.9% and WPR declining to 35.2%, largely due to their seasonal withdrawal from unpaid or informal labour roles.

The monthly PLFS data also points to a structural shift in the Indian labour market. Employment in agriculture decreased from 45.9% to 43.5%, reflecting seasonal disengagement as well as a longer-term trend of movement away from agrarian work. This decline is accompanied by an increasing tilt toward manufacturing and services, indicating ongoing urbanization and structural transformation in India's employment landscape.

These trends underscore several challenges to inclusive growth. Gender disparity in labour participation and employment remains pronounced, while youth unemployment continues to rise, threatening long-term economic stability. Moreover, seasonal vulnerabilities, especially in the rural sector, necessitate more robust safety nets and employment generation programs. To achieve truly inclusive growth, India must prioritize skill development, expand opportunities in the non-farm sector, ensure women's economic empowerment, and create a labour ecosystem that supports quality jobs across sectors.

3 Inequality

Inequality remains a significant challenge to the realization of inclusive growth in India. According to the World Bank, income inequality in India declined steadily after independence until the early 1980s. However, since then, and particularly after the early 2000s, inequality has surged, with wealth concentration becoming increasingly pronounced. Between 2014–15 and 2022–23, the top-end inequality widened dramatically. In 2022–23, the top 1% of India's population accounted for 22.6% of the national income and held 40.1% of total wealth, underscoring a deepening disparity. In contrast, the bottom 50% of Indians earned only 15% of the national income, a stark decline from the 20.6% share in 1951, highlighting how inequality has intensified over time.

Beyond income and wealth, social inequality in India—rooted in gender and caste-based discrimination—continues to restrict access to education, healthcare, and livelihoods for marginalized communities. Data from the Periodic Labour Force Survey (PLFS) 2019–2023 further illustrates gender disparities: in 2023, male self-employed workers earned 2.8 times more than women, male regular wage workers earned 24% more, and male casual workers earned 48% more than their female counterparts. These figures point to systemic disadvantages that disproportionately impact women and marginalized groups.

In the 21st century, inequalities are also evolving in new forms, fueled by the climate crisis and technological transformation. For example, the proportion of adults attaining tertiary education is growing over six times faster in very high human development countries compared to those in low human development countries, amplifying global educational divides. Such inequalities reduce social mobility, meaning children from poor families are more likely to remain poor due to limited access to quality education, skill development, social networks, and financial capital.

The consequences of rising inequality are far-reaching. High levels of economic inequality tend to erode democratic values, facilitate corruption and cronyism, and may even lead to social unrest and the rise of authoritarian governance. In terms of the climate crisis, poorer communities and developing nations are less equipped to adapt to extreme weather events and environmental disruptions. Moreover, income inequality can hinder the spread of green technologies and shift power away from those advocating for carbon emission reductions, thus undermining climate action.

Ultimately, inequality often translates into political inequality, where wealth and influence become concentrated among a few, undermining public institutions and reducing the

effectiveness of policy interventions. In this context, broadening access to health, education, and financial services, along with reducing inequality of opportunity, is essential to building a more just, resilient, and inclusive society. Addressing inequality is not only a moral imperative but also a necessary condition for achieving sustainable and inclusive growth in India.

4.4 Inclusive Growth: Sector-Specific Measures

Inclusive growth cannot be achieved through macroeconomic strategies alone; it requires targeted sectoral interventions to ensure that the benefits of growth reach all regions, communities, and economic participants. India's development journey has involved addressing inequalities and promoting inclusive outcomes across key sectors such as agriculture, industry, services, education, healthcare, and infrastructure. Sector-specific policies not only help in reducing poverty and unemployment but also enable equitable access to opportunities and resources.

1. Agriculture and Rural Development

Agriculture remains the backbone of rural India, employing over 40% of the workforce. Inclusive growth in this sector hinges on improving productivity, ensuring fair prices, and enhancing livelihoods. Key interventions include:

- **PM-KISAN:** Provides direct income support to farmers, especially small and marginal farmers.
- **e-NAM (National Agriculture Market):** Facilitates transparent price discovery and better market access.
- **Soil Health Card Scheme** and **PM Fasal Bima Yojana:** Improve crop health monitoring and risk mitigation.
- **Rural infrastructure** development through the **PMGSY (Pradhan Mantri Gram Sadak Yojana)** enhances market connectivity and reduces isolation.

These initiatives aim to empower smallholders, improve rural income, and reduce rural-urban migration by making farming sustainable and rewarding.

2. Industrial Sector and MSMEs

The industrial sector, particularly **Micro, Small and Medium Enterprises (MSMEs)**, plays a crucial role in employment generation, especially in non-metro regions. Inclusive growth in industry focuses on:

- **Credit facilitation** through **MUDRA Yojana**, Stand-Up India, and Emergency Credit Line Guarantee Scheme (ECLGS).
- **Skill India Mission** and **PM-DAKSH** to improve employability and technical capabilities of workers from marginalized communities.
- **Cluster Development Programmes** to support traditional industries such as handloom, handicrafts, and agro-based units.

By fostering innovation, skilling, and decentralization, the industrial strategy aims to bridge regional and income disparities.

3. Services Sector and Digital Inclusion

The services sector has been the fastest-growing segment of the Indian economy. Inclusive growth in this domain focuses on **digital access, financial inclusion, and job creation**. Key interventions include:

- **Digital India Programme:** Expands e-governance, digital infrastructure, and service delivery to remote areas.
- **Jan Dhan-Aadhaar-Mobile (JAM) Trinity:** Enables direct benefit transfers (DBT) and financial empowerment of the poor.
- **UDAN (Ude Desh ka Aam Nagrik)** scheme: Enhances regional air connectivity and economic integration of Tier-2 and Tier-3 cities.
- **Tourism and hospitality** promotion to generate jobs for youth, women, and informal sector workers.

These initiatives enhance accessibility, reduce transaction costs, and improve the ease of accessing public services.

4. Education and Human Capital Development

Inclusive growth is unattainable without investments in education. Addressing educational disparities, especially among rural populations, SCs/STs, minorities, and women, is vital. Major interventions include:

- **Samagra Shiksha Abhiyan:** An integrated scheme for school education from pre-primary to Class 12.
- **PM SHRI Schools** and **NEP 2020** implementation: Focus on quality learning, multilingual education, and skill integration.
- **National Skill Development Corporation (NSDC):** Works with industry and government to upskill millions of youth.
- **Scholarship programmes** for disadvantaged groups to ensure equitable access to higher education.

These initiatives aim to reduce drop-out rates, bridge the digital divide in learning, and ensure inclusive education outcomes.

5. Healthcare and Nutrition

Health inequality exacerbates economic inequality. To promote inclusive health access, the government has launched several flagship programmes:

- **Ayushman Bharat (PM-JAY):** The world's largest government-funded health insurance scheme, providing free coverage to over 50 crore individuals.
- **Health and Wellness Centres (HWCs):** Deliver comprehensive primary healthcare services at the grassroots.
- **POSHAN Abhiyan:** Targets malnutrition through a life-cycle approach focusing on children, adolescent girls, and women.
- **Mission Indradhanush:** Ensures full immunization coverage in under-served districts.

These interventions improve healthcare access, especially in rural and tribal regions, contributing to better human capital formation.

6. Infrastructure and Connectivity

Infrastructure growth is a critical enabler of inclusive development. Investments in roads, railways, ports, electricity, and housing reduce regional disparities and enhance productivity. Key measures include:

- **PM Gati Shakti National Master Plan:** Integrates infrastructure planning and execution across sectors to boost last-mile connectivity.
- **Affordable housing** under **PMAY (Urban and Rural)** to provide shelter for the economically weaker sections.
- **Saubhagya Yojana** for universal electrification and **BharatNet** for rural broadband connectivity.

Infrastructure projects generate employment, connect remote areas to markets and services, and stimulate balanced regional development

4.5 Challenges to Inclusive Growth

While India has made substantial progress in many socio-economic indicators, achieving truly inclusive growth remains a complex and persistent challenge. Inclusive growth requires not only sustained economic expansion but also equitable access to its benefits—across geography, gender, caste, class, and income groups. However, numerous structural, institutional, and social factors continue to hinder the realization of this vision.

1 Regional Disparities

One of the most visible challenges to inclusive growth is the stark disparity between states and regions. While states like Maharashtra, Gujarat, Karnataka, and Tamil Nadu have seen rapid industrialization and service sector growth, others like Bihar, Jharkhand, Odisha, and some northeastern states lag behind. Uneven public investment, lack of infrastructure, and historical neglect contribute to these inter-state imbalances. Intra-state disparities between urban and rural areas further widen the development gap, limiting access to education, healthcare, and employment in remote and underdeveloped regions.

2 Persistent Poverty and Unemployment

Although multidimensional poverty has declined, millions remain vulnerable to falling back into poverty due to income volatility, job losses, or health shocks. Unemployment, particularly among youth and educated individuals, remains high. According to PLFS May 2025 data, the overall unemployment rate was 5.6%, with youth unemployment in urban areas exceeding 17.9%. The informal nature of India's labour market—where over 80% of workers are engaged—limits access to stable incomes, social security, and skill development opportunities.

3 Income and Wealth Inequality

India's income and wealth inequality has been rising sharply. The top 1% of earners accounted for 22.6% of national income and 40.1% of wealth in 2022–23, while the bottom 50% earned just 15%. Such concentration of wealth impedes economic mobility and undermines the principle of equitable growth. High inequality affects social cohesion, democratic participation, and can even lead to political capture, where policymaking favors elite interests.

4 Social Exclusion and Discrimination

Social inequality based on caste, gender, religion, and ethnicity continues to prevent large segments of the population from fully participating in economic life. Women, Dalits, Adivasis, and minority groups face systemic barriers in accessing education, employment, land, and credit. Gender wage gaps and low female labour force participation, especially in rural areas, further exacerbate inequality. According to PLFS, in 2023 male regular wage workers earned 24% more than female workers.

5 Education and Skill Gaps

Inclusive growth is heavily dependent on the availability of quality education and skill development. However, challenges persist in terms of access, affordability, and relevance of education—particularly in rural and backward areas. Drop-out rates among marginalized communities remain high, and a significant proportion of graduates lack employable skills. Despite the expansion of vocational and skill-based programs under Skill India and NSDC, gaps remain in coverage, industry linkages, and quality assurance.

6 Inadequate Healthcare Access

India faces stark disparities in healthcare access and outcomes. While urban regions have relatively better infrastructure, rural areas still lack doctors, medicines, and diagnostic facilities. Out-of-pocket expenditure continues to push millions into poverty. Though schemes like Ayushman Bharat have improved access, coverage and service quality remain uneven. Malnutrition, high maternal mortality, and poor mental health services disproportionately affect the poor and marginalized.

7 Technological Divide and Digital Exclusion

While digital transformation offers opportunities for inclusion, it also risks creating a **digital divide** between those with and without access to internet, devices, and digital literacy. Rural and low-income populations often remain excluded from the benefits of digital governance, financial inclusion, and e-learning. This exacerbates existing inequalities and limits the reach of modern service delivery mechanisms like DBT and e-health.

8 Environmental and Climate Vulnerabilities

Environmental degradation and climate change have disproportionately affected the poor, who depend heavily on natural resources for their livelihoods. Droughts, floods, extreme temperatures, and rising sea levels exacerbate rural distress and food insecurity. Vulnerable communities lack the financial and institutional capacity to adapt to these changes, highlighting the intersection of environmental injustice with economic inequality.

9 Institutional and Governance Constraints

Inclusive growth requires strong institutions to design, implement, and monitor effective policies. However, issues like bureaucratic inefficiency, corruption, and weak implementation mechanisms often derail development schemes. The lack of reliable data and real-time feedback mechanisms impedes evidence-based policymaking. Furthermore, coordination failures among central, state, and local governments slow down inclusive project execution and affect last-mile delivery.

4.6 Inclusive Growth: Way Forward

Achieving inclusive growth in India requires a comprehensive, multidimensional strategy that addresses existing disparities while creating equitable opportunities for all. Despite notable progress in poverty reduction, education, and digital access, significant challenges remain in the form of regional imbalances, unemployment, social exclusion, and climate vulnerability. Going forward, policy efforts must focus on strengthening rural and regional development by investing in infrastructure, credit access, and market connectivity through schemes like PM Gati Shakti, Bharatmala, and Sagarmala. Rural entrepreneurship and agro-industrial clusters should be promoted to generate local employment and reduce migration.

Employment-centric growth should become the cornerstone of India's development strategy. This involves scaling up labour-intensive sectors such as textiles, tourism, and logistics, strengthening MSMEs by integrating them into global value chains, and aligning vocational education with industry requirements. Labour reforms must ensure both flexibility for

enterprises and social security for workers. Reducing inequality is another critical area that calls for progressive taxation, expansion of social protection schemes, and increased political and economic participation of marginalized communities. Land reforms and urban housing initiatives must be undertaken to promote equitable asset ownership.

Education and skill development must be inclusive and forward-looking. Implementing the National Education Policy (NEP) 2020 with a focus on foundational literacy, critical thinking, and hybrid learning models is essential. Scholarships and support systems for disadvantaged students, especially from SC, ST, OBC, minority, and differently-abled communities, must be expanded. Similarly, universal access to healthcare is crucial for sustaining human capital. Strengthening Ayushman Bharat, improving public health infrastructure, and increasing expenditure on health will help ensure that quality healthcare reaches even the remotest areas.

Digital technology can serve as a powerful enabler of inclusiveness, but only if the digital divide is addressed. Expanding BharatNet, promoting digital literacy, and ensuring affordable access to devices and internet services are key to bringing excluded populations into the digital economy. Financial inclusion through UPI platforms and rural fintech innovations must also be accelerated. Inclusive growth must also be climate-resilient and environmentally sustainable. Promoting green jobs, renewable energy, and just transition policies will help protect both the environment and vulnerable workers.

Good governance and institutional reform are preconditions for inclusive growth. Strengthening local bodies like Panchayati Raj Institutions, enhancing data-driven decision-making, and building transparency through real-time monitoring and social audits will ensure efficient policy implementation. Finally, greater inter-ministerial and inter-governmental coordination, as well as convergence of schemes at the grassroots level, will reduce redundancy and improve delivery. Community participation must be embedded in planning and feedback processes to enhance accountability. As India moves toward its Vision 2047 goals, embedding inclusivity in every policy and program is essential not just for reducing disparities but for building a resilient, equitable, and truly developed nation.

Check Your Progress

Q1. Define inclusive growth and explain its key objective in the Indian context.

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Q2. What are the major challenges faced by India in achieving inclusive growth?

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Q3. Mention any two government initiatives aimed at promoting inclusive growth in the agriculture and healthcare sectors.

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4.7 Let us sum up

Inclusive growth refers to a pattern of economic development that ensures equal access to opportunities and a fair distribution of the benefits of growth across all sections of society, particularly the marginalized. In India, it plays a crucial role in addressing structural challenges such as poverty, unemployment, inequality, regional imbalances, and social exclusion. To promote inclusive development, the government has implemented targeted sectoral interventions in agriculture, industry, education, healthcare, infrastructure, and digital connectivity. While significant progress has been made in reducing poverty, enhancing financial inclusion, and expanding access to services, several persistent issues—such as income and wealth inequality, youth unemployment, gender disparities, and inadequate public infrastructure—continue to hamper inclusive growth. Moving forward, India must adopt a coordinated and multidimensional approach that includes strengthening institutions, creating quality jobs, investing in human capital, and ensuring that economic growth is sustainable, equitable, and people-centric.

4.8 Keywords

- **Inclusive Growth:** Economic growth that is distributed fairly across society and creates opportunities for all, especially the marginalized and disadvantaged.

- **Multidimensional Poverty:** A measurement of poverty that considers various deprivations in health, education, and standard of living rather than income alone.
- **Labour Force Participation Rate (LFPR):** The percentage of the working-age population that is either employed or actively seeking employment.
- **Worker-Population Ratio (WPR):** The proportion of the working-age population that is actually employed.
- **Gini Coefficient:** A measure of inequality in income or wealth distribution within a country; the higher the value, the greater the inequality.
- **Social Exclusion:** The process by which certain groups are systematically disadvantaged because of discrimination based on ethnicity, race, religion, gender, or disability.
- **Digital Divide:** The gap between individuals who have access to modern information and communication technology and those who do not.

4.9 Suggestive Readings

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4.10 Hints to Check Your Progress

CYP-I

Q1. Refer section 4.3

Q2. Refer section 4.5

Q3. Refer section 4.4

Examination Oriented Questions

Q1. Explain the concept of inclusive growth. Discuss its significance in the Indian context with reference to recent data and policy initiatives.

Q2. Critically analyse the sector-specific measures adopted by the Indian government to promote inclusive growth. Highlight their effectiveness and limitations.

Q3. Examine the challenges India faces in achieving inclusive growth. How can policy reforms address issues such as unemployment, inequality, and social exclusion?

Q4. Evaluate India's performance in reducing multidimensional poverty. How do recent findings from the NITI Aayog and Global MPI 2024 reflect the progress and gaps in inclusive development?

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Structure

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5.13 Examination Oriented Questions

5.0 Objectives

The main objectives of this lesson are to enable you to:

- Explain the origin, evolution, and global significance of the Sustainable Development Goals (SDGs).

- Examine India's institutional and policy framework for SDG implementation.
- Analyze India's progress on key SDG indicators using national and state-level data.
- Evaluate the challenges and disparities in achieving SDGs across different regions of India.
- Illustrate the role of government initiatives, private sector, and civil society in advancing the SDGs.
- Recommend actionable strategies to accelerate India's path toward achieving the 2030 Agenda.

5.1 Learning Outcomes

After studying this lesson, the learner will be able to:

- Describe the structure and thematic focus areas of the 17 Sustainable Development Goals.
- Interpret India's SDG Index rankings and performance reports across various goals.
- Compare progress across states and identify best practices in localized SDG implementation.
- Critically reflect on the gaps and limitations in India's SDG journey, especially related to climate action, gender equity, and data quality.
- Formulate informed opinions and policy suggestions for enhancing India's sustainable development trajectory.

5.2 Introduction

Dear learner, ,after going through this chapter, you will gain a comprehensive understanding of the Sustainable Development Goals (SDGs) and their global relevance. You will explore how India has aligned its national policies and programs with the 2030 Agenda. The chapter provides critical insights into India's achievements, challenges, and regional disparities in SDG implementation. It also highlights key government initiatives, case studies, and policy recommendations to ensure sustainable and inclusive growth. This foundational knowledge will equip you to analyse India's development trajectory through the lens of global sustainability frameworks.

5.3 Sustainable Development Goals: Prologue

The Sustainable Development Goals (SDGs) represent a landmark global commitment to end poverty, protect the planet, and ensure prosperity for all by the year 2030. Adopted in September 2015 by all 193 United Nations member states, including India, the 17 SDGs and their 169 associated targets form the core of the 2030 Agenda for Sustainable Development. These goals are universal, integrated, and transformative, aiming to address the economic, social, and environmental dimensions of development simultaneously. Unlike their predecessors—the Millennium Development Goals (MDGs), which focused narrowly on poverty and human development—the SDGs offer a more holistic and inclusive framework that emphasizes sustainability, equality, peace, and partnership.

The evolution from MDGs to SDGs was the result of years of global consultation and reflection on development challenges faced across the world. While the MDGs helped to focus international attention on urgent development issues from 2000 to 2015, they fell short in addressing growing inequalities, environmental degradation, and governance failures. In contrast, the SDGs emerged from an inclusive negotiation process and recognize the interconnected nature of global challenges—such as how climate change affects health, or how education empowers economic opportunity.

India, as one of the fastest-growing and most populous countries, plays a critical role in the success of the SDG agenda. Home to more than 1.4 billion people, India's performance has direct implications for the global attainment of these goals. Recognizing this, the Government of India has shown strong commitment to the 2030 Agenda by aligning national development strategies and flagship programmes with the SDGs. Institutions such as the NITI Aayog have been tasked with monitoring and implementing the SDGs in coordination with states and union territories.

Initiatives like the SDG India Index have been developed to track progress and promote competitive federalism. India faces both immense challenges and significant opportunities in pursuing the SDGs. While issues like poverty, malnutrition, gender inequality, and environmental pollution persist, India has also made measurable progress in several sectors including access to sanitation, digital inclusion, financial services, and renewable energy. The SDG framework offers a valuable roadmap to bridge remaining gaps through coordinated policy action, community engagement, and innovation.

In the context of an increasingly interconnected world facing rising inequalities and climate vulnerabilities, the SDGs provide a common language and shared goals for sustainable progress. For India, they are not merely a set of international commitments—they are a guiding framework for building a resilient, inclusive, and sustainable future for its citizens.

5.4 Overview of the 17 Sustainable Development Goals

The **17 Sustainable Development Goals (SDGs)**, adopted by the United Nations in 2015, provide a universal framework to address the world's most pressing economic, social, and environmental challenges. These goals serve as a global blueprint to achieve a better and more sustainable future for all by 2030. Each goal is interconnected and addresses key areas essential for human dignity, ecological sustainability, and global peace.

SDG 1 – No Poverty

Eradicate all forms of poverty everywhere. Poverty remains one of the greatest global challenges. This goal targets not only income poverty but also access to basic services such as education, healthcare, and housing. For India, reducing multidimensional poverty through schemes like MGNREGA and PM Awas Yojana remains central.

SDG 2 – Zero Hunger

Eliminate hunger, ensure food security, improve nutrition, and promote sustainable agriculture.

This goal aims to end malnutrition and hunger through sustainable agricultural practices and equitable food distribution. Initiatives such as POSHAN Abhiyaan and the Public Distribution System (PDS) are India's tools to achieve this.

SDG 3 – Good Health and Well-Being

Ensure healthy lifestyles and promote well-being for people of all ages. This goal encompasses maternal and child health, disease prevention, and universal health coverage. Programs like Ayushman Bharat and the National Health Mission are key to improving health outcomes in India.

SDG 4 – Quality Education

Ensure inclusive, equitable education and promote lifelong learning opportunities for all. Access to quality education is vital for sustainable development. The Right to Education Act,

Samagra Shiksha, and National Education Policy (2020) are integral to India's pursuit of this goal.

SDG 5 – Gender Equality

Achieve gender equality and empower all women and girls. This goal promotes equal access to education, employment, and decision-making, while eliminating gender-based violence and discrimination. Indian efforts include Beti Bachao, Beti Padhao, Maternity Benefit Schemes, and One Stop Centres.

SDG 6 – Clean Water and Sanitation

Ensure availability and sustainable management of water and sanitation for all. Universal access to safe drinking water and sanitation is fundamental. India's Swachh Bharat Mission and Jal Jeevan Mission aim to provide clean water and toilets to all households.

SDG 7 – Affordable and Clean Energy

Ensure access to affordable, reliable, sustainable, and modern energy for all. Energy access is critical for development. India has expanded electrification and promoted clean cooking fuels through Ujjwala Yojana, while investing in renewables like solar and wind.

SDG 8 – Decent Work and Economic Growth

Promote inclusive and sustainable economic growth, full and productive employment, and decent work for all. This goal encourages innovation, entrepreneurship, and fair labor practices. Programs like Skill India, Start-up India, and PMEGP aim to improve livelihoods and job creation.

SDG 9 – Industry, Innovation, and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation. Infrastructure development and technological innovation are vital for economic growth. India's initiatives like PM Gati Shakti and Digital India support this agenda.

SDG 10 – Reduced Inequality

Reduce inequality within and among countries. This goal addresses economic disparities, social exclusion, and unequal access to services. India's strategies include social welfare schemes, targeted subsidies, and affirmative action policies.

SDG 11 – Sustainable Cities and Communities

Make cities inclusive, safe, resilient, and sustainable. Urbanization must be planned and inclusive. India's Smart Cities Mission, AMRUT, and PMAY-Urban aim to make urban settlements more livable and resilient.

SDG 12 – Responsible Consumption and Production

Ensure sustainable consumption and production patterns. Efficient use of resources and sustainable lifestyles are central to this goal. India has implemented policies promoting waste reduction, resource efficiency, and circular economy models.

SDG 13 – Climate Action

Take urgent action to combat climate change and its impacts. Climate change poses an existential threat. India has committed to net-zero emissions by 2070 and is implementing strategies under the National Action Plan on Climate Change (NAPCC).

SDG 14 – Life Below Water

Conserve and sustainably use oceans, seas, and marine resources. Oceans are essential for global ecosystems and livelihoods. India's Deep Ocean Mission and coastal management plans aim to preserve marine biodiversity and reduce marine pollution.

SDG 15 – Life on Land

Protect, restore, and promote sustainable use of terrestrial ecosystems. This includes forests, deserts, and biodiversity conservation. India's CAMPA Fund, Green India Mission, and forest conservation efforts aim to meet this target.

SDG 16 – Peace, Justice, and Strong Institutions

Promote peaceful and inclusive societies, provide access to justice for all, and build effective, accountable institutions. Strong institutions and access to justice are essential for sustainable development. India focuses on judicial reforms, e-governance, and strengthening democratic institutions.

SDG 17 – Partnerships for the Goals

Strengthen the means of implementation and revitalize global partnerships for sustainable development. International cooperation, financing, capacity-building, and technology transfer

are core to this goal. India actively engages in South-South Cooperation, G20, and multilateral climate and development platforms.

SUSTAINABLE DEVELOPMENT GOALS



1 NO POVERTY
End poverty in all its forms everywhere



2 ZERO HUNGER
End hunger, achieve food security and improved nutrition, and promote sustainable agriculture



3 GOOD HEALTH AND WELL-BEING
Ensure healthy lives and promote well-being for all at all ages



4 QUALITY EDUCATION
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



5 GENDER EQUALITY
Achieve gender equality and empower all women and girls



6 CLEAN WATER AND SANITATION
Ensure availability and sustainable management of water and sanitation for all



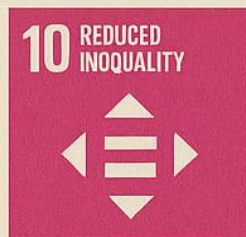
7 AFFORDABLE AND CLEAN ENERGY
Ensure access to affordable, reliable, sustainable and modern energy for all



8 DECENT WORK AND ECONOMIC GROWTH
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Build resilient infrastructure, promote inclusive and sustainable industrialization and innovation



10 REDUCED INEQUALITY
Reduce inequality within and among countries



11 SUSTAINABLE CITIES AND COMMUNITIES
Make cities and human settlements inclusive, safe, resilient and sustainable



16 RESPONSIBLE CONSUMPTION AND PRODUCTION
Take urgent action to combat climate change and its impacts



15 LIFE ON LAND
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, conserve and enhance freshwater ecosystems and marine biodiversity



17 PARTNERSHIPS FOR THE GOALS
Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

5.5 Sustainable Development Goals (SDGs): Progress in India

India has established a robust institutional framework to implement the Sustainable Development Goals (SDGs). NITI Aayog serves as the central coordinating body, overseeing scheme alignment and liaising with States and Union Territories. Sector-specific goals are managed by relevant central Ministries, while State Governments play a crucial role in localizing these objectives. The private sector and civil society contribute significantly, particularly in emerging fields such as technology and renewable energy. The Ministry of Statistics and Programme Implementation (MoSPI) plays a key role in developing indicators to monitor SDG progress. Additionally, the UN Country Team in India provides vital support to all major agencies, helping ensure the success of global initiatives.

The **SDG India Index 2023–24**, developed by **NITI Aayog**, offers a goal-wise performance evaluation of India's progress on the 17 Sustainable Development Goals. The index categorizes performance into four tiers:

- **Aspirant (0–49)** – Needs basic intervention
- **Performer (50–64)** – Moderate progress
- **Front Runner (65–99)** – Significant progress
- **Achiever (100)** – Goal achieved



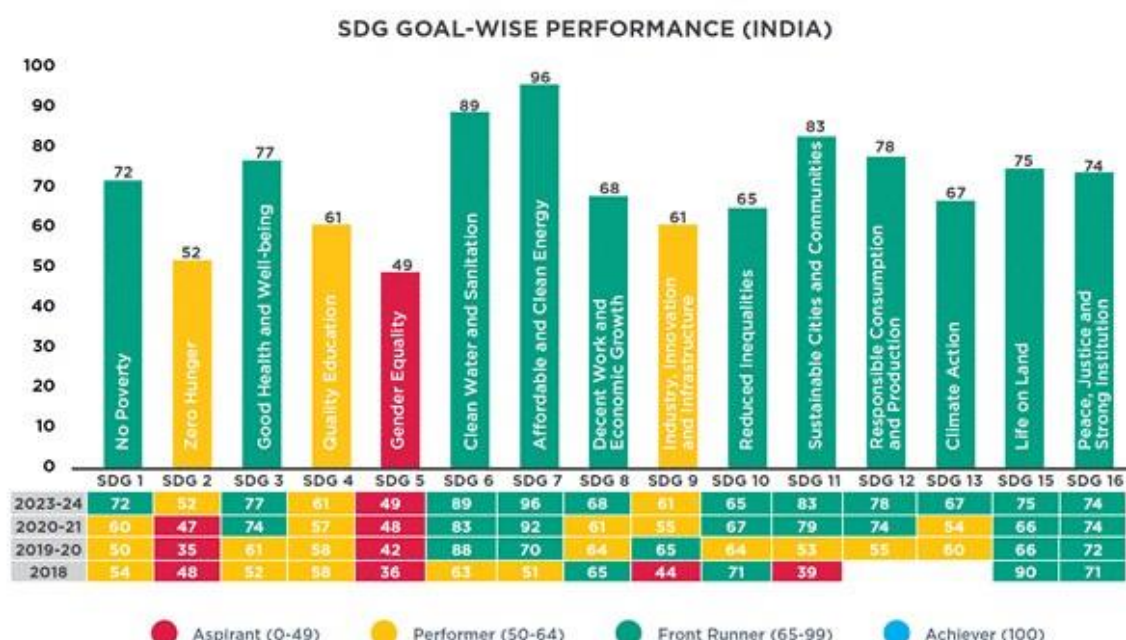
Source: PIB

The composite score for India improved from 57 in 2018 to 66 in 2020-21 to further to 71 in 2023-24. Since 2018, India has made notable strides in several Sustainable Development Goals (SDGs). Significant advancements have been seen in SDG 1 (No Poverty), SDG 3 (Good Health and Well-being), SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities), and SDG 13 (Climate Action). Among these, SDG 7 achieved the highest score of 96 in 2023–24, while SDG 13 saw the most substantial improvement, rising from 54 in 2020–21 to 67 in 2023–24.

Top Performers: Kerala and Uttarakhand have emerged as the leading states, each securing a score of 79 points.

Lowest Performers: Bihar ranked the lowest with a score of 57, followed closely by Jharkhand with 62 points.

Front-Runner States: A total of 32 states and union territories (UTs) have been classified as front-runners, including 10 new additions such as Arunachal Pradesh, Assam, Chhattisgarh, and Uttar Pradesh.



Source: PIB

SDG 1 – No Poverty

- Score (2023–24): 72
- India has consistently improved from a score of 54 (2018) to 72 (2023–24).
- Significant poverty reduction is evident due to schemes like MGNREGA, PM Garib Kalyan Yojana, and PM Awas Yojana.

SDG 2 – Zero Hunger

- Score (2023–24): 52
- Despite improvements, the score has decreased from 62 (2020–21) to 52—placing it in the Performer category.
- This reflects challenges in child nutrition, food access, and regional disparities in hunger and malnutrition, especially in tribal and remote regions.

SDG 3 – Good Health and Well-being

- Score (2023–24): 77
- Significant improvement from 47 (2018), reflecting India's progress in maternal health, immunization, and public health coverage.
- Initiatives like Ayushman Bharat, National Health Mission, and improved vaccination programs have been key drivers.

SDG 4 – Quality Education

- Score (2023–24): 61
- Remains in the Performer range despite progress from 48 (2018).
- Quality and accessibility of education remain a concern, though programs like NEP 2020 and Samagra Shiksha aim to improve the system.

SDG 5 – Gender Equality

- Score (2023–24): 49
- The only goal in the Aspirant category, though improved from 36 (2018).
- Persistent issues include gender-based violence, unequal labour participation, and limited political representation.

- **Initiatives like Beti Bachao Beti Padhao, POSH Act, and women-centric schemes are being expanded.**

SDG 6 – Clean Water and Sanitation

- Score (2023–24): 89
- Strong performance due to efforts like the Swachh Bharat Mission and Jal Jeevan Mission.
- Score improved from 63 (2018), reflecting near-universal access to toilets and piped water in rural areas.

SDG 7 – Affordable and Clean Energy

- Score (2023–24): 96
- One of the best-performing goals.
- Universal electrification and rapid increase in renewable energy capacity are key contributors.
- Schemes like Ujjwala Yojana have supported clean cooking fuel access.

SDG 8 – Decent Work and Economic Growth

- Score (2023–24): 68
- A gradual rise from 51 (2018) to 68, now in the Front Runner category.
- Employment generation, rising GDP, and entrepreneurship support via Start-up India have helped.

SDG 9 – Industry, Innovation, and Infrastructure

- Score (2023–24): 61
- Stagnant progress; categorized as a Performer.
- Efforts like Digital India, PM Gati Shakti, and infrastructure expansion continue but need greater reach.

SDG 10 – Reduced Inequalities

- Score (2023–24): 65
- Improved slightly, entering the Front Runner threshold.

- However, rising income disparities and social inequality remain concerns.
- The Aspirational Districts Programme and social justice policies aim to address gaps.

SDG 11 – Sustainable Cities and Communities

- Score (2023–24): 83
- A major jump from 39 (2018), making this a standout goal.
- Driven by programs like Smart Cities Mission, AMRUT, and better urban waste management systems.

SDG 12 – Responsible Consumption and Production

- Score (2023–24): 78
- Improved waste recycling, plastic ban, and circular economy initiatives have boosted India's performance.

SDG 13 – Climate Action

- Score (2023–24): 67
- Improved gradually, with India's commitment to Net Zero by 2070, and strong adoption of renewables and carbon market mechanisms.

SDG 14 – Life Below Water

- Score (2023–24): 60
- Data remains limited; however, India's coastal conservation and marine pollution initiatives are showing some impact.

SDG 15 – Life on Land

- Score (2023–24): 75
- Forest cover growth and biodiversity protection under CAMPA, Green India Mission, and wildlife corridors have strengthened progress.

SDG 16 – Peace, Justice and Strong Institutions

- Score (2023–24): 74

- Improved governance indicators, legal access, and declining violent crime in many areas have helped.
- Initiatives like Digital India, Legal Aid Schemes, and police modernization are essential enablers.

SDG 17 – Partnerships for the Goals

- Not shown in the chart, but remains integral. India continues to lead in South-South Cooperation, climate diplomacy, and development finance partnerships.

5.6 Global Comparison and India's Ranking in SDG Performance

This section situates India's progress on the Sustainable Development Goals (SDGs) within the global development landscape, drawing upon insights from the Sustainable Development Report 2024 by the SDSN. According to the SDG Index 2024, India ranks 109th out of 166 countries, with a composite score of 64.0/100. This places India in the lower-middle tier, signaling moderate progress overall. Notably, only around 30% of global SDG targets are “on track or achieved,” while 40% show limited progress and 30% are regressing.” regional peers such as China (rank 63) and Bangladesh (rank ~102) outperform India on several SDGs. Meanwhile, India remains ahead of Pakistan (~128th) but trails other BRICS nations on composite scores. India's journey toward achieving the Sustainable Development Goals (SDGs) reflects a mixed trajectory of commendable leadership in certain sectors alongside persistent gaps in others. A deeper understanding of its global strengths, critical concern areas, structural constraints, international engagement, and strategic directions helps in assessing its developmental potential and identifying avenues for accelerated progress.

On the positive front, India has emerged as a global frontrunner in domains such as clean energy and climate action. Under SDG 7 (Affordable and Clean Energy), India has made remarkable strides, achieved near-universal household electrification and significantly expanding its renewable energy capacity. As of 2024, over 43.3% of the country's electricity is generated from renewable sources—a sharp increase from 36.4% in 2020. Similarly, in the context of SDG 13 (Climate Action), India is one of the few major economies to have achieved its Paris Agreement goals ahead of schedule, and has committed to reaching net zero emissions by 2070.

Moreover, India's innovation in Digital Public Infrastructure—such as the implementation of Aadhaar, Unified Payments Interface (UPI), and platforms like Co-WIN—demonstrates scalable and replicable models of inclusive governance. These initiatives not only enhance service delivery but also support multiple SDG targets by improving access, transparency, and citizen participation.

Despite these achievements, several challenges continue to impede India's overall SDG performance. Under SDG 2 (Zero Hunger), India ranks 111th out of 125 countries in the Global Hunger Index 2023, reflecting persistent issues such as child malnutrition, food insecurity, and inadequate nutrition access in rural and tribal belts. Similarly, SDG 5 (Gender Equality) remains a critical area of concern, with issues like low female labour force participation (approximately 37%), limited political representation, and widespread gender-based violence. SDG 10 (Reduced Inequality) highlights the deep socio-economic disparities that persist across regions, castes, and genders, undermining the inclusivity of India's growth narrative.

These disparities are further exacerbated by structural constraints that affect India's global SDG performance. Foremost among them is the issue of data availability and disaggregation, especially at the district and block levels, which limits the effective monitoring of several goals. The vast demographic and geographic diversity of India leads to uneven outcomes across states, making national-level averages less representative of localized progress. Moreover, the federal nature of governance in India implies that many key SDG areas—such as health, education, and social welfare—fall within the jurisdiction of state governments, thereby resulting in varied capacities and political will across regions.

Nevertheless, India continues to play a constructive and proactive role in the global SDG framework. At multilateral forums such as the United Nations High-Level Political Forum, India shares its developmental experiences and lessons. Through South–South Cooperation, India extends technical support and policy innovations to other developing nations, thereby reinforcing solidarity among the Global South. Its leadership during the G20 Presidency in 2023 under the theme “One Earth, One Family, One Future” underscored its commitment to inclusive, sustainable, and resilient global development.

Looking ahead, there are several strategic pathways India must adopt to enhance its international SDG standing. These include intensifying efforts in underperforming areas such

as hunger, gender parity, and inequality through targeted and data-driven interventions. Strengthening real-time, disaggregated data systems at national and sub-national levels is essential for evidence-based policymaking and effective monitoring. Furthermore, India must deepen multi-sectoral collaborations, involving civil society, the private sector, academia, and development partners to align programs with SDG outcomes. Public expenditure and fiscal planning must be linked to measurable outcomes through results-based budgeting frameworks, ensuring that investments directly support SDG advancement.

In conclusion, India's rank of 109 out of 166 in the SDG Index 2024, with a score of 64.0, reflects a dual reality. While the country sets global benchmarks in areas like clean energy, climate leadership, and digital inclusion, significant efforts are required in social development and equity domains. By leveraging its institutional strengths, demographic dividend, and technological innovations, India holds the potential to not only meet its 2030 targets but also contribute meaningfully to the global sustainable development agenda.

5.7 Sustainable Development Goals in India: Challenges

While the Sustainable Development Goals (SDGs) provide a transformative blueprint for inclusive and sustainable global development, the path to achieving them remains fraught with complex challenges—both globally and within the Indian context. Despite measurable progress in areas such as sanitation, energy access, and digital governance, India continues to face persistent and emerging challenges that hinder the full realization of the 2030 Agenda. At the international level, progress on the SDGs has stalled considerably. According to the United Nations 2023 SDG Progress Report, only 17% of the targets are currently on track to be achieved by 2030. Multiple global crises—most notably the COVID-19 pandemic, the Russia-Ukraine conflict, supply chain disruptions, and increasing geopolitical instability—have significantly set back development gains worldwide. The State of Food Security and Nutrition in the World 2023 estimates that around 735 million people globally suffer from hunger, reflecting a reversal of earlier gains in food security.

These global crises have had profound implications for India as well, including inflationary pressures, reduced fiscal space, and disruptions to critical public services. Moreover, the failure to successfully realize commitments to finance development in Least Developed Countries (LDCs) limits the international support framework on which developing countries, including India, rely for technical and financial cooperation.

Despite its robust economic growth and institutional commitment to the SDGs, India faces a series of structural and sector-specific challenges:

a. Persistent Hunger and Malnutrition

India ranks 111th out of 125 countries in the Global Hunger Index 2023. High levels of child stunting, undernourishment, and anaemia among women remain pressing issues, particularly in rural and tribal areas. Unequal access to food, ineffective implementation of nutrition schemes, and poor dietary diversity continue to undermine SDG 2 (Zero Hunger).

b. Gender Inequality

India continues to lag behind in SDG 5 (Gender Equality). Women's labour force participation remains low (around 37%), and gender-based violence, wage gaps, and limited access to leadership positions are persistent concerns. Though policies such as Beti Bachao, Beti Padhao and workplace safety laws exist, implementation gaps hinder impact.

c. Healthcare Disparities

Access to affordable and quality healthcare is highly unequal across regions and socio-economic groups. Maternal mortality rates, infant mortality, and the burden of communicable and non-communicable diseases remain major concerns. Though schemes like Ayushman Bharat have expanded health coverage, SDG 3 (Good Health and Well-being) still requires targeted intervention in underserved districts.

d. Education Inequality

While access to primary education has improved, learning outcomes remain poor, especially in government schools. Dropout rates among girls, lack of digital access in rural areas, and disparities in higher education opportunities highlight significant barriers to achieving SDG 4 (Quality Education).

e. Environmental Degradation

India faces acute environmental challenges, including air and water pollution, deforestation, soil degradation, and biodiversity loss. The dominance of fossil fuels, overuse of chemical fertilizers, and non-sustainable agricultural practices continue to threaten SDG 12

(Responsible Consumption and Production), SDG 13 (Climate Action), and SDG 15 (Life on Land).

f. Water Scarcity and Resource Stress

India is facing a growing water crisis. Over 600 million Indians face high to extreme water stress. Rapid urbanization, pollution of water bodies, declining groundwater levels, and inefficient irrigation are key barriers to SDG 6 (Clean Water and Sanitation).

g. Urban Inequality and Infrastructure Gaps

Rapid urban growth has led to a rise in slum populations, congestion, waste management issues, and pollution. While programs like the Smart Cities Mission and AMRUT aim to address urban challenges, implementation remains inconsistent. SDG 11 (Sustainable Cities and Communities) continues to be a complex goal to achieve at scale.

h. Inequality and Exclusion

SDG 10 (Reduced Inequality) remains elusive due to entrenched disparities across caste, class, gender, and region. Economic growth has not always translated into equitable outcomes, with certain marginalized communities continuing to experience systemic exclusion.

○ Systemic and Institutional Challenges

In addition to sectoral issues, several cross-cutting systemic limitations exist:

- **Data Gaps and Monitoring Deficits:** Inconsistent data collection, limited disaggregated data, and non-alignment between national and global SDG indicators hinder effective tracking and evaluation.
- **Financial Constraints:** Public financing for SDG-aligned programs remains constrained by competing fiscal demands. Private sector involvement and multilateral funding have not been mobilized to their full potential.
- **Decentralization and Capacity Issues:** States and local bodies often lack the technical capacity, institutional strength, and financial autonomy needed to localize and implement SDG interventions effectively.

Since independence, India has pursued development strategies that strive to balance economic growth, social welfare, and environmental sustainability. This commitment is reflected in its active global role as a leader of the Global South, and its domestic policies that increasingly align with the SDGs. The New Delhi Leaders' Declaration (G20 Summit 2023) reaffirmed India's international commitment to accelerating SDG implementation. Moreover, India's long-term national vision of 'Viksit Bharat @2047' is closely tied to the SDGs, aiming for a fully developed, inclusive, and resilient society. With only five years remaining until 2030, there is a narrowing window of opportunity. India must leverage innovative policy mechanisms, strengthen multi-stakeholder partnerships, and focus on evidence-based, regionally tailored interventions. Balancing economic aspirations with social equity and environmental stewardship will be critical to realising both national and global development objectives.

5.8 Sustainable Development Goals & Progress in India: Policy Recommendations

As the 2030 deadline for achieving the Sustainable Development Goals (SDGs) approaches, India must intensify its efforts through targeted, inclusive, and data-driven policy interventions. The country has shown strong institutional commitment to the SDG agenda and demonstrated progress in areas such as clean energy, digital infrastructure, and sanitation. However, to translate this momentum into comprehensive development outcomes, India must address systemic inefficiencies and strategically allocate its resources. One of the most pressing needs is the strengthening of data systems and evidence-based planning. A robust framework of real-time, disaggregated data—integrated into national surveys and made publicly accessible—will enable more effective tracking and mid-course correction of development programs.

Given India's federal structure, localization of the SDGs is also critical. State and district-level planning must be aligned with national goals through the institutionalization of SDG cells and outcome-based budgeting. Local bodies such as Panchayats and Urban Local Bodies must be empowered to lead grassroots-level implementation. Moreover, social sector investments need substantial scaling. Public health expenditure must increase beyond the current ~2% of GDP to expand healthcare infrastructure, address maternal and child health, and tackle emerging diseases. Simultaneously, strengthening the quality of education, promoting digital inclusion, and revamping vocational training systems are key to improving SDG 4 outcomes.

Gender equality must be treated as a cross-cutting priority. This requires the implementation of gender-responsive budgeting, enhanced legal protections, and proactive steps to increase women's participation in economic and political spaces. Environmental sustainability and green growth should also be at the core of India's development strategy. Expanding renewable energy, phasing out chemical-intensive agriculture, promoting climate-resilient practices, and conserving biodiversity are necessary to achieve SDGs 12, 13, and 15. Financing the SDG agenda will require a multi-pronged approach involving efficient public expenditure, innovative instruments like SDG bonds and blended finance, greater use of Corporate Social Responsibility (CSR) funds, and stronger engagement with multilateral development institutions.

Achieving the SDGs also hinges on fostering partnerships with civil society, academia, and the private sector. These stakeholders can play vital roles in community engagement, policy innovation, and sustainable business practices. In parallel, technology must be leveraged as a force multiplier. India should continue expanding its digital public infrastructure and adopt tools such as GIS, mobile-based data collection, and AI-driven analytics for improved governance. Institutional reforms are equally essential. Strengthening inter-ministerial coordination, building local administrative capacity, and creating performance-linked incentive systems for SDG achievement at the state and district levels can accelerate implementation.

Finally, India's global role must be further expanded. As a key voice of the Global South, India can lead global SDG discussions, promote South–South cooperation, and advocate for inclusive financing mechanisms at multilateral forums. The country's domestic success stories in digital governance, renewable energy, and inclusive finance can serve as models for other developing nations. In conclusion, the next five years present India with a critical opportunity to transform its development landscape. Through strategic reforms, integrated planning, and sustained commitment, India can not only realize its SDG targets but also lay the foundation for its larger vision of a **Viksit Bharat** by 2047.

Check Your Progress:

Based on your understanding of the previous section, answer these questions in your own words:

Q1. What is India's rank in the Sustainable Development Report 2024, and what is its overall SDG score?

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Q2. Name any three key challenges India faces in achieving the SDGs by 2030?

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Q3. Mention two policy recommendations suggested to accelerate SDG progress in India?

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5.9 Let us sum up

The Sustainable Development Goals (SDGs) are a universal framework adopted to achieve inclusive and sustainable development by 2030. India has integrated the SDGs into its national policies and made significant progress in areas like clean energy, sanitation, and digital governance. However, challenges such as hunger, gender inequality, health disparities, and environmental degradation persist. India ranks 109th in the SDG Index 2024, reflecting a need for stronger implementation. Strategic actions including localized planning, increased financing, and multi-stakeholder partnerships are essential. With focused efforts, India can significantly contribute to the global SDG agenda and its own vision of Viksit Bharat by 2047.

5.10 Keywords

- **Sustainable Development Goals (SDGs):**
A set of 17 interconnected goals established by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development, aimed at eradicating poverty, ensuring well-being, and promoting environmental sustainability globally.
- **SDG Index:**
An annual composite measure published by the Sustainable Development Solutions Network (SDSN) that evaluates each country's progress toward achieving the SDGs using standardized indicators.
- **Viksit Bharat @2047:**
India's national vision to become a fully developed, inclusive, and self-reliant country by 2047, marking 100 years of independence. It aligns with several SDG targets, particularly in health, education, infrastructure, and sustainability.
- **Digital Public Infrastructure (DPI):**
Foundational digital platforms (such as Aadhaar, UPI, and Co-WIN) used by governments to deliver public services, enable financial inclusion, and support governance innovation.
- **Outcome-Based Budgeting:**
A budgeting approach that links government expenditures to specific, measurable developmental outcomes rather than traditional input-based allocations.
- **Green Growth:**
An economic growth model that ensures environmental sustainability by promoting clean energy, reducing pollution, and encouraging the sustainable use of natural resources.
- **Multilateral Development Banks (MDBs):**
International financial institutions (e.g., World Bank, Asian Development Bank) that provide financial and technical assistance to promote development, infrastructure, and poverty reduction.

5.11 Suggestive Readings

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5.12 Hints to Check your Progress

CYP-I

Q1. Refer to section 5.5

Q2. Refer to section 5.7

Q3. Refer to section 5.8

5.13 Examination Based Questions

Q1. Critically examine the global progress of Sustainable Development Goals (SDGs). How have global challenges like COVID-19 and geopolitical tensions impacted the achievement of SDGs globally and in India?

Q2. Discuss India's performance in the Sustainable Development Goals Index 2024. Highlight key areas of progress and challenges using relevant data and indicators.

Q3. Explain the concept of SDG localization. What are the key institutional and governance mechanisms in place in India to localize SDG implementation at the state and district levels?

Q4. Identify and elaborate on the major challenges India faces in achieving selected SDGs such as Zero Hunger (SDG 2), Gender Equality (SDG 5), and Climate Action (SDG 13). Provide recent statistics to support your answer.

Q5. Evaluate the role of policy innovation and digital public infrastructure in advancing India's SDG agenda. How have platforms like Aadhaar, UPI, and Co-WIN contributed to inclusive development?

Q6. What are the key policy recommendations to accelerate SDG implementation in India? Discuss strategies related to data management, financing, governance, and stakeholder engagement.

Q7. Examine India's contribution to the global SDG framework through its international engagements. How does India's leadership in the Global South and platforms like the G20 support global SDG progress?

Q8. Assess how India's vision of *Viksit Bharat @2047* aligns with the 2030 SDG Agenda. In what ways can long-term national planning complement global development goals?

Structure

6.0 Objectives

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6.13 Examination Oriented Questions

6.0 Objectives

The main objectives of this lesson are to enable you to:

- Comprehend the concept and vision behind *Developed India 2047*
- Identify key initiatives and policy measures guiding India's transformation towards a developed economy

- Recognize the strategic priorities across various sectors contributing to national development

6.1 Learning Outcomes

After going through this lesson, you will be able to:

- Explain the meaning and goals of the *Vision for Developed India 2047*
- Discuss the government's initiatives and frameworks aligned with this vision
- Analyze the challenges and opportunities in achieving a developed India by 2047

6.2 Introduction

Dear learner, after going through this chapter, you will gain an understanding of India's long-term national aspiration to become a fully developed nation by the year 2047, commemorating 100 years of independence. You will explore how this vision is anchored in inclusive economic growth, technological progress, environmental sustainability, social justice, modern infrastructure, transparent governance, and global leadership. The chapter outlines the strategic roadmap aimed at building an empowered, self-reliant, and innovation-driven India that ensures a high quality of life for all its citizens. Through this lesson, you will comprehend the key goals, guiding strategies, and foundational pillars that define the vision of a Developed India by 2047.

6.3 Conceptualizing India's Developmental Trajectory Towards 2047

India's journey from a colonized nation in 1947 to an emerging global power has been marked by extraordinary transformation. From rebuilding a fragmented economy and nurturing democratic institutions to emerging as a knowledge hub and space-faring nation, India's progress in the last seven decades reflects its resilience, diversity, and commitment to development. The liberalization of the economy in 1991 acted as a catalyst, opening up new opportunities for growth, innovation, and global integration. Despite these achievements, the country continues to face significant challenges such as poverty, inequality, unemployment, environmental degradation, and gaps in infrastructure, healthcare, and education.

The year 2047 will mark the centenary of India's independence—a historic milestone that calls for reflection, renewal, and reimagining. It is more than a date on the calendar; it is a national opportunity to redefine aspirations and recalibrate strategies for inclusive and sustainable development. “Vision for Developed India 2047” is a forward-looking roadmap

aimed at transforming India into a fully developed nation—economically strong, socially just, environmentally conscious, and technologically advanced.

This centenary vision serves as a unifying framework that can inspire collective action across society. It shifts the focus from mere economic expansion to enhancing the overall quality of life, ensuring that development reaches the last citizen. With a youthful population—over 65% under the age of 35—and rapid advances in digital technology, India is at a pivotal point. Harnessing this demographic dividend, supported by robust institutions and visionary policies, is key to achieving long-term national objectives.

In this context, Vision 2047 is not merely aspirational—it is essential. It emphasizes long-term planning, sectoral integration, and citizen-centric development. It reflects the growing consensus that a developed India must be defined not just by GDP numbers, but by values of equity, sustainability, innovation, and democratic governance. As India moves toward 2047, this vision will act as the compass guiding strategic policy, public investment, and participatory growth for the next generation.

The conceptual framework of *Viksit Bharat*—a developed India by 2047—is grounded in an inclusive and participatory development model that seeks to empower its most vital demographic and social segments. Recognizing the intersection of social justice, economic transformation, and human capital, the Government of India has articulated four foundational pillars for realizing this vision: Yuva (Youth), Garib (Poor), Mahila (Women), and Kisan (Farmers).

6.4 Objectives of Viksit Bharat 2047

The vision of *Viksit Bharat 2047* articulates India's strategic ambition to become a fully developed nation by its centenary of independence. It encompasses multi-sectoral progress—economic, social, technological, environmental, and geopolitical. The following objectives represent key developmental milestones, aligned with principles of inclusivity, sustainability, innovation, and national security.

1. Economic Transformation and Per Capita Growth

India aims to evolve into a \$30 trillion economy by 2047, with a per capita income ranging between USD 18,000 to 20,000. This objective implies a fundamental transformation of India's economic structure, ensuring macroeconomic stability, robust fiscal management, and a globally competitive financial sector.

2. Infrastructure Modernization

The vision seeks to develop integrated, world-class infrastructure across rural and urban landscapes. Emphasis is placed on multimodal transport networks, digital connectivity, affordable housing, and smart public amenities that collectively enhance the quality of life and productivity.

3. Minimal State Interference and Digital Governance

Promoting good governance involves minimizing bureaucratic overreach in citizens' daily lives while leveraging digital tools to enhance efficiency, transparency, and service delivery. The goal is to expand e-governance ecosystems, ensure data privacy, and build robust digital public infrastructure.

4. Industrial Competitiveness and Indigenous Innovation

By 2047, India envisions the emergence of 3–4 globally competitive corporations in every major sector through strategic mergers, structural reform, and innovation incentives. Boosting indigenous industry and intellectual property generation is critical to achieving self-reliance in key industrial domains.

5. Strategic Self-Reliance in Defence and Space

India aims to achieve full technological and manufacturing autonomy in defence and space sectors. This involves indigenizing production, investing in R&D, and expanding India's leadership role in global strategic affairs through secure and advanced military capabilities.

6. Green Growth and Climate Responsibility

Environmental sustainability forms a central tenet of Viksit Bharat. The country aspires to scale renewable energy capacity, reduce carbon emissions, and pioneer global green initiatives. Programmes such as PM-KUSUM, GOBARDhan, and the Global Biofuel Alliance reflect India's commitment to climate action.

7. Empowering Youth through Education and Employment

A future-ready India hinges on a highly skilled, educated, and entrepreneurial youth population. Through initiatives like the National Education Policy (NEP) 2020, PM Kaushal Vikas Yojana, Atal Tinkering Labs, and Skill India, the vision aims to empower youth with future-ready competencies and meaningful employment opportunities.

8. Excellence in Research and Higher Education

India envisions partnerships with leading international R&D institutions to establish globally competitive laboratories and elevate at least 10 Indian higher education institutions into the top 100 world rankings. The internationalization of education, including overseas campuses, is an integral part of this goal.

9. Poverty Eradication and Social Inclusion

The goal of zero poverty is to be achieved through multidimensional interventions such as food security, financial inclusion (e.g., Jan Dhan Yojana), and welfare schemes for marginalised groups including Scheduled Castes, Scheduled Tribes, Divyangjan (persons with disabilities), and tribal communities. Efforts include targeted housing, education, and livelihood support.

10. Agricultural Modernization and Farmer Welfare

India seeks to establish a prosperous and self-reliant agricultural sector. Key initiatives include PM-KISAN, Pradhan Mantri Fasal Bima Yojana, and PM Krishi Sinchayee Yojana. These are complemented by measures for soil health, irrigation, credit access, and promotion of organic and sustainable farming practices.

11. Women's Empowerment and Leadership

The vision underscores women's full participation in public life through legal and institutional reforms. Initiatives such as the Nari Shakti Vandan Adhiniyam (33% reservation), enhanced maternity benefits, and women-led financial inclusion efforts (e.g., PM Mudra Yojana) support this goal. Safety, health, and sanitation initiatives further promote dignity and empowerment.

12. Education System Reform and Skill Development

Education reforms aim to create an adaptive, learner-centric, and globally relevant system. PM SHRI schools, Vidyanjali mentoring, and teacher training under NISHTHA emphasize foundational learning. Simultaneously, vocational and technical education is aligned with Industry 4.0 through programs such as SAMARTH Udyog and Atal Innovation Missions.

13. Support for the Middle Class

Strengthening the socio-economic stability of India's growing middle class involves expanding housing (PM Awas Yojana), sanitation (Swachh Bharat Mission), and urban infrastructure (AMRUT). Employment generation through Rozgar Mela and EPFO enrolment enhances financial resilience and social mobility.

14. Healthcare and Public Health Systems

Universal health coverage is a priority under the Ayushman Bharat Digital and Infrastructure Missions. Digital OPDs (e-Sanjeevani), affordable medicines (PM Jan Aushadhi), and missions for child nutrition and substance abuse prevention constitute a comprehensive healthcare vision.

15. National Security and Internal Stability

India aims to build a future-ready security apparatus through modernization initiatives like Agnipath and indigenous weapons systems. Stability in sensitive regions, evidenced by developments in Jammu & Kashmir post-Article 370, forms a core element of internal security strategy.

16. Economic Reforms and Market Efficiency

Economic transformation will be supported by ongoing reforms such as the implementation of the Goods and Services Tax (GST), Aadhaar-enabled DBT, and digital payment expansion through UPI. Structural support for MSMEs, ease of doing business, and e-governance platforms like GeM will enhance competitiveness.

17. Business Environment and Investment Promotion

A key objective is to create a transparent and facilitative business ecosystem. Reforms include the removal of over 41,000 obsolete compliances, simplification of company law, tax rationalisation, the PLI scheme, and the National Single Window System for industrial approvals and investments.

18. Multimodal Infrastructure Development

Integrated infrastructure development is a cornerstone of Viksit Bharat. The PM Gati Shakti initiative promotes logistical efficiency and interconnectivity across rail, road, air, and water transport. Iconic projects like Vande Bharat Express, UDAN scheme, and Yashobhoomi Convention Centre highlight engineering progress.

19. Technological Advancement and Space Leadership

India aims to become a global technology leader through innovation in space, governance, and citizen services. Missions like **Chandrayaan-3**, **Aditya L-1**, and **Gaganyaan** showcase India's space potential. Platforms like **UMANG** and **KisanRath** advance digital governance and rural service delivery.

20. Environmental Sustainability and Renewable Energy

India's green vision involves becoming the world leader in renewable energy, with current rankings at fourth globally. Solar and biofuel initiatives (PM-KUSUM, Global Biofuel Alliance), waste-to-energy schemes (GOBARdhan), and the global One Sun, One World, One Grid initiative demonstrate leadership in sustainable energy.

These objectives together form the strategic architecture of Viksit Bharat 2047, guided by the principles of empowerment, equity, innovation, and sovereignty. Achieving these goals will require sustained policy coherence, effective governance, and active citizen participation across the coming two decades.

6.5 Economic Vision: 2047

India's economic vision for 2047 articulates the ambition of transforming the nation into a high-income, globally competitive, and socially inclusive economy. The goal is to elevate the country's GDP to \$30 trillion by 2047, which would mark a quantum leap from the current estimated GDP of approximately \$3.7 trillion (2024–25). However, this transformation must not be reduced to a numerical target alone. It encompasses a holistic restructuring of economic paradigms, prioritizing sustainability, innovation, employment, and equity. The strategy must involve synchronized efforts in industrial diversification, agricultural modernization, service-sector expansion, and fiscal consolidation, supported by robust institutions and long-term vision planning.

A key aspect of India's economic transformation involves structural shifts in sectoral contributions to GDP. As of 2023–24, the services sector contributes over 53% to GDP, whereas agriculture employs nearly 43% of the workforce but contributes only around 17%. This imbalance reflects a need for both productivity enhancement and labor reallocation. The vision for 2047 includes increasing the share of manufacturing in GDP to 25% by boosting competitiveness through initiatives like Make in India, the Production Linked Incentive (PLI) scheme, and investment in high-tech infrastructure. At the same time, enhancing agricultural

value chains through mechanization, crop diversification, agro-processing, and efficient market linkages is critical. The services sector, especially in fintech, health, logistics, and digital education, must continue to evolve with high-value exports and tech-driven models.

Employment generation stands as a cornerstone of economic development in a country where nearly 12 million young people enter the labor market every year. According to the Periodic Labour Force Survey (PLFS 2022–23), the urban unemployment rate stood at approximately 6.8%, with youth unemployment even higher. Vision 2047 recognizes that generating productive and dignified employment is imperative for social stability and economic sustainability. Policies must emphasize formalization of the workforce, simplification of labor laws through the implementation of four labor codes, and support for entrepreneurship via flagship schemes like MUDRA and Stand-Up India. A parallel thrust must be placed on skill development programs under Skill India 2.0, ensuring alignment with future industries such as AI, robotics, green energy, and biotechnology.

The role of the digital economy is increasingly pivotal in driving inclusive growth. India's digital financial architecture—anchored by the JAM trinity (Jan Dhan–Aadhaar–Mobile) and innovations such as the Unified Payments Interface (UPI)—has revolutionized access to financial services. In FY 2023–24, over 11,000 crore UPI transactions were recorded, signaling mass digital adoption. The Vision 2047 agenda builds upon this progress by expanding Digital Public Infrastructure (DPI) into sectors like health (through Ayushman Bharat Digital Mission), education, insurance, and credit. Financial inclusion must also target underserved areas and populations, ensuring access to credit, insurance, and savings instruments for all, especially rural and marginalized communities.

Fiscal policy remains central to economic planning and macroeconomic stability. India has made consistent efforts to consolidate its fiscal deficit, with a target of 5.1% of GDP for FY 2024–25. This is essential to sustain investor confidence, preserve sovereign credit ratings, and create space for developmental expenditure. Vision 2047 prioritizes fiscal discipline alongside increased public investment in infrastructure, green energy, health, and human capital. The investment environment is further enhanced by a strong inflow of FDI—over \$70 billion annually as of 2023–24—which reflects global investor confidence. Public-Private Partnerships (PPPs) must be scaled up, especially in sectors like renewable energy, education technology, and urban infrastructure, while the capital market ecosystem must be deepened to attract long-term capital.

India's integration into global value chains (GVCs) is another strategic priority. With global shifts in supply chains post-pandemic and a geopolitical realignment away from over-reliance on certain economies, India has the opportunity to position itself as a resilient and competitive hub. Through initiatives like the National Logistics Policy, PM Gati Shakti, and expansion of Industrial Corridors, India aims to reduce logistics costs and improve infrastructure efficiency. At the same time, trade agreements such as the India-UAE Comprehensive Economic Partnership Agreement (CEPA) and India-Australia Economic Cooperation and Trade Agreement (ECTA) reflect an outward-looking strategy. India aims to increase its merchandise exports to over \$2 trillion and services exports to over \$1 trillion by 2047, supported by a favorable trade regime and integrated customs systems.

In conclusion, the economic vision for India @2047 is ambitious yet pragmatically structured. Achieving this vision requires not only sustained growth rates but also a deep restructuring of the economy around the principles of inclusion, sustainability, productivity, and innovation. The emphasis must remain on long-term value creation rather than short-term output maximization. For India to emerge as a truly developed economy, economic policies must work in tandem with social development goals, ensuring that the benefits of growth are equitably distributed and anchored in the four pillars of Yuva, Garib, Mahila, and Kisan—the very foundation of Viksit Bharat.

6.6 Key Initiatives and Programs Supporting Viksit Bharat 2047

To translate the vision of Viksit Bharat into measurable outcomes, the Government of India has launched several flagship initiatives. These programs are not only sector-specific but also interlinked, reinforcing the objectives of inclusive growth, infrastructure modernization, digital empowerment, and sustainable development. The following initiatives represent the policy architecture through which India aims to realize its 2047 developmental goals.

1. Digital India: Bridging the Digital Divide

Launched in 2015, the Digital India Mission aims to transform India into a digitally empowered society and knowledge economy. The core objective is to ensure universal digital access, especially in rural and remote areas, enabling citizens to avail services such as e-governance, e-learning, and telemedicine. Key components include the BharatNet, which facilitates by extending high-speed broadband to over 2.5 lakh gram panchayats, the **digilocker** and **e-Sign** initiative enabling secure digital storage and authentication of official documents and **e-Hospital** and **e-Sanjeevani** provision aiming at providing telemedicine and

online consultations. By democratizing access to information and public services, Digital India empowers marginalized populations and supports governance efficiency.

2 Make in India: Manufacturing-Led Economic Growth

The **Make in India** initiative, launched in 2014, seeks to position India as a global manufacturing hub by facilitating investment, innovation, and skill development. The program focuses on enhancing the ease of doing business and attracting both domestic and foreign capital in 25 priority sectors, including electronics, defence manufacturing, and renewable energy. Through Production Linked Incentive (PLI) schemes, tax incentives, and industrial corridor development, the initiative aims to:

- Increase the manufacturing sector's contribution to **25% of GDP**.
- Create **100 million jobs** by 2025.
- Promote self-reliance in critical sectors such as defence, semiconductors, and pharmaceuticals.

3 Startup India: Fostering an Entrepreneurial Ecosystem

Launched in 2016, **Startup India** aims to encourage innovation-driven entrepreneurship among India's youth. The program provides a supportive ecosystem through:

- **Seed funding and venture capital support.**
 - **Tax exemptions** for startups under Section 80-IAC.
 - **Simplified regulatory compliance** and faster patent registration.
- Over 1 lakh startups have been officially recognized as of 2024, across domains like fintech, health tech, agritech, and edtech. This initiative plays a key role in job creation, promoting digital solutions, and enhancing India's global competitiveness in technology and services.

4 Skill India: Developing a Future-Ready Workforce

Recognizing that human capital is central to economic transformation, the **Skill India Mission** was launched in 2015 with the goal of training over **400 million people** by 2025. Programs under this mission include:

- **Pradhan Mantri Kaushal Vikas Yojana (PMKVY):** Providing industry-relevant skill training.

- **National Skill Development Corporation (NSDC):** Partnering with private sector entities for vocational education.
- **SAMARTH and SANKALP:** Enhancing employability and strengthening institutional frameworks. These initiatives are designed to align the workforce with the demands of Industry 4.0, including AI, robotics, automation, and green technologies.

5 Smart Cities Mission: Urban Transformation

The **Smart Cities Mission**, launched in 2015, targets the development of 100 model cities that are citizen-friendly, sustainable, and technologically advanced. Key components of this mission include:

- **Integrated command and control centers** for urban service delivery.
- **Smart mobility and clean energy solutions.**
- **Waste management, water recycling, and green spaces.** This initiative represents a paradigm shift in urban governance, aiming to improve the quality of life, attract investment, and enhance environmental resilience in Indian cities.

6 PM Gati Shakti: Multi-Modal Infrastructure for Connectivity

The PM Gati Shakti – National Master Plan, launched in 2021, aims to create a unified infrastructure ecosystem by integrating 16 central ministries. It focuses on the Faster development of highways, railways, airports, and ports, reducing logistics costs from 13–14% of GDP to global standards (~8%). And data-driven planning using GIS-based tools. The initiative enhances last-mile connectivity, supports industrial growth, and ensures efficient movement of goods and people across the country.

7 Jal Jeevan Mission: Universal Water Access

Launched in 2019, the Jal Jeevan Mission aims to provide safe and adequate drinking water through individual household tap connections by 2024. Its key strategies include the village-level water supply infrastructure development, the water quality monitoring and greywater management and Community engagement through Pani Samitis and Jal Jeevan Survekshan. With over 13 crore rural households already covered, the mission is a critical component of India's public health and sanitation framework.

8 Swachh Bharat Mission: Sanitation and Public Health

The Swachh Bharat Mission (SBM), launched in 2014, has significantly improved sanitation infrastructure and public hygiene across India. Its major achievements include the construction of over 11 crore toilets, eliminating open defecation in rural areas, promotion of solid and liquid waste management, and behavior change campaigns for cleanliness and hygiene. **SBM 2.0**, the second phase, aims for total waste-free cities and scientific waste disposal methods. The mission contributes directly to improved health outcomes, especially for women, children, and marginalized groups.

These flagship programs collectively represent the implementation arm of the *Viksit Bharat* vision. They are not isolated efforts but are designed to operate synergistically across sectors, populations, and regions. From skilling the youth and empowering entrepreneurs to modernizing infrastructure and improving health and sanitation, these initiatives create the enabling environment for India to evolve into a developed nation by 2047. Academic analyses of these programs reveal a convergence between policy intent and ground-level transformation, suggesting a pragmatic yet visionary path forward.

6.7 Challenges and Constraints in Realizing Viksit Bharat 2047

While the vision of *Viksit Bharat 2047* presents a comprehensive roadmap for India's transformation into a developed nation, its successful realization is contingent upon navigating a complex landscape of socio-economic, environmental, institutional, and geopolitical challenges. These constraints not only demand policy innovation and intergovernmental coordination but also require systemic reforms and active citizen participation.

1 Economic Disparities and Regional Imbalances

One of the foremost challenges is the persistent economic inequality across different regions and social groups. Despite overall GDP growth, **income disparities** and **regional imbalances**—particularly between urban and rural areas and among states—continue to hinder equitable development. States like Bihar, Jharkhand, and Uttar Pradesh lag in critical indicators such as health, education, and per capita income, making inclusive growth a formidable challenge. Without targeted regional development policies, the benefits of economic progress risk being concentrated in already developed zones.

2 Youth Unemployment and Underemployment

India's demographic dividend, with over 65% of its population below the age of 35, presents both an opportunity and a challenge. The **youth unemployment rate**, which hovers around 10%, reflects a mismatch between educational outcomes and labor market demands. Moreover, many youth are **underemployed**, working in jobs that do not match their skills or qualifications. Unless skill development programs are scaled effectively and aligned with future job markets, the employment crisis could deepen, posing a risk to social stability and productivity.

3 Infrastructure Deficits and Implementation Delays

Achieving the Viksit Bharat goals requires **robust physical infrastructure** in sectors such as transport, energy, housing, and digital connectivity. However, **infrastructure gaps** persist, particularly in rural and semi-urban areas. Projects often face **bureaucratic delays**, issues in land acquisition, financing bottlenecks, and a lack of coordination among central and state authorities. These systemic inefficiencies compromise the timely execution of flagship programs like PM Gati Shakti and Smart Cities.

4 Climate Change and Environmental Degradation

India faces growing pressure to balance rapid industrialization with environmental conservation. **Climate change-induced risks** such as extreme weather events, declining agricultural productivity, and rising sea levels threaten long-term sustainability. Although green energy initiatives like PM-KUSUM and the International Solar Alliance are commendable, **environmental policy enforcement** remains weak in many areas. A robust environmental governance framework is essential to ensure that economic development does not come at the cost of ecological collapse.

5 Fiscal and Financial Constraints

Financing a \$30 trillion economy involves large-scale public and private investments. However, **fiscal constraints**—such as limited tax revenues, rising subsidies, and fiscal deficits—can restrict the government's ability to fund developmental programs. Additionally, **economic fluctuations**, inflation, and global financial volatility can undermine capital flows and resource allocation. While attracting FDI and mobilizing domestic capital are crucial, overdependence on external financing poses risks to financial sovereignty.

6 Digital Divide and Technological Exclusion

Despite advances under the Digital India program, a significant **digital divide** remains between urban and rural populations, and between socio-economic classes. A considerable segment of the population lacks **digital literacy**, internet access, or access to digital devices. This hampers their ability to benefit from e-governance services, online education, digital payments, and telemedicine. Bridging this divide is critical to ensuring inclusivity in the digital economy.

7 Governance Inefficiencies and Bureaucratic Rigidities

The success of developmental policies often depends on the **efficacy of implementation**, which is hindered by **bureaucratic delays**, lack of accountability, and poor interdepartmental coordination. Many projects experience time and cost overruns due to cumbersome administrative processes. In addition, **overlapping jurisdictions** between the Centre and States may result in fragmented planning and execution, undermining national priorities.

8 Public Awareness and Citizen Participation

For transformational initiatives like Viksit Bharat to succeed, there must be widespread **public awareness, trust, and participation**. However, there is limited outreach, especially in rural and marginalized communities, regarding government schemes and development goals. **Misinformation** and low levels of civic literacy often lead to public skepticism or disengagement. The absence of active community participation can significantly affect the sustainability of reforms.

9 Poverty and Basic Needs Deprivation

Despite decades of poverty alleviation efforts, **a sizable portion of the population still lacks access to basic necessities** such as nutritious food, quality housing, education, and healthcare. The challenge of **multidimensional poverty** is compounded by intergenerational cycles of deprivation. Large-scale and sustained government interventions, particularly through schemes like PM Awas Yojana, Ayushman Bharat, and the Public Distribution System, will be necessary to ensure universal well-being.

10 Corruption and Administrative Leakages

Corruption, especially at the grassroots level, remains a serious barrier to effective governance. Leakages in welfare schemes, favoritism in administrative processes, and weak grievance redressal mechanisms compromise the quality of public service delivery.

Transparency reforms, digitization, and institutional accountability are essential to restore public trust and ensure efficient use of national resources.

11 Geopolitical and Global Economic Risks

India's developmental trajectory is closely linked to the global economic and strategic environment. **Geopolitical tensions**, disruptions in global supply chains, international trade restrictions, and external shocks—such as pandemics or financial crises—can pose significant challenges. Additionally, India's dependence on oil imports and foreign technology makes it vulnerable to external market fluctuations and diplomatic tensions.

The road to a developed India by 2047 is ambitious but achievable. However, it requires confronting a wide range of systemic, structural, and external challenges with strategic foresight and institutional agility. Success will depend on a multi-pronged approach—combining fiscal prudence, policy innovation, participatory governance, environmental stewardship, and social justice. Addressing these barriers effectively will determine whether the promise of Viksit Bharat 2047 can be translated into a lived reality for all citizens.

6.8 Viksit Bharat: Way Forward

The successful realization of the Viksit Bharat 2047 vision necessitates not only well-designed policies but also an effective framework for **implementation, monitoring, and governance**. Given the vast scale and inter-sectoral nature of the initiative, institutional coherence, policy accountability, and data-driven decision-making become critical components for steering India towards its development milestones.

1 Institutional Framework and Inter-Ministerial Coordination

At the heart of the governance strategy lies a need for **synchronization across multiple ministries, state governments, and local bodies**. To this end, the **NITI Aayog** plays a pivotal role in strategic planning and inter-ministerial coordination. As the central policy think tank, it facilitates the alignment of national priorities with state-level development plans through cooperative and competitive federalism. Additionally, specialized steering committees and task forces have been established for flagship initiatives such as Gati Shakti, Digital India, and PM Gati Shakti Master Plan.

The **Cabinet Secretariat and Prime Minister's Office (PMO)** oversee critical policy implementations, providing leadership, resolving inter-agency conflicts, and ensuring

mission-mode execution. Inter-ministerial groups and digital dashboards facilitate real-time information exchange, tracking progress on high-impact schemes.

2 Technology-Driven Monitoring and Evaluation

Digital governance is central to monitoring Viksit Bharat initiatives. Tools like **Project Monitoring Groups (PMG)**, **GIS-enabled dashboards**, and **data interoperability platforms** under PM Gati Shakti enhance real-time tracking of infrastructure projects and service delivery.

Moreover, **Outcome-Based Budgeting (OBB)** and **Performance Management Frameworks** are increasingly being adopted to move beyond input-output monitoring toward results and impact measurement. Ministries and departments are required to report not just financial utilization but also developmental outcomes, ensuring a performance-linked governance model.

The integration of **Artificial Intelligence (AI)** and **Big Data Analytics** through platforms like **DIKSHA (Digital Infrastructure for Knowledge Sharing)** in education or **BHUVAN (ISRO's geo-platform)** in land use and rural monitoring further strengthens the data-backed decision-making processes.

3 Role of State and Local Governance Structures

Given the federal nature of India's polity, **state governments and local bodies** are critical to the success of national developmental initiatives. Schemes like **Smart Cities Mission**, **Jal Jeevan Mission**, and **Swachh Bharat Abhiyan** are implemented primarily at the state and municipal levels.

To ensure effective governance at the grassroots, the **15th Finance Commission** has emphasized increased devolution of funds and responsibilities to **Panchayati Raj Institutions (PRIs)** and **Urban Local Bodies (ULBs)**. Capacity-building programs for local governance institutions and digital tools for e-panchayat systems are being promoted to enhance transparency and accountability at the community level.

4 Citizen-Centric Governance and Participatory Monitoring

A fundamental shift in India's governance model is the emphasis on **citizen participation and accountability**. Platforms like **MyGov**, **RTI (Right to Information)**, **PGPortal**, and

Jansunwai Apps have created feedback mechanisms for grievance redressal and participatory decision-making.

The **Aspirational Districts Programme**, coordinated by NITI Aayog, is an example of participatory governance where **district collectors are empowered** to design context-specific strategies and citizens are encouraged to contribute through behavioral insights, social audits, and performance benchmarking.

Public engagement through **social media platforms**, crowd-sourcing of ideas, and volunteer-based programs such as **Swachhagrahi** and **Jal Doots** further democratize governance and create a sense of ownership among citizens.

5 Transparency, Accountability, and Anti-Corruption Measures

Strengthening governance also entails building institutional integrity and minimizing leakages. Government e-Marketplace (GeM), Direct Benefit Transfer (DBT), Aadhaar authentication, and real-time public expenditure tracking systems (such as PFMS – Public Financial Management System) have significantly improved transparency in public procurement and service delivery.

Reforms such as decriminalization of business laws, reducing redundant compliances, and enhancing audit-based performance evaluations are aligned with improving the ease of doing business and reducing opportunities for administrative discretion and corruption.

The Lokpal and Lokayuktas, the Central Vigilance Commission (CVC), and the Comptroller and Auditor General (CAG) remain the cornerstones of the institutional architecture to ensure probity and accountability in public office.

6 Evaluation and Feedback for Mid-Course Correction

For long-term national programs such as Viksit Bharat 2047, periodic review and adaptability are vital. Institutions like the National Statistical Office (NSO) and NITI Aayog regularly publish performance evaluation reports and conduct thematic evaluations. These are instrumental in identifying gaps, learning from best practices, and realigning strategies with changing domestic and global conditions.

The use of SDG (Sustainable Development Goals) Index, State Development Index, and Composite District Development Index also provides comparative insights into sub-national progress, incentivizing states to compete and innovate in governance.

The governance architecture for Viksit Bharat 2047 is evolving toward a transparent, inclusive, performance-oriented, and digitally empowered model. The strategic integration of technology, federal collaboration, citizen engagement, and institutional accountability forms the backbone of implementation and monitoring. However, continuous capacity-building, policy agility, and political will are essential to ensure that governance keeps pace with the scale and ambition of India's developmental vision.

In conclusion, the vision of Viksit Bharat 2047 reflects India's long-term aspiration to emerge as a fully developed, self-reliant, inclusive, and globally respected nation by the time it completes 100 years of independence. This transformation is not confined to achieving high-income status or GDP targets alone but encompasses a multidimensional framework that integrates economic growth, social equity, environmental sustainability, and good governance. Central to this vision is the emphasis on building human capital through education, skill development, and health services; driving economic expansion via entrepreneurship, innovation, and industrial advancement; and fostering inclusive development that empowers women, youth, farmers, and marginalized communities. As India navigates toward becoming a \$30 trillion economy, it must also ensure that the benefits of growth are widely distributed, environmentally sustainable, and technologically progressive. Strategic priorities for the coming decades include boosting research and development, ensuring regional and social equity, accelerating green and digital transitions, strengthening democratic institutions, and expanding India's leadership role on the global stage. Achieving these ambitions will require active collaboration between government, industry, academia, and citizens. The vision of Viksit Bharat must therefore be seen as a collective national endeavour, where every stakeholder contributes meaningfully to the country's development. Citizens, particularly the youth, must not only benefit from this progress but actively participate in shaping it. With robust policy design, institutional accountability, and widespread civic engagement, India has the potential to become a nation that not only uplifts its own population but also plays a defining role in global development and diplomacy. In essence, Viksit Bharat 2047 represents not merely a policy roadmap, but a national commitment and a moral responsibility to secure a just, prosperous, and sustainable future for all.

Check Your Progress:

Based on your understanding of the previous section, answer these questions in your own words:

Q1. State any two challenges India may face in achieving the goals of Viksit Bharat 2047.?

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Q2. List two major government initiatives that support the vision of Viksit Bharat 2047.

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Q3. What role does the PM Gati Shakti initiative play in achieving the goals of Viksit Bharat 2047?

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6.9 Lets us sum up

Therefore, Viksit Bharat 2047 envisions transforming India into a developed, inclusive, and sustainable nation by its 100th year of independence. The initiative rests on four pillars—Youth, Women, Farmers, and the Poor—aiming for equitable growth. Key programs like Digital India, Make in India, and Skill India support this transformative journey. Effective governance, innovation, and citizen participation are crucial to its success. Overcoming challenges such as inequality, unemployment, and climate change will be essential to achieving this ambitious vision.

6.10 Keywords

- **Viksit Bharat 2047:**

A national vision to transform India into a fully developed nation by 2047, the

centenary of its independence, focusing on economic, social, technological, and environmental development.

- **NITI Aayog:**

The National Institution for Transforming India, a policy think tank of the Government of India responsible for strategic planning and monitoring of development programs.

- **Digital India:**

A flagship program aimed at ensuring internet access, digital literacy, and digital governance for all citizens, especially in rural areas.

- **Make in India:**

An initiative to promote manufacturing in India and position the country as a global hub for industrial production.

- **Startup India:**

A government program designed to support entrepreneurship by providing funding, tax incentives, and regulatory support to startups.

- **Skill India:**

A mission to train and upskill the workforce in modern technologies and trades to improve employability and productivity.

- **Smart Cities Mission:**

An urban renewal initiative aiming to develop cities with sustainable infrastructure, smart technology, and efficient public services.

- **PM Gati Shakti:**

A National Master Plan for multi-modal connectivity to integrate infrastructure development across various sectors.

- **Swachh Bharat Mission:**

A cleanliness campaign focused on eliminating open defecation and improving solid and liquid waste management.

- **Green Growth:**

Economic growth that is environmentally sustainable, promotes renewable energy, and reduces carbon emissions.

- **Demographic Dividend:**
The economic benefit arising from a large working-age population when supported with appropriate education and employment opportunities.
- **Inclusive Development:**
Growth that benefits all sections of society, particularly marginalized groups, ensuring equal access to opportunities.
- **Direct Benefit Transfer (DBT):**
A mechanism for transferring government subsidies and benefits directly into beneficiaries' bank accounts to reduce leakages.
- **Ease of Doing Business:**
Reforms aimed at simplifying regulations, improving transparency, and reducing bureaucratic hurdles for businesses in India.
- **Public Financial Management System (PFMS):**
An online platform to monitor and track the flow of funds for government programs to ensure transparency and accountability.
- **Participatory Governance:**
A governance approach that actively involves citizens in decision-making, monitoring, and evaluation of public programs.

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6.12 Hints to check your progree

CYP-I

Q1. Refer to section 6.7

Q2. Refer to section 6.6

Q3. Refer to section 6.6

6.14 Examination Oriented Questions

Q1. Discuss the vision and objectives of Viksit Bharat 2047. Highlight how this vision aims to transform India into a developed nation by the 100th year of independence and explain its relevance in the current developmental context.

Q2. Explain the four key pillars of Viksit Bharat—Yuva, Garib, Mahila, and Kisan. Discuss the initiatives and strategies the government has implemented to empower these groups and their importance in achieving inclusive development.

Q3. Evaluate the role of key flagship programs like Digital India, Make in India, Startup India, and Skill India in realizing the goals of Viksit Bharat 2047. Illustrate your answer with examples of achievements and challenges.

Q4. Describe the major socio-economic objectives outlined under Viksit Bharat 2047. How do these objectives align with India's ambition of becoming a \$30 trillion economy and improving quality of life?

Q5. Critically examine the challenges India faces in achieving the goals of Viksit Bharat 2047. Include issues such as inequality, youth unemployment, infrastructure gaps, environmental concerns, and digital divides.

Q6. Analyze the governance and monitoring mechanisms established to track the progress of Viksit Bharat 2047. How do digital platforms, institutional coordination, and participatory governance enhance the effectiveness of this initiative?

Q7. Assess the contribution of the education and healthcare sectors in supporting the vision of a developed India by 2047. Refer to specific schemes and reforms introduced in these sectors.

Q8. "Viksit Bharat 2047 is a collective mission involving government, citizens, and institutions." Discuss the role of various stakeholders in achieving this national vision and propose measures to improve collaboration and civic engagement.

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Structure

7.0 Objectives

7.1 Learning Outcomes

7.2 Introduction

7.3. Prologue

7.3.1. Historical Evolution of Agricultural Policies in India

7.4 Rationale for a New Agricultural Policy (2022–2024)

7.5 Objectives of the New Agricultural Policy Vision

7.6 Major Schemes Supporting the Policy Framework

7.7 Institutional and Financial Framework

7.8 Policy Innovations and Governance Reforms

7.9 Challenges in Implementation

7.10 Conclusion and Way Forward

7.11 Let us sum up

7.12 Keywords

7.13 Suggestive Readings

7.14 Hints to Check your progress

7.15 Examination Oriented Questions

7.0 Objectives

The main objectives of this lesson are to enable you to:

- Examine the rationale and background behind the formulation of the New Agricultural Policy 2022.

- Identify the key components and reforms introduced under the policy, such as MSP reforms, natural farming, and digitization.
- Analyze the role of technology, including Kisan Drones and AgriStack, in transforming Indian agriculture.
- Evaluate the impact of export restrictions, fertilizer subsidies, and sustainable farming practices on food security and farmer income.
- Interpret policy linkages with broader goals such as doubling farmer income, climate resilience, and rural development.
- Critically assess the challenges and opportunities associated with the implementation of the 2022 reforms.

7.1 Learning Outcomes

After going through this lesson, the learner will be able to:

1. Describe the salient features of the New Agricultural Policy 2022 and its alignment with previous agricultural reform measures.
2. Illustrate the use of digital tools like Kisan Drones and the AgriStack framework in enhancing productivity and transparency.
3. Compare the New Agricultural Policy 2022 with earlier policies in terms of objectives, execution strategies, and expected outcomes.
4. Discuss the implications of natural farming, subsidy reforms, and agri-export controls on food and nutritional security.
5. Formulate a reasoned argument on the socio-economic implications of the policy for small and marginal farmers.
6. Apply insights from the policy framework to suggest improvements for inclusive and sustainable agricultural growth.

7.2 Introduction

Dear Learner, after going through this chapter, you will gain insight into the transformative framework of the **New Agricultural Policy 2022**, a milestone in India's agri-economic landscape. This policy integrates traditional support systems such as Minimum Support Price

(MSP) with modern interventions like drone-based farming, natural agriculture, and digital agri-data infrastructure. It aims to address the twin challenges of farmer welfare and agricultural modernization in a post-pandemic, climate-vulnerable context. As you progress, you will explore how this policy seeks to balance productivity, sustainability, and food security through a renewed policy lens.

7.3. Prologue

Agriculture remains the backbone of the Indian economy, employing nearly 45% of the workforce and contributing approximately 18% to the national Gross Value Added (GVA) (MoA&FW, 2023). Despite remarkable progress in food grain production and self-sufficiency since the Green Revolution, the Indian agricultural sector continues to face multiple structural and environmental challenges—ranging from fragmented landholdings, declining productivity, and market volatility to climate stress and price shocks. In light of these evolving challenges, there has been a growing need for a comprehensive and forward-looking agricultural policy framework.

Although the Government of India has not officially announced a singular “New Agricultural Policy 2022”, a series of significant reform measures, digitization initiatives, infrastructure investments, and sustainability efforts have been launched since 2020 that collectively shape a de facto policy direction. These include schemes like PM-KISAN, PMFBY, Agriculture Infrastructure Fund (AIF), e-NAM expansion, and the National Digital Agriculture Mission (NDAM), among others. Additionally, the repeal of the three controversial farm laws in 2021 led to fresh consultations on market reforms with a more inclusive and decentralized approach.

The overarching vision of these policy developments reflects a paradigm shift—from a “production-centric” model to a more “income-centric, market-oriented, and climate-resilient” agricultural ecosystem. The policy framework integrates the goals of Doubling Farmers’ Income, Atmanirbhar Bharat, Digital India, and Sustainable Development Goals (SDGs), thus reflecting a convergence of growth, equity, technology, and sustainability.

This chapter explores the emerging contours of India’s agricultural policy trajectory post-2020, focusing particularly on the objectives and key features that define the so-called New Agricultural Policy 2022. It examines its philosophical underpinnings, strategic pillars, institutional linkages, implementation challenges, and its potential impact on India’s food systems, rural livelihoods, and environmental sustainability.

Certainly. Here is the elaborated Section 2: Historical Evolution of Agricultural Policies in India, with each subsection expanded into paragraph form as per your academic requirements.

7.3.1. Historical Evolution of Agricultural Policies in India

India's agricultural policy has undergone a profound transformation over the decades, shaped by historical exigencies, institutional reforms, technological breakthroughs, and socio-political pressures. From food shortages in the early years of independence to the present-day challenges of climate change, market volatility, and income disparity, the focus and framework of agricultural policy have continuously evolved. This section traces the major phases of agricultural policy development in India, leading to the emergence of the New Agricultural Policy vision in the post-2020 period.

Post-Independence Era (1947–1965): Food Security and State Control

In the immediate aftermath of independence, India was grappling with chronic food shortages, widespread poverty, and a weak agrarian economy. Agricultural productivity was low, landholdings were feudal and fragmented, and the country was dependent on food imports to feed its population. The primary policy objective during this phase was to ensure food security through state control and institutional reform. The government introduced land reforms such as the abolition of the zamindari system and tenancy regulation to empower cultivators. Community Development Programmes (1952) and Integrated Rural Development initiatives were launched to promote agricultural extension and rural upliftment. The state also established mechanisms for public procurement and rationing to stabilize food supplies. Institutional credit was expanded through cooperatives, and early steps were taken toward building a public distribution system (PDS). However, these efforts, while well-intentioned, had limited impact due to inadequate implementation and lack of technological inputs.

Green Revolution Period (1965–1980s): Productivity Enhancement

A major policy shift occurred in the mid-1960s with the introduction of the Green Revolution. Spurred by consecutive droughts and growing dependence on food imports under PL-480, India embraced a technology-led agricultural strategy to achieve self-sufficiency. High-Yielding Variety (HYV) seeds, chemical fertilizers, pesticides, and irrigation facilities became the cornerstone of this transformation. The policy was supported by strong state intervention in terms of Minimum Support Prices (MSP), fertilizer subsidies, public

extension services, and procurement operations. As a result, wheat and rice production soared, particularly in states like Punjab, Haryana, and western Uttar Pradesh. However, the Green Revolution was not without its limitations—it created regional imbalances, favored certain crops, and led to ecological concerns such as soil degradation, excessive groundwater extraction, and chemical pollution. Nonetheless, it laid the foundation for India's food self-sufficiency and established a new model of state-supported agricultural growth.

Post-Reform Phase (1991–2000): Liberalization and Trade Orientation

The economic liberalization of 1991 marked another turning point in India's agricultural policy. While agriculture was not directly liberalized in the same way as industry or services, the sector was indirectly influenced by broader macroeconomic reforms. The policy orientation began to shift from food self-sufficiency to market efficiency, export promotion, and diversification. Trade liberalization under WTO commitments led to reduced tariff protection and greater exposure to global price volatility. The government gradually reduced subsidies and price support in certain areas, and promoted high-value crops, horticulture, floriculture, and agro-processing for both domestic and export markets. Contract farming and corporate participation in agriculture were encouraged in select regions. However, these changes disproportionately benefited better-off farmers with access to capital and markets, while small and marginal farmers struggled to cope with price fluctuations, rising input costs, and reduced state support. This phase also witnessed growing rural distress, income stagnation, and an increase in farmer suicides in several states.

National Agricultural Policy 2000: Towards Sustainable Agriculture

In response to the emerging challenges, the Government of India launched the **National Agricultural Policy (NAP) 2000**, which aimed to provide a long-term vision for sustainable and equitable agricultural growth. The policy proposed a holistic approach focusing on productivity enhancement, diversification, employment generation, and environmental sustainability. Key features included the promotion of biotechnology, improvement in infrastructure (such as storage and irrigation), development of agro-processing industries, and greater involvement of private sector and cooperatives. It also advocated institutional reforms like tenancy liberalization, computerization of land records, and strengthening of rural credit systems. Moreover, the NAP emphasized the need for risk management through expansion of crop insurance and market intelligence. While the policy was visionary in scope, its impact

was diluted by fragmented implementation, lack of coordination between Centre and States, and limited investment in agri-infrastructure.

Emerging Paradigm (2015 onwards): Doubling Farmers' Income and Reform Push

In 2016, the government articulated an ambitious goal to double farmers' income by 2022–23, signaling a fundamental shift from a production-centric to an income-centric policy approach. This ushered in a new phase of agricultural reforms focused on improving farm profitability, enhancing market access, and strengthening rural resilience. The policy strategy included expanding irrigation under Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), reducing post-harvest losses through the Agriculture Infrastructure Fund (AIF), and promoting digital platforms like e-NAM to unify national agri-markets. Financial support through schemes like PM-KISAN, and crop risk coverage under PMFBY, were scaled up to stabilize rural incomes. The introduction of the three farm laws in 2020—aimed at liberalizing agri-markets, enabling contract farming, and removing stock limits—represented a bold but contentious reform. Following massive protests and the subsequent repeal of the laws in 2021, the government signaled a more consultative approach to future reforms. The post-2020 period has also seen increased focus on climate-smart agriculture, natural farming, agri-startups, and digital innovation, forming the foundation of what is now referred to as the emerging New Agricultural Policy 2022.

7.4 Rationale for a New Agricultural Policy (2022–2024)

India's agricultural sector stands at a critical juncture. While earlier policies helped the country achieve food self-sufficiency and improve productivity, contemporary challenges—ranging from stagnant farm incomes and ecological degradation to climate change and market inefficiencies—have exposed the limitations of traditional policy frameworks. These challenges necessitate a paradigm shift towards a new, holistic agricultural policy that aligns with emerging national priorities such as doubling farmers' income, ensuring sustainability, enhancing competitiveness, and leveraging digital technology. The rationale for such a policy revision has become increasingly urgent, particularly in the post-pandemic recovery phase and amid geopolitical disruptions affecting food and energy security globally.

1. Addressing Agrarian Distress and Low Farm Incomes

Despite being the primary livelihood for nearly 45% of India's workforce, agriculture contributes only about 18% to the country's Gross Value Added (GVA) (Economic Survey,

2022–23). A significant proportion of Indian farmers remain trapped in low-income cycles due to small and fragmented landholdings, poor access to markets, erratic weather, and rising input costs. Real farm incomes have grown sluggishly over the past decade, and the average monthly income of an agricultural household was ₹10,218 in 2018–19, according to the National Statistical Office (NSO, 2021). Recognizing this, the Government of India adopted a strategic objective in 2016 to double farmers' income by 2022–23 (Chand, 2017), which now underpins the shift in focus from production to profitability, forming a central rationale for the New Agricultural Policy.

2 Modernizing Agricultural Markets and Infrastructure

The existing agricultural marketing system—dominated by state-run Agricultural Produce Market Committees (APMCs)—has been criticized for inefficiencies, lack of transparency, and high intermediation costs. Despite efforts like the Electronic National Agriculture Market (e-NAM), most farmers continue to sell their produce in local mandis at non-remunerative prices. To address this, the draft “Model Act on Agricultural Marketing” and schemes like the Agriculture Infrastructure Fund (AIF) aim to modernize logistics, warehousing, and market linkages (PIB, 2022). The AIF, with a corpus of ₹1 lakh crore, seeks to finance post-harvest management infrastructure and community farming assets. The policy emphasis is now shifting towards creating ‘One Nation, One Market’, boosting rural infrastructure, and enabling direct farmer-to-consumer models, thereby necessitating a new policy framework that supports these objectives.

3. Promoting Climate-Resilient and Sustainable Agriculture

India is highly vulnerable to climate change, with agriculture being the most affected sector. Rising temperatures, changing rainfall patterns, and increasing frequency of extreme weather events such as droughts, floods, and cyclones are threatening agricultural productivity and food security. The Economic Survey (2021–22) highlighted that climate variability could reduce farmers' incomes by 15–18% on average. Therefore, the need for an agricultural policy that incorporates climate resilience, sustainable practices, and ecosystem restoration has gained prominence. Programmes like the National Mission on Sustainable Agriculture (NMSA) and the promotion of Natural Farming and Zero Budget Natural Farming (ZBNF) under the PM-PRANAM scheme (MoA&FW, 2023) are steps in this direction, but a cohesive national policy is required to integrate these initiatives under a unified vision.

4 Leveraging Digital Agriculture and Technological Disruption

Digital technologies have the potential to transform Indian agriculture by improving productivity, reducing transaction costs, and enhancing transparency. The launch of the Digital Agriculture Mission (2021–2025) aims to create a federated farmers' database, deploy artificial intelligence, GIS, drones, and blockchain in farming practices, and improve precision agriculture (NITI Aayog, 2021). The AgriStack initiative proposes an integrated digital ecosystem to facilitate targeted subsidies, credit delivery, and crop advisories. As India witnesses a rapid digital transformation across sectors, the absence of a robust agricultural policy that incorporates digital governance, data privacy, and digital literacy would be a major policy gap.

5 Ensuring Food and Nutritional Security Post COVID-19

The COVID-19 pandemic underscored the critical importance of food and nutritional security, particularly for vulnerable populations. While the Public Distribution System (PDS) and the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) provided essential relief, it also exposed gaps in supply chains, storage, and nutritional diversity in public provisioning. The renewed focus on pulses, oilseeds, and coarse grains (millets), backed by the International Year of Millets 2023 campaign, reflects an effort to diversify consumption patterns and reduce import dependence. A new agricultural policy is thus essential to align production patterns with nutritional needs, reduce food loss, and promote sustainable consumption.

6 Responding to Farmer Movements and Political Economy Dynamics

The repeal of the three farm laws in 2021 following nationwide protests revealed a critical lesson: any future policy must be consultative, inclusive, and responsive to the concerns of farmers, especially small and marginal ones who comprise over 85% of Indian farmers (Agricultural Census, 2015–16). The need for policy legitimacy, stakeholder engagement, and equitable benefit-sharing is now more apparent than ever. A comprehensive policy framework must bridge the trust gap between the state and the farmers, ensuring that reforms are co-designed and not imposed.

The rationale for a New Agricultural Policy post-2020 stems from the convergence of several structural, environmental, and socio-political drivers. Rising rural distress, outdated marketing frameworks, ecological vulnerabilities, and rapid digitalization demand a bold yet inclusive transformation of India's agricultural policy landscape. As such, the emerging

policy vision is not merely a set of schemes but a coherent strategic realignment to ensure prosperity, resilience, and sustainability for Indian agriculture in the 21st century.

7.5 Objectives of the New Agricultural Policy Vision

The emerging contours of India's New Agricultural Policy (2022+) reflect a strategic shift from production-centric objectives to a farmer-centric, market-integrated, and climate-resilient approach. Rooted in the government's overarching goals of doubling farmers' income, ensuring sustainable food systems, and leveraging digital transformation, the policy focuses on multi-dimensional objectives. These goals align with India's broader socio-economic priorities under Vision 2047, Atmanirbhar Bharat, and the Sustainable Development Goals (SDGs). This section outlines the key policy objectives as discerned from official documents, reform blueprints, and recent initiatives.

1 Enhancing Farmers' Income and Livelihood Security

One of the most prominent objectives of the new policy vision is to enhance farmers' real income, ensuring dignified livelihoods for the agrarian population. The goal of doubling farmers' income by 2022–23, as stated in the Dalwai Committee Report (2017), emphasizes reducing input costs, increasing productivity, diversifying crops, and improving market access (Chand, 2017). The focus is no longer solely on increasing output, but on maximizing net returns from farming. This includes promoting allied sectors such as animal husbandry, fisheries, and agro-forestry, which contribute significantly to income diversification, especially for small and marginal farmers (Economic Survey, 2022–23).

2 Ensuring Food and Nutritional Security

While India has achieved food grain self-sufficiency, nutritional insecurity and hidden hunger remain persistent challenges. The New Agricultural Policy aims to align agricultural production with national nutritional goals by encouraging the cultivation of nutri-cereals (millets), pulses, oilseeds, and horticultural crops. The government's push during the International Year of Millets (2023) and crop diversification programs under NFSM (National Food Security Mission) are part of this agenda (MoA&FW, 2023). Additionally, linking agriculture with biofortified crops, promoting kitchen gardens, and reforming the Public Distribution System (PDS) to include diverse food groups are integral to achieving nutritional outcomes.

3 Promoting Sustainable and Climate-Resilient Agriculture

With India's agriculture sector highly vulnerable to climate change, a core objective of the new policy is to foster sustainability and resilience. The National Mission on Sustainable Agriculture (NMSA), promotion of Zero Budget Natural Farming (ZBNF), Agroecology, and water-saving technologies are central to this vision. The PM-PRANAM scheme (2023) incentivizes states to reduce chemical fertilizer usage and adopt organic methods (PIB, 2023). The objective also includes restoring soil health, conserving biodiversity, reducing the carbon footprint of agriculture, and integrating renewable energy (like solar pumps under PM-KUSUM).

4 Strengthening Agricultural Market Reforms and Value Chains

A crucial objective is to restructure agricultural markets to ensure better price realization and reduce market distortion. The vision includes integrating physical mandis with digital platforms like e-NAM, removing inter-state trade barriers, and promoting private sector investments in value chains. The proposed Model Act on Agricultural Marketing (2023 draft) emphasizes decentralized regulation, establishment of private wholesale markets, and contract farming arrangements (NITI Aayog, 2021). Emphasis is also laid on expanding Farmer Producer Organizations (FPOs) and supporting post-harvest infrastructure through the Agriculture Infrastructure Fund (AIF). This will enable farmers to transition from being price-takers to price-makers in a more competitive and efficient marketing environment.

5 Accelerating Technology Adoption and Digital Agriculture

Harnessing digital technology for agricultural transformation is a key objective of the policy vision. The Digital Agriculture Mission (2021–2025) aims to build an open-source digital ecosystem (AgriStack) comprising a federated farmers' database, real-time crop monitoring, precision agriculture tools, and digitally enabled services (MoA&FW, 2022). Such technology-led governance models are expected to improve efficiency, transparency, and evidence-based policy design.

6 Empowering Small and Marginal Farmers

With over 86% of Indian farmers categorized as small and marginal (Agricultural Census, 2015–16), the new policy prioritizes inclusive growth. Objectives include expanding access to institutional credit, land leasing rights, insurance coverage, and extension services for these farmers. The creation of cluster-based models through FPOs, cooperatives, and SHGs ensures that smallholders gain from economies of scale. Special emphasis is placed on SC/ST

farmers, women farmers, and migrants, integrating social equity with agrarian transformation (Chand & Saxena, 2022).

7 Promoting Agribusiness, Exports, and Rural Entrepreneurship

The new policy seeks to reposition agriculture as an agri-business enterprise rather than a subsistence activity. Objectives include strengthening value addition, food processing, branding, and access to international markets. The Agri Export Policy (2018) and Operation Greens are integrated into the vision of promoting high-value exports, cold chains, and branding of indigenous products. The Start-up Village Entrepreneurship Programme (SVEP) and incubators for agri-tech firms aim to build an entrepreneurial ecosystem in rural India. This is expected to generate non-farm employment and reduce pressure on land-based livelihoods.

The core objectives of the New Agricultural Policy 2022+ reflect an integrated approach to income security, sustainability, market efficiency, digital innovation, and equity. These goals are not isolated but interlinked, demanding multi-sectoral coordination, strong institutional mechanisms, and political will. A well-articulated policy based on these objectives can pave the way for resilient, inclusive, and future-ready agriculture in India.

8 Market Reforms and Infrastructure Modernization

One of the central features of the new policy vision is the restructuring of agricultural markets to improve price realization for farmers and reduce post-harvest losses. Recognizing the limitations of the APMC system—such as restricted trade, high commission charges, and lack of competition—the government has promoted reforms to create an integrated national agricultural market.

The expansion of the e-National Agriculture Market (e-NAM) has been a critical step. As of 2023, over 1,260 mandis across 22 states and union territories have been integrated with e-NAM, enabling online trading of more than 200 agricultural commodities (MoA&FW, 2023). Moreover, the Agriculture Infrastructure Fund (AIF), with an outlay of ₹1 lakh crore, supports the development of post-harvest infrastructure including cold storages, warehouses, grading units, and primary processing centers (PIB, 2022). These reforms aim to reduce food wastage, improve value realization, and attract private investment in rural infrastructure.

9 Digital Agriculture and Technological Integration

Digital transformation is a key pillar of the new policy vision. The Digital Agriculture Mission (2021–2025) seeks to develop an open digital ecosystem using the AgriStack, a federated farmer database that integrates information on land records, crop patterns, insurance, subsidies, and advisory services (NITI Aayog, 2021).

Technologies such as Artificial Intelligence (AI), Machine Learning (ML), Internet of Things (IoT), drones, and satellite imagery are being deployed for smart crop monitoring, weather forecasting, and precision input management. Pilot projects using drone-based spraying for fertilizers and pesticides were initiated in 2022 and scaled in 2023 under guidelines from the DGCA and MoA&FW. These digital tools not only enhance productivity but also enable data-driven decision-making, transparency in input delivery, and targeted subsidy disbursement through Direct Benefit Transfers (DBTs).

10 Climate-Smart and Sustainable Agriculture

Climate change is increasingly affecting Indian agriculture through erratic rainfall, droughts, floods, and temperature shocks. A core feature of the new policy is the integration of climate resilience and sustainability in farming systems. The government is promoting climate-smart agriculture (CSA) through adaptive cropping strategies, integrated nutrient and pest management, and resource-efficient technologies.

Under the PM-PRANAM (Promotion of Alternate Nutrients for Agriculture Management) scheme introduced in 2023, states are incentivized to reduce chemical fertilizer usage and promote organic inputs (PIB, 2023). Similarly, the National Mission on Natural Farming (NMNF) aims to expand Zero Budget Natural Farming (ZBNF) to over one crore farmers by 2025, focusing on soil health regeneration and biodiversity conservation. Water-use efficiency is being promoted through the “Per Drop More Crop” component of PMKSY, encouraging micro-irrigation systems like drip and sprinkler installations.

11 Financial Inclusion and Risk Mitigation

Another strategic pillar is enhancing farmers’ access to formal finance and risk protection mechanisms. The Pradhan Mantri Fasal Bima Yojana (PMFBY), restructured in 2020, offers affordable crop insurance with premium subsidies and faster claim settlements. As of 2022–23, PMFBY has covered over 37 crore farmer applications and approved claims worth over ₹1.30 lakh crore (MoA&FW, 2023).

In addition, schemes like PM-KISAN provide direct income support of ₹6,000 annually to over 11 crore eligible farmers via DBT, reducing dependence on informal credit. The policy also supports the expansion of Kisan Credit Cards (KCCs) to livestock and fisheries sectors. NABARD and commercial banks are facilitating concessional loans for FPOs, agri-startups, and self-help groups, thus expanding financial access for rural entrepreneurs.

12 Empowering Farmer Collectives and Value Chains

The promotion of Farmer Producer Organizations (FPOs) is central to the policy's objective of aggregation, bargaining power, and value addition. The Central Sector Scheme launched in 2020 aims to establish 10,000 new FPOs by 2027, with support for equity grants, credit guarantees, and capacity building (SFAC, 2022).

FPOs play a crucial role in collectivized input procurement, value chain integration, contract farming, and branding of local produce. These farmer collectives enable economies of scale, improve access to markets and finance, and reduce dependence on intermediaries. They also serve as platforms for training and technology dissemination, especially for women farmers, tribal cultivators, and SC/ST beneficiaries.

13 Agri-Entrepreneurship, Startups, and Export Promotion

The new policy emphasizes the transformation of agriculture into a modern enterprise. The Start-up Agri India Scheme, supported by RKVY-RAFTAAR incubators, funds innovations in areas like precision farming, climate resilience, supply chain logistics, and agri-fintech.

India's Agri Export Policy (2018) is aligned with the policy vision to promote export-oriented agriculture, targeting key products like basmati rice, organic produce, spices, and processed foods. Export hubs are being developed in districts with comparative advantage, and sanitary-phytosanitary (SPS) standards are being upgraded to meet global compliance. Export earnings from agriculture reached \$50 billion in FY 2022–23, indicating the growing integration of Indian agriculture with global value chains (APEDA, 2023).

The New Agricultural Policy 2022+ is driven by a multipronged strategic architecture combining market liberalization, technological innovation, climate resilience, financial empowerment, and institutional reform. Each pillar reinforces the other, creating a robust ecosystem for sustainable and inclusive agricultural growth. These features signal a shift toward Atmanirbhar Krishi (self-reliant agriculture), with the farmer at the center of reform, investment, and innovation.

7.6 Major Schemes Supporting the Policy Framework

The New Agricultural Policy 2022+ draws its operational strength from a robust array of flagship central sector and centrally sponsored schemes. These schemes function as the implementation arms of the policy, translating its objectives into measurable outcomes across income support, infrastructure creation, risk mitigation, technology infusion, and sustainability. This section outlines the key government schemes that serve as foundational pillars to realize the strategic vision of India's emerging agricultural policy.

1 Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)

Launched in December 2018, PM-KISAN is a direct income support scheme aimed at supplementing the financial needs of farmers for purchasing inputs and services. Under this scheme, eligible farmer families receive ₹6,000 per year in three equal installments, directly transferred to their Aadhaar-linked bank accounts. As of March 2023, over 11 crore beneficiaries have received transfers amounting to more than ₹2.60 lakh crore (MoA&FW, 2023). This scheme plays a pivotal role in stabilizing small and marginal farmers' incomes and reducing their dependence on informal credit.

2 Pradhan Mantri Fasal Bima Yojana (PMFBY)

Introduced in 2016, PMFBY is India's flagship crop insurance scheme, designed to provide financial protection against yield loss due to natural calamities, pests, and diseases. The scheme offers uniform premium rates (2% for Kharif, 1.5% for Rabi, and 5% for commercial crops), with the remaining burden subsidized by the government. A major revamp in 2020 made the scheme voluntary for farmers and introduced technology-based claim settlement (e.g., remote sensing, mobile apps). By 2023, the scheme had processed over 37 crore applications and settled claims worth more than ₹1.3 lakh crore (MoA&FW, 2023; PIB, 2023).

3 Agriculture Infrastructure Fund (AIF)

The Agriculture Infrastructure Fund, launched in July 2020, is a ₹1 lakh crore financing facility to support the development of post-harvest management infrastructure and community farm assets. It provides medium to long-term debt financing at subsidized interest rates, along with 3% interest subvention and credit guarantee coverage. Eligible entities include FPOs, SHGs, PACS, agri-entrepreneurs, and state agencies. By the end of 2022–23,

over ₹20,000 crore worth of projects had been sanctioned under AIF, contributing to storage, logistics, and primary processing improvements (PIB, 2023; AIF Dashboard, 2023).

4 e-NAM (Electronic National Agriculture Market)

e-NAM is a pan-India electronic trading portal, launched in 2016, that integrates the existing APMC mandis to create a unified national market for agricultural commodities. It facilitates transparent, competitive bidding, online payments, and quality assaying services. As of 2023, more than 1,260 mandis across 22 states have been integrated with e-NAM, with over 1.75 crore farmers and 2.3 lakh traders registered on the platform (MoA&FW, 2023). e-NAM plays a crucial role in price discovery, reducing intermediation costs, and enhancing market access for farmers.

5 PM-KUSUM (Kisan Urja Suraksha evam Utthaan Mahabhiyan)

PM-KUSUM, launched in 2019, aims to promote the decentralized use of solar energy in agriculture by providing financial support for installing solar pumps, grid-connected solar power plants, and solarization of existing grid-connected pumps. The scheme has three components:

- Installation of decentralized solar-powered plants,
- Stand-alone solar pumps,
- Grid-connected pump solarization.

The scheme contributes to energy sustainability, reduces input costs, and helps in achieving India's renewable energy targets. As of 2023, over 4.5 lakh solar pumps had been installed, with many states scaling up adoption (MNRE, 2023).

6 Formation and Promotion of Farmer Producer Organizations (FPOs)

Under the Central Sector Scheme launched in 2020, the government aims to form and promote 10,000 new FPOs by 2027. FPOs are legally registered farmer collectives that provide services such as collective input procurement, aggregation, market access, and value addition. The scheme provides equity grants, credit guarantees, and capacity building support through implementing agencies like SFAC, NABARD, and NCDC. As of early 2023, over 4,000 FPOs had been registered under the scheme, with enhanced focus on women-led and tribal FPOs (SFAC, 2023).

7 National Mission on Natural Farming (NMNF)

Launched in 2022, NMNF supports the adoption of natural and chemical-free farming practices. The mission aims to bring one crore farmers under natural farming by 2025 through capacity building, community adoption, and integration with value chains. The policy complements environmental sustainability goals by reducing dependency on synthetic fertilizers and pesticides. NMNF builds on state-level pilots like Andhra Pradesh's ZBNF model and aligns with the PM-PRANAM scheme, which incentivizes states to reduce chemical input use (PIB, 2023).

8 Digital Agriculture Mission and AgriStack

The Digital Agriculture Mission (2021–2025) is building a federated digital ecosystem that will host farmer-centric services using the AgriStack platform. This includes digital land records, crop mapping, subsidy targeting, input management, and advisory dissemination. Public-private partnerships with agri-tech firms have been piloted in states like Madhya Pradesh, Maharashtra, and Karnataka. The initiative is expected to significantly enhance efficiency, transparency, and personalization of agricultural extension and benefit delivery (MoA&FW, 2022).

Together, these schemes operationalize the strategic vision of the New Agricultural Policy 2022+ by targeting various stages of the agricultural value chain—from pre-sowing input support and risk mitigation to post-harvest infrastructure and market linkages. They provide a framework for financial empowerment, technological modernization, institutional reform, and environmental sustainability. Their convergence under a unified policy vision holds the potential to transform Indian agriculture into a resilient, inclusive, and innovation-driven sector.

7.7 Institutional and Financial Framework

An effective policy is not only defined by its objectives and schemes but also by the institutional architecture and financial mechanisms that underpin its implementation. The New Agricultural Policy 2022+ is supported by a multi-layered institutional framework involving central and state governments, financial institutions, cooperatives, producer organizations, and development agencies. This section explores the critical institutions and funding structures that facilitate the execution of India's contemporary agricultural reforms.

1 Central and State Governments: Policy Coordination and Federal Design

India's Constitution places agriculture in the State List, making states primarily responsible for agricultural governance. However, central institutions like the Ministry of Agriculture and Farmers' Welfare (MoA&FW) and NITI Aayog play a key role in policy framing, budget allocation, and flagship scheme implementation. The federal character of Indian agriculture means that for reforms such as APMC modernization, digital agriculture, and natural farming, center–state coordination is essential.

Inter-ministerial bodies like the Empowered Committee on Doubling Farmers' Income, the National Council for Farmer Welfare, and the Inter-Ministerial Committee on Agriculture Infrastructure have been constituted to enhance policy synergy and cooperative federalism (Chand, 2017; MoA&FW, 2022).

2 NABARD: Apex Rural Credit and Development Institution

The National Bank for Agriculture and Rural Development (NABARD) plays a pivotal role in India's agricultural finance and rural development ecosystem. It is the implementing and refinancing agency for several schemes under the new policy framework, including:

- Rural Infrastructure Development Fund (RIDF)
- Agri Infrastructure Fund (AIF)
- Micro Irrigation Fund (MIF)

In FY 2022–23, NABARD disbursed over ₹3.5 lakh crore in rural credit and project finance (NABARD Annual Report, 2023). It also facilitates the development of FPOs, SHGs, and cooperative banks, and conducts capacity-building programs for rural financial institutions and state agriculture departments.

3 Small Farmers' Agribusiness Consortium (SFAC) and FPO Ecosystem

The SFAC, an autonomous body under the MoA&FW, is the nodal agency for the 10,000 FPO formation scheme. SFAC provides technical, legal, and financial assistance to help farmer collectives access markets, inputs, and infrastructure. It manages schemes such as:

- Equity Grant and Credit Guarantee Scheme
- Venture Capital Assistance Scheme
- Market Intelligence and Value Chain Development

By supporting the aggregation of smallholders into formal structures, SFAC enhances inclusivity, bargaining power, and economies of scale, which are critical to the success of the new policy vision (SFAC, 2023).

4 Agricultural and Cooperative Banks: Credit Delivery Mechanism

The success of agricultural reforms hinges on timely and affordable credit. India's multi-agency rural credit system includes:

- Scheduled Commercial Banks
- Regional Rural Banks (RRBs)
- Primary Agricultural Credit Societies (PACS)
- State Cooperative Banks

The Kisan Credit Card (KCC) scheme, facilitated through these institutions, is a key credit delivery channel, especially for small and marginal farmers. As of 2023, over 7 crore KCCs had been issued, including for livestock and fisheries sectors (MoF, 2023). Cooperative institutions like PACS are also being upgraded as Common Service Centres (CSCs) to serve as one-stop hubs for agri-services, credit, inputs, and digital access.

5 Financial Outlays and Budgetary Support

The financial commitment of the Government of India to agriculture has significantly increased in recent years. The Union Budget 2023–24 allocated approximately ₹1.25 lakh crore to the Department of Agriculture and Farmers' Welfare, marking a fivefold increase since 2013–14 (MoF, 2023). Key allocations include:

- ₹60,000 crore for PM-KISAN
- ₹13,625 crore for PMFBY
- ₹22,000 crore for AIF and Agri Credit Subsidies
- ₹1,500 crore for Digital Agriculture Initiatives

In addition, priority sector lending norms mandate that 18% of net bank credit be allocated to agriculture. This ensures that both short-term working capital and long-term investment loans are available to farmers and agri-entrepreneurs.

6 Multilateral and Private Sector Participation

The emerging policy framework also encourages partnerships with multilateral institutions such as the World Bank, International Fund for Agricultural Development (IFAD), and FAO, which support agricultural resilience, natural resource management, and value chain development. The government has also opened avenues for private sector involvement in FPO formation, agri-tech innovations, precision farming, and input delivery. Public–Private Partnerships (PPPs) are being promoted under schemes like AIF, Agri Clinics and Agri Business Centres (ACABC), and agri-logistics platforms.

The institutional and financial framework of the New Agricultural Policy 2022+ reflects a multi-stakeholder approach, combining state capacity, cooperative structures, financial institutions, and private innovation. The robust involvement of NABARD, SFAC, cooperative banks, and digital platforms ensures that the policy is financially viable, institutionally grounded, and administratively scalable. Going forward, strengthening these institutions and ensuring their interoperability will be key to realizing the vision of inclusive, competitive, and sustainable agriculture.

7.8 Policy Innovations and Governance Reforms

One of the distinctive features of the New Agricultural Policy 2022+ is the introduction of institutional innovations and governance reforms that aim to transform the operational and regulatory landscape of Indian agriculture. Recognizing the limitations of conventional top-down approaches, the new policy framework emphasizes data-driven, transparent, decentralized, and inclusive governance mechanisms. These innovations are designed to improve policy implementation, reduce leakages, enhance accountability, and empower stakeholders—especially farmers, producer groups, and local governments.

1 Real-Time Benefit Transfer and Digitized Subsidy Systems

A key innovation in governance is the widespread adoption of Direct Benefit Transfers (DBTs) to ensure the timely, transparent, and targeted delivery of subsidies and entitlements. Under schemes like PM-KISAN, fertilizer subsidies, and crop insurance settlements (PMFBY), financial assistance is transferred directly into Aadhaar-linked bank accounts of beneficiaries. As of 2023, over ₹2.60 lakh crore had been disbursed under PM-KISAN alone (MoA&FW, 2023). Digitization has also been extended to the Public Distribution System (PDS), fertilizer retail through point-of-sale (PoS) devices, and agri-credit monitoring, thereby reducing corruption, duplication, and inefficiency.

2 Creation of a Unified Farmer Database and AgriStack

The Digital Agriculture Mission has ushered in a major governance reform through the creation of a federated farmer database, linked with land records, KYC, cropping patterns, and scheme entitlements. This database forms the foundation of the proposed AgriStack, a digital ecosystem that integrates government schemes, agri-advisory, insurance, credit, input delivery, and marketing services (NITI Aayog, 2021).

Pilots of AgriStack have already been launched in states like Madhya Pradesh, Maharashtra, and Karnataka in collaboration with private agri-tech firms. The goal is to provide personalized, real-time, and location-specific services to farmers, while also enabling better policy targeting and resource allocation.

3 Participatory and Decentralized Governance Models

The new policy framework emphasizes bottom-up planning and community participation in agricultural governance. Initiatives like the Formation of Farmer Producer Organizations (FPOs) promote collective decision-making, resource pooling, and democratic control over production and marketing. Panchayati Raj Institutions (PRIs) and Gram Sabhas are being engaged in natural farming promotion, water-use efficiency programs, and climate adaptation initiatives.

The Cluster-Based Business Organization (CBBO) model introduced under the FPO scheme ensures local anchoring and handholding support for small farmers, especially women, SC/ST, and tribal groups (SFAC, 2023). These participatory structures represent a shift from centralised bureaucracy to grassroots-led governance.

4 Data-Driven Monitoring and Performance-Based Allocations

The New Agricultural Policy 2022+ incorporates performance-based allocation mechanisms using data analytics and digital dashboards. Ministries are using Geographic Information Systems (GIS), remote sensing, and mobile-based monitoring tools to track:

- Crop patterns and yields
- Water stress and irrigation coverage
- Credit utilization
- Scheme effectiveness

Dashboards such as the AgriInfra Portal, PMFBY portal, and Krishi Vigyan Kendra (KVK) monitoring platforms help policymakers analyze trends, detect anomalies, and take timely corrective actions (MoA&FW, 2023). This marks a significant departure from the previous reliance on outdated manual reporting systems.

5 Legal and Regulatory Reforms for Enabling Ecosystem

A critical component of governance reform has been the effort to modernize agricultural laws and regulations to support liberalized and competitive markets. Although the three central farm laws introduced in 2020 were repealed in 2021 due to widespread protests, they triggered a renewed discussion on consensual reform pathways. The government is now facilitating Model Acts and draft policies on:

- Contract farming regulation
- Private wholesale markets
- Agricultural land leasing
- Agri-export promotion

Several states, such as Karnataka and Maharashtra, have adopted elements of these models, reflecting a progressive shift toward market-oriented governance while retaining federal flexibility (NITI Aayog, 2022).

6 Gender-Sensitive and Inclusive Governance

Gender equity has been mainstreamed in several schemes under the new policy vision. The government has introduced gender budgeting in agriculture, and schemes like Mahila Kisan Sashaktikaran Pariyojana (MKSP) focus on empowering women in production, processing, and marketing.

Data from NABARD and SFAC show a growing share of women-led FPOs, SHGs, and micro-enterprises benefiting from credit, training, and infrastructure support. Gender-disaggregated data collection, priority in scheme implementation, and training of extension workers in gender-sensitive approaches have been institutionalized (NABARD, 2023).

The governance reforms under the New Agricultural Policy 2022+ represent a systemic transformation in how agriculture is administered, monitored, and delivered in India. From digital inclusion and real-time service delivery to participatory governance, regulatory

reforms, and gender mainstreaming, the policy introduces modern and accountable frameworks suited to the demands of the 21st-century agricultural economy. These innovations promise not only to enhance efficiency and transparency but also to build trust and responsiveness in agrarian governance.

7.9 Challenges in Implementation

While the New Agricultural Policy 2022+ presents an ambitious and forward-looking agenda for transforming Indian agriculture, its successful implementation faces multiple structural, institutional, socio-economic, and political hurdles. These challenges, if not addressed with urgency and coordinated efforts, could limit the intended outcomes related to income enhancement, sustainability, market efficiency, and digital transformation. This section outlines the major challenges confronting the operationalization of the policy vision.

1 Centre–State Coordination and Federal Limitations

Agriculture is constitutionally a State Subject under Entry 14 of the State List in the Indian Constitution. This creates institutional asymmetries, where centrally initiated reforms (e.g., APMC modernization, land leasing laws, contract farming) often face resistance or slow adoption at the state level. The repeal of the three farm laws in 2021 after large-scale protests reflected the importance of building consensus and political alignment in a federal setup (NITI Aayog, 2022).

States differ widely in terms of infrastructure, market readiness, digital capacity, and administrative efficiency, leading to policy fragmentation and uneven outcomes across regions. Coordinated governance mechanisms are often weak, with duplication of efforts and lack of accountability between levels of government.

2 Limited Institutional and Administrative Capacity

Effective policy implementation requires strong administrative capacity at the grassroots level, including trained extension workers, data management systems, and decentralized institutions. However, Krishi Vigyan Kendras (KVKs), agricultural universities, and extension systems remain understaffed, under-resourced, and poorly networked in many states (MoA&FW, 2022).

Digital initiatives such as AgriStack demand robust digital literacy, connectivity, and interoperability of databases—areas where rural India faces considerable deficits. Many

states also lack the capacity to manage and monitor complex schemes like natural farming, post-harvest value chains, or PPP projects, leading to inefficiencies.

3 Inadequate Access to Credit and Insurance

Despite the expansion of Kisan Credit Cards (KCCs) and PMFBY, millions of small and marginal farmers still depend on informal sources of finance. The institutional credit penetration is disproportionately skewed toward larger landowners and commercial crops, while tenants, sharecroppers, and tribal farmers remain financially excluded (NABARD, 2023).

PMFBY, while ambitious in coverage, suffers from delayed claim settlements, low awareness, and limited enrollment in vulnerable regions. The high actuarial premium and withdrawal of some private insurers have also constrained its outreach. Credit-linked schemes like AIF and FPO loans often suffer due to complex documentation requirements and lack of collateral among smallholders.

4 Digital Divide and Technology Access

Digital agriculture is a cornerstone of the new policy, but its success is contingent on bridging the digital divide. According to the Internet and Mobile Association of India (IAMAI), internet penetration in rural India remains below 40% as of 2022, and access to smartphones, digital literacy, and real-time advisories is skewed toward urban or peri-urban areas (IAMAI, 2022).

Farmers in remote regions often face language barriers, limited tech infrastructure, and poor connectivity, making it difficult to fully leverage platforms like e-NAM, PMFBY portals, and drone services. Without strong capacity-building measures and localized tech adaptation, digital agriculture risks exacerbating rural inequality.

5 Market and Supply Chain Bottlenecks

The success of policy initiatives like e-NAM, FPO market integration, and export promotion depends on the existence of robust market linkages, logistics, and value chains. However, much of rural India lacks access to cold chains, grading units, warehouses, and processing facilities, leading to 30–40% post-harvest losses in perishables like fruits and vegetables (APEDA, 2023).

Smallholder farmers also lack price information, bargaining power, and risk absorption capacity, making them vulnerable to middlemen exploitation and market shocks. Integration with modern retail or export value chains is often limited by standardization, traceability, and certification barriers.

6 Socioeconomic and Gender Inequities

A significant challenge is the persistent exclusion of women farmers, landless workers, SC/ST farmers, and marginal groups from mainstream agricultural services. Although women constitute over 30% of agricultural workers, less than 15% own land, restricting their access to subsidies, credit, and formal entitlements (NABARD, 2023; FAO, 2021).

Additionally, policy narratives often overlook the seasonal migration, caste dynamics, and generational disengagement from agriculture among rural youth. Without socially inclusive reforms, many of the schemes may end up benefiting better-off rural elites, thereby reinforcing existing disparities.

The successful implementation of the New Agricultural Policy 2022+ hinges on the ability to overcome systemic and operational challenges—from political coordination and administrative efficiency to digital inclusivity and financial access. Strengthening institutional capacities, cooperative federalism, localized planning, and social equity mechanisms will be vital to ensure that the policy delivers tangible benefits to India's 120 million-plus farming households.

7.10 Conclusion and Way Forward

The New Agricultural Policy 2022+ represents a significant shift in India's agrarian strategy, moving beyond the traditional paradigm of food self-sufficiency and production maximization toward a more integrated, inclusive, and futuristic vision centered on farmers' income, sustainability, digitalization, and market competitiveness. While the policy is not encapsulated in a single formal document, its contours are defined through a multitude of schemes, missions, regulatory shifts, and institutional reforms undertaken in the post-2020 period. These efforts reflect a comprehensive attempt to align Indian agriculture with the country's broader developmental priorities under Atmanirbhar Bharat, Vision 2047, and the Sustainable Development Goals (SDGs).

The policy framework recognizes that agriculture is no longer just a livelihood activity—it must evolve into a dynamic enterprise capable of absorbing technology, managing climate

risks, integrating with global markets, and fostering rural entrepreneurship. From promoting digital agriculture platforms like AgriStack, expanding direct income support (PM-KISAN), scaling up crop insurance (PMFBY) and post-harvest infrastructure (AIF), to enabling climate-smart and natural farming practices—the policy blends welfare with competitiveness, and inclusion with innovation.

However, the journey ahead is fraught with complex challenges. These include fragmented landholdings, weak federal coordination, rural digital divide, credit constraints, socio-economic inequalities, and institutional inertia. Policy success will thus depend on how effectively India:

- Strengthens Centre–State partnerships for cooperative agricultural federalism;
- Upgrades rural digital infrastructure and farmer digital literacy;
- Empowers smallholders, tenant farmers, and women cultivators through ownership rights and institutional linkages;
- Enhances public investment in extension, market intelligence, and storage infrastructure;
- Encourages agri-startups and youth participation in the farm economy.

Going forward, the next phase of agricultural policy reform must be grounded in evidence-based planning, stakeholder consultations, and region-specific strategies that recognize the heterogeneity of Indian agriculture. The real promise of the New Agricultural Policy lies not merely in structural reform, but in building trust with the farming community, democratizing technology access, and creating resilient food systems that serve both producers and consumers equitably.

In sum, the New Agricultural Policy 2022+ provides a transformative blueprint for revitalizing Indian agriculture. If implemented with integrity, coordination, and inclusivity, it can serve as a cornerstone for India’s aspirations of food sovereignty, rural prosperity, and global leadership in sustainable agriculture.

Check Your Progress

Q1. What are the main objectives of the New Agricultural Policy 2022?

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Q2. Name three central schemes that support income and risk management for farmers.

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Q3. Explain the rationale behind New Agricultural Policy?

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7.11 Let Us Sum Up

The New Agricultural Policy 2022+, although not released as a singular document, reflects a transformative policy shift in India’s approach to agriculture. This chapter traced the evolution of agricultural policy from the post-independence era to the modern, income-centric and market-oriented vision emerging post-2020.

The policy emphasizes enhancing farmers' income, ensuring nutritional and food security, promoting sustainability, expanding digital agriculture, and building efficient agri-value chains. It is supported by a series of schemes like PM-KISAN, PMFBY, AIF, FPO promotion, and the Digital Agriculture Mission, underpinned by institutions such as NABARD, SFAC, and state departments.

However, challenges persist—ranging from centre–state coordination and digital divides to financing gaps and exclusion of vulnerable groups. Overcoming these requires strong federal cooperation, investment in capacity-building, inclusive institutional design, and grassroots-level policy responsiveness.

Ultimately, the policy provides a blueprint to modernize Indian agriculture and align it with 21st-century needs, sustainability goals, and rural aspirations.

7.12 Keywords

- **AgriStack:** A digital platform integrating data on land, crops, credit, and services for farmers.
- **APMC:** Agricultural Produce Market Committee—state-regulated wholesale markets for farm produce.

- **Climate-Smart Agriculture (CSA):** Farming approaches that adapt to climate change while ensuring productivity.
- **Direct Benefit Transfer (DBT):** Government payments made directly to beneficiaries' bank accounts to reduce leakages.
- **FPO (Farmer Producer Organization):** Farmer-led institutions that collectively engage in input procurement, production, and marketing.
- **Kisan Credit Card (KCC):** A scheme offering farmers affordable, revolving working capital credit.
- **PMFBY:** Pradhan Mantri Fasal Bima Yojana, a crop insurance scheme protecting farmers against yield loss.
- **PM-KISAN:** Direct income support scheme for farmers providing ₹6,000 annually.
- **Zero Budget Natural Farming (ZBNF):** A method of farming without external chemical inputs, using local resources.

7.13 Suggestive Readings

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7.14 Hints to Check Your Progress

CYP-I

Q1. Refer to section 7.5

Q2. Refer to section 7.6

Q3. Refer to section 7.4

7.15 Examination Oriented Question

Q1. Explain the rationale for transitioning from a production-centric to an income-centric agricultural policy.

Q2. What is the objective of the Agriculture Infrastructure Fund (AIF)?

Q3. Discuss the role of e-NAM in agricultural market reforms.

Q4. What are the key features of the PM-KUSUM scheme?

Q5. Briefly describe the role of Farmer Producer Organizations (FPOs) in the new policy framework.

Q6. Critically analyze the key objectives and strategic pillars of the New Agricultural Policy 2022+. How does it differ from earlier policy frameworks?

Q7. Discuss the major schemes that support the New Agricultural Policy 2022+. How do they address the challenges of rural distress, climate change, and digital integration?

Q8. Evaluate the governance and institutional innovations introduced under the new policy. In what ways do they improve accountability, transparency, and inclusiveness?

Q9. Identify and explain the key implementation challenges faced by the New Agricultural Policy 2022+. What strategies would you suggest to overcome these issues?

Q10. How does the New Agricultural Policy 2022+ align with India's commitments under Sustainable Development Goals (SDGs) and Vision 2047? Provide a detailed analysis.

M.A. Eco Sem II	Budget 2023- Support for Agricultural Sector	Unit -II
Eco 207		Lesson 8

Structure

8.0 Objectives

8.1 Learning Outcomes

8.2 Introduction

8.3 Agriculture Sector: Role and Significance

8.4 Challenges faced by Agricultural Sector

8.5 Budget 2023- Support for Agricultural Sector

8.6 Other Key Announcements

8.7 Conclusion and Policy Reflections

8.8 Let us sum up

8.9 Keywords

8.10 Suggestive Readings

8.11 Hints to Check your progress

8.12 Examination Oriented Questions

8.0 Objectives

The main objectives of this lesson are to enable you to:

- Deduce the importance of agriculture in the Indian economy
- Learn about the key initiatives and schemes introduced in Budget 2023 to support the agriculture sector
- Examine the expected outcomes of these measures on farmers' welfare, productivity, and rural infrastructure

8.1 Learning Outcomes

After going through this lesson, you will be able to:

- Gain knowledge of the agricultural focus in Budget 2023
- Identify and explain the various policies and programs launched to strengthen the agriculture value chain
- Discuss how Budget 2023 aims to improve income, technology access, and market linkages for Indian farmers

8.2 Introduction

Dear Learner, after going through this chapter, you will understand how the Union Budget 2023–24 seeks to strengthen the agricultural sector through a mix of financial support, structural reforms, and technology-driven solutions. Agriculture remains a cornerstone of India's economy, employing nearly half of the workforce and contributing significantly to food and livelihood security. The Budget reflects a strategic shift from input subsidies to targeted investments in infrastructure, sustainability, credit systems, and digital platforms. Through focused initiatives such as the promotion of millets, climate-resilient farming, cooperative modernization, and support for agri-tech start-ups, Budget 2023 aims to make Indian agriculture more inclusive, competitive, and future-ready. This chapter will provide

you with detailed insights into these policy measures, their implications, and the roadmap they lay out for rural transformation.

8.3 Agriculture Sector: Role and Significance

The agriculture and allied sectors have shown strong performance in recent years, largely due to various government initiatives aimed at improving both crop and livestock productivity. Key efforts include ensuring farmers receive assured returns through price support mechanisms, encouraging crop diversification, and strengthening market infrastructure—particularly by promoting farmer-producer organisations and investing in infrastructure via the Agriculture Infrastructure Fund. Additionally, the government's focus on expanding credit access, advancing farm mechanisation, and supporting the growth of horticulture and organic farming has significantly contributed to the sector's progress. Agriculture remains the backbone of the Indian economy, anchoring both its socio-economic fabric and food security systems. Despite a structural transformation in recent decades, where the share of agriculture in Gross Domestic Product (GDP) has steadily declined—from approximately 52% in the 1950s to 18–19% in recent years—the sector still supports nearly 45% of the Indian workforce, making it the largest source of livelihood in the country. This underscores the enduring significance of agriculture not just as a food provider, but also as a critical pillar of rural employment, income generation, and poverty alleviation.

India is endowed with the largest arable land area in the world, and it consistently ranks among the top global producers of staples like rice, wheat, pulses, and horticultural crops. However, productivity remains a major concern, as average yields per hectare are 30–50% lower than global bests. This gap highlights the urgent need for technological modernization, scientific input use, and sustainable practices to enhance agricultural output.

In recent years, allied sectors—notably livestock, fisheries, and horticulture—have emerged as engines of rural growth and diversification. Between FY 2014–15 and FY 2022–23, the fisheries sector witnessed a Compound Annual Growth Rate (CAGR) of 8.9%, while the livestock sector has significantly improved the per capita availability of milk, eggs, and meat, contributing robustly to nutritional security and farmer incomes.

The Indian agricultural sector now faces a complex matrix of opportunities and challenges. On the one hand, India is the second-largest farm producer and ranks seventh globally in agri-exports, earning approximately US \$50 billion in FY 2022–23. On the other hand, the sector is grappling with monsoon variability, climate change pressures, and resource constraints,

including overexploited water tables and fragmented land holdings. The agricultural growth rate, which averaged 4.2% over five years, declined to 1.4% in FY 2023–24, reflecting the sector’s vulnerability to climatic and systemic shocks.

Amidst this backdrop, the role of public policy and budgetary support becomes pivotal. The Union Budget serves as a powerful tool to influence agricultural development through targeted investments, subsidies, institutional reforms, and incentives. The Union Budget 2023–24 comes at a crucial juncture, with a clear imperative to ensure food and nutrition security, support climate-resilient farming, and enable the transition to technology-driven and inclusive agricultural growth.

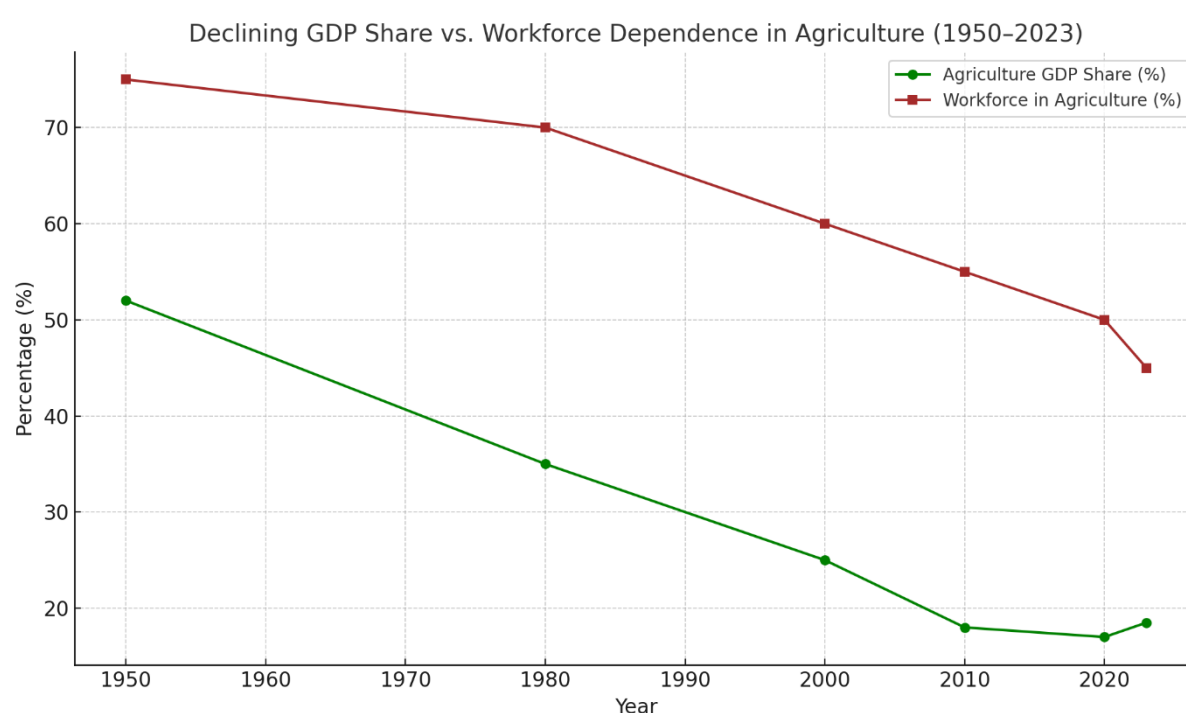


Figure 1 Declining GDP Share vs. Workforce Dependence in Agriculture (1950–2023)

Figure 8.1 illustrates a critical structural imbalance in the Indian economy. Over the past seven decades, agriculture’s share in Gross Domestic Product (GDP) has seen a sharp decline—from around 52% in 1950 to approximately 18.5% in 2023. This reflects the broader economic diversification toward industry and services. However, the proportion of the workforce dependent on agriculture has not declined at the same pace, falling only from about 75% in 1950 to 45% in 2023. This mismatch indicates that a large segment of India’s population remains dependent on a relatively low-value and low-productivity sector, exacerbating issues like underemployment, rural distress, and income disparity. The data underlines the need for policy interventions that improve agricultural productivity, enable

skill diversification, and create non-farm employment opportunities to ensure inclusive growth. It also reinforces the relevance of targeted public investment, such as that outlined in Union Budget 2023, to modernize agriculture and rebalance the economic structure.

8.4 Challenges faced by Agricultural Sector

India's agricultural sector faces a multitude of structural and environmental challenges that hinder its long-term sustainability and growth:

- 1. Declining Soil Health**

Soil fertility is critical to agricultural productivity, yet it is steadily deteriorating due to the excessive and indiscriminate use of chemical fertilizers, pesticides, and herbicides. This degradation not only affects crop yields but also compromises the long-term viability of farmland, posing a major threat to sustainable agriculture.

- 2. Water Scarcity:**

With just 4% of the world's freshwater resources supporting 16% of the global population, India is a water-stressed nation. Agriculture consumes nearly 80% of this limited supply. However, factors like overuse, inefficient water management, and the growing impacts of climate change are leading to widespread water shortages and recurring droughts in many regions.

- 3. Fragmented Landholdings:**

A large share of Indian farmers operate on small, fragmented plots of land. This fragmentation leads to operational inefficiencies, restricts access to credit, and limits the use of modern technologies and irrigation methods. As a result, it hinders productivity and prevents farmers from achieving economies of scale.

- 4. Low Agricultural Productivity:**

Compared to global standards, India's agricultural yields are relatively low. This is due to outdated farming techniques, poor infrastructure, limited access to timely information, and underutilization of modern agricultural technologies. The outcome is reduced profitability, lower farmer incomes, and minimal reinvestment in the sector.

5. Limited Access to Technology and Markets:

Modern technology and reliable market access are crucial for enhancing farm productivity and profitability. However, many Indian farmers remain disconnected from these enablers. A lack of robust market infrastructure and weak supply chains often results in farmers receiving low prices for their produce, further constraining their earning potential.

6. Impact of Climate Change:

The agricultural sector is increasingly vulnerable to the adverse effects of climate change. Erratic rainfall patterns, rising temperatures, and more frequent extreme weather events—such as floods, droughts, and cyclones—have a direct negative impact on crop output, threatening food security and the overall resilience of the agricultural system.

8.5 Budget 2023- Support for Agricultural Sector

The Union Budget 2023–24 was presented in the context of a global food and energy crisis, mounting climate risks, and the government’s ambition to build a resilient, tech-driven, and inclusive agricultural economy. While the budget allocation to the Ministry of Agriculture and Farmers’ Welfare stood at approximately ₹1.25 lakh crore, the real strength of the budget lay in structural policy signals, targeted schemes, and the emphasis on digital infrastructure, sustainability, and private sector participation.

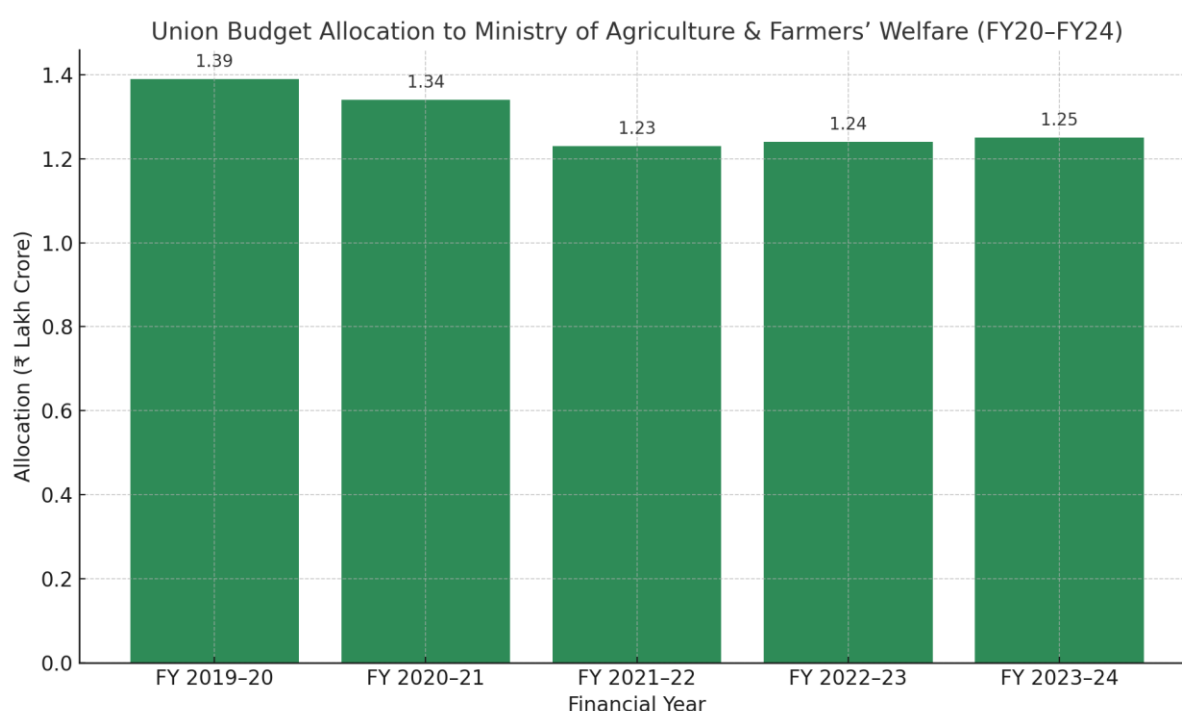


Figure 2 Union Budget Allocation to Ministry of Agriculture & Farmer's Welfare (FY20-FY24)

The Union Budget 2023–24 allocated approximately ₹1.25 lakh crore to the Ministry of Agriculture and Farmers' Welfare, reflecting a marginal increase over previous years. This allocation is part of a steady trend, with budgetary support hovering between ₹1.23 and ₹1.39 lakh crore since FY 2019–20. While this suggests fiscal consistency, it also indicates that the overall volume of funds dedicated to agriculture has plateaued, raising questions about adequacy in light of emerging climate and infrastructure demands. However, the qualitative shift in priorities within the allocation is more significant than the headline numbers. For instance, the continuation of PM-KISAN, India's flagship direct benefit transfer scheme for farmers, received the largest single allocation of ₹60,000 crore, underlining the government's commitment to income support and rural consumption stability.

Other major components of the budget include the reinforcement of the Agriculture Infrastructure Fund (AIF), which is pivotal in bridging gaps in storage, logistics, and post-harvest management. Notably, allocations have also favored the allied sectors, with increased funding to promote dairy, fisheries, and animal husbandry under schemes like PM Matsya Sampada Yojana. These trends signify a shift from traditional subsidy-driven approaches toward infrastructure development, value chain strengthening, and diversification of income sources for farmers. Moreover, while fertilizer subsidies and food procurement remain significant off-budget support mechanisms, their share in total agricultural outlay has been gradually rationalized to free up fiscal space for growth-oriented interventions.

In essence, Budget 2023 marks a transition point—moving beyond purely consumption-based support to creating a more enabling ecosystem for sustainable, inclusive agricultural growth. The government's intent appears to be not merely to spend more, but to spend better—targeting funds where they can catalyze long-term structural transformation. This nuanced reprioritization within a relatively stable fiscal envelope forms the backbone of the agricultural agenda in Budget 2023.

1 Digital Public Infrastructure for Agriculture

A standout feature of the Union Budget 2023–24 was the government's bold vision to create a Digital Public Infrastructure (DPI) for the agricultural sector. This initiative is expected to transform the Indian farming landscape by leveraging data, technology, and connectivity to improve productivity, transparency, and access to services. Announced as an open-source, open-standard, and interoperable platform, the proposed infrastructure is designed to be

farmer-centric and inclusive, enabling a wide array of stakeholders—farmers, agri-tech start-ups, government agencies, financial institutions, and marketplaces—to interact and transact on a unified digital ecosystem.

The DPI will serve as an integrated digital backbone, hosting and sharing real-time data related to weather, soil health, cropping patterns, market prices, pest management, and **agronomic** advisories. This is expected to bridge critical information gaps, particularly for small and marginal farmers who often lack timely access to technical know-how and decision-support systems. By empowering them with localized and dynamic insights, the platform aims to democratize agricultural knowledge and reduce reliance on traditional intermediaries.

Furthermore, the platform will facilitate credit and insurance access, a long-standing hurdle for millions of farmers. With digital identities, land records, and cropping histories stored securely, financial institutions can more easily evaluate creditworthiness and process collateral-free loans or crop insurance claims. The DPI will also support digital procurement, e-commerce linkages, input purchase platforms, and grievance redressal systems, helping create a more transparent and efficient value chain.

Another key benefit of this digital architecture is the promotion of start-up innovation. Agri-tech enterprises will be able to build customized applications and service layers using APIs (Application Programming Interfaces) on the platform, thereby expanding the reach of services like drone spraying, satellite-based crop monitoring, precision agriculture, and AI-driven farm diagnostics. This will stimulate entrepreneurial activity in rural India, generate employment, and make agriculture a more attractive sector for youth engagement.

The proposal aligns with successful models like India Stack (used in the financial and identity sectors) and builds on the experience of platforms such as eNAM (National Agriculture Market). It also supports the government's broader goals under Digital India, Atmanirbhar Bharat, and Gati Shakti, signaling a convergence of digital transformation with grassroots economic empowerment.

However, for this vision to be fully realized, attention must be paid to several enabling conditions: digital literacy, internet connectivity in rural areas, data privacy protections, and institutional readiness. Without these, the benefits may remain concentrated among tech-savvy or large farmers, thereby widening the rural digital divide. Hence, capacity building,

local language interfaces, and affordable access devices must complement the digital infrastructure rollout.

In summary, the Digital Public Infrastructure for Agriculture proposed in Budget 2023 represents a paradigm shift—from scheme-driven welfare to platform-driven empowerment. By enabling real-time, inclusive, and scalable solutions, it has the potential to redefine the way agricultural services are delivered, monitored, and expanded across India's diverse farming ecosystem.

2 Agri-Tech Start-ups and Youth Engagement

One of the forward-looking elements of the Union Budget 2023–24 was its emphasis on fostering a new generation of agri-entrepreneurs through targeted support for agri-tech start-ups and enhanced youth engagement. Recognizing that agriculture in India cannot be revitalized through traditional means alone, the budget proposed the creation of a dedicated Agriculture Accelerator Fund to stimulate innovation, enhance efficiency, and create new livelihood opportunities in the rural economy.

The proposed fund will serve as a catalyst for start-up incubation, especially in Tier II and Tier III regions, by offering seed capital, mentorship, technical support, and market linkages. These start-ups are expected to address critical gaps in the agricultural value chain—ranging from post-harvest management, input optimization, and mechanization to precision farming, supply chain traceability, and digital advisory services. With the right support, they can offer scalable, tech-enabled solutions tailored to the unique needs of small and marginal farmers, who often suffer from information asymmetry, low market access, and credit constraints.

This policy initiative is particularly significant in the context of India's growing rural demographic dividend. Over 65% of the population is under the age of 35, and a significant portion resides in rural areas. Yet agriculture is often perceived as low-income and unappealing to youth. By integrating technology and entrepreneurship into agriculture, the government aims to reverse this trend and make the sector aspirational. Start-ups can create pathways for youth to engage not only as farmers but also as agri-service providers, logistics managers, drone operators, soil health technicians, and supply chain entrepreneurs.

The government's focus on agri-tech is also evident in its support for emerging technologies such as artificial intelligence (AI), machine learning (ML), blockchain, Internet of Things (IoT), and remote sensing. These tools can revolutionize crop planning, pest forecasting,

water use efficiency, and yield estimation. Budget 2023 positions start-ups at the center of this transformation by creating an enabling ecosystem for their growth through both financial and policy incentives.

In addition, the initiative is designed to complement existing programs such as the Rashtriya Krishi Vikas Yojana (RKVY-RAFTAAR), which supports innovation and agribusiness incubation, and the Startup India framework. The synergies between these efforts could help de-risk the early stages of entrepreneurship, scale successful models, and attract private investment and venture capital into agri-based innovations.

However, for the Agriculture Accelerator Fund to be truly effective, it will require transparent governance, robust selection criteria, strong mentorship networks, and sustained monitoring of outcomes. There is also a need to ensure inclusivity, so that women-led and tribal enterprises receive equal opportunity to participate and benefit. Addressing challenges like digital illiteracy, limited access to credit, and inadequate infrastructure in rural areas will also be crucial to the fund's long-term impact.

In essence, the Union Budget 2023 recognizes that India's agricultural future lies in technological modernization and entrepreneurial dynamism. By investing in agri-tech start-ups and rural youth, it lays the foundation for a new agrarian model—innovative, inclusive, and income-generating—capable of revitalizing farming communities and propelling India toward its goal of becoming an agricultural powerhouse.

3 Millet Mission and Nutritional Security

A notable and culturally significant focus of the Union Budget 2023–24 was the promotion of millets, reflecting both a domestic policy priority and India's international leadership. With the United Nations declaring 2023 as the “International Year of Millets”, the Government of India seized the moment to position India as a global hub for “Shree Anna”, the Sanskrit term for millets. This move not only seeks to reintegrate these traditional, climate-resilient grains into the mainstream food system but also aims to enhance the country's nutritional security, agricultural sustainability, and export potential.

Millets such as jowar (sorghum), bajra (pearl millet), ragi (finger millet), and small millets were once staple foods in many parts of India, particularly in arid and semi-arid regions. However, over the past few decades, their cultivation and consumption declined due to the Green Revolution's emphasis on rice and wheat, supported by procurement policies and input

subsidies. Budget 2023 attempts to reverse this imbalance by incentivizing millet production, processing, branding, and consumption.

Key measures announced include institutional and financial support for research and innovation in millets. The Indian Institute of Millets Research (IIMR), Hyderabad was identified as a Center of Excellence, tasked with leading the technological and extension efforts. In addition, the government plans to facilitate value chain development, encouraging the establishment of processing units, modern supply chains, and export infrastructure for millet-based products.

From a nutritional standpoint, the emphasis on millets is timely and urgent. India continues to face a dual burden of malnutrition—widespread undernutrition and rising obesity in urban centers. Millets are rich in fibre, iron, calcium, magnesium, antioxidants, and complex carbohydrates, making them a superior alternative to refined cereals. Their inclusion in diets can help tackle micronutrient deficiencies, anemia, and non-communicable diseases. Recognizing this, Budget 2023 proposes the integration of millets into government nutrition programs such as the mid-day meal scheme (PM POSHAN), the Public Distribution System (PDS), and anganwadi services.

Environmentally, millets offer significant advantages. They require 70–80% less water than rice, can thrive in poor soils and drought-prone conditions, and need minimal chemical inputs. Promoting millet cultivation aligns well with India's climate adaptation strategies and goals under Sustainable Development Goals (SDGs)—especially SDG 2 (Zero Hunger), SDG 3 (Good Health and Well-being), and SDG 13 (Climate Action).

Furthermore, the millet initiative has strong potential for rural income diversification. Millets are typically grown by small and marginal farmers, tribal communities, and women, particularly in rainfed regions of states like Odisha, Chhattisgarh, Karnataka, Rajasthan, and Maharashtra. By improving access to markets, quality seeds, extension services, and encouraging value-added millet products, the Budget creates a path for inclusive agricultural development that benefits historically underserved populations.

However, the success of the millet mission will depend on overcoming several systemic challenges. These include low productivity levels, limited processing infrastructure, lack of consumer awareness, and the need for sustained efforts in branding and demand generation. Public-private partnerships, involvement of agri-tech start-ups, and active participation of

Farmer Producer Organizations (FPOs) will be essential in building viable millet value chains.

In conclusion, the Union Budget 2023's promotion of millets is a strategic convergence of tradition, technology, nutrition, and sustainability. It reflects a long-term vision where indigenous food systems are not only revived but elevated as central pillars of India's food and farming future. By placing millets at the intersection of health, environment, and livelihoods, the government has laid a transformative foundation for both rural empowerment and national food resilience.

4 Climate-Smart and Natural Farming

In a strong acknowledgment of the climate crisis and ecological stress facing Indian agriculture, the Union Budget 2023–24 reaffirmed the government's commitment to sustainable and climate-resilient farming. With agriculture contributing significantly to greenhouse gas emissions—particularly through fertilizer use, paddy cultivation, and livestock—the need for a transition toward climate-smart and natural farming systems has never been more urgent. The budget outlines a comprehensive approach that blends traditional practices with modern sustainability goals, focusing on resource conservation, biodiversity enhancement, and carbon mitigation.

One of the major announcements was the continued promotion of natural farming, a method that relies on zero-budget, chemical-free inputs such as cow dung, urine-based bio-fertilizers, and traditional microbial inoculants. In 2023–24, the government expanded support for natural farming corridors, especially along the Ganga River basin, to create model zones of eco-agriculture. These corridors are intended not only to revive soil and water health but also to serve as demonstration platforms for other agro-ecological regions.

To operationalize this, the budget proposed the creation of 10,000 Bio-Input Resource Centres across the country. These centers will function as local hubs for the production and distribution of bio-fertilizers, compost, and organic growth promoters. This is aimed at reducing farmers' dependence on chemical inputs, which are both costly and environmentally harmful, while promoting self-reliance in input sourcing. Moreover, these centers are expected to provide training and technical support, creating green jobs and community-led agri-enterprises in rural areas.

Parallely, the Budget advanced the agenda of climate-smart agriculture (CSA), a concept that integrates climate resilience with increased productivity and adaptation. Investments are being encouraged in climate-resilient seed varieties, water-saving irrigation technologies (such as micro-irrigation and drip systems), and early warning systems for weather variability. Initiatives under schemes like National Innovations in Climate Resilient Agriculture (NICRA) and Paramparagat Krishi Vikas Yojana (PKVY) are being leveraged to promote agroforestry, intercropping, and watershed-based farming systems.

The promotion of neem-coated urea, bio-fortified crops, and carbon-conscious farming techniques further indicates a shift toward holistic agro-ecological management. These steps not only reduce the environmental footprint of farming but also aim to enhance farmers' adaptive capacity in the face of increasingly erratic rainfall, temperature spikes, and pest outbreaks—challenges that have already begun to erode farm incomes and crop stability in many regions.

Importantly, these efforts are linked with India's international commitments under the Paris Climate Agreement, where agriculture plays a key role in achieving Nationally Determined Contributions (NDCs). The budget also aligns with Sustainable Development Goals (SDGs), especially SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).

However, implementing climate-smart and natural farming at scale presents significant challenges. These include knowledge gaps, initial yield uncertainties, market access for organic produce, and the absence of adequate certification systems. Therefore, Budget 2023 rightly emphasizes the need for institutional capacity building, farmer awareness, and community-based extension systems. Support from Krishi Vigyan Kendras (KVKs), state agriculture universities, and non-governmental organizations (NGOs) will be crucial in converting pilot projects into scalable models.

In conclusion, the Budget 2023's push for climate-smart and natural farming reflects a pivotal shift from short-term productivity gains to long-term sustainability. By investing in practices that are ecologically sound, economically viable, and socially inclusive, the government seeks to build a farming system that is not only resilient to climate risks but also aligned with the principles of One Health, soil rejuvenation, and environmental justice. This approach promises a transformative pathway for Indian agriculture in the coming decades.

5 Investment in Agricultural Credit and Cooperatives

The Union Budget 2023–24 places significant emphasis on enhancing institutional credit flow and strengthening the rural cooperative banking system, both of which are critical enablers of inclusive agricultural growth. Access to timely, affordable, and adequate credit remains a cornerstone for farm investment, risk mitigation, and livelihood security—particularly for India’s 120+ million small and marginal farmers. Budget 2023 addresses this imperative by increasing the agricultural credit target to an all-time high of ₹20 lakh crore, with a special emphasis on animal husbandry, dairy, and fisheries, which are emerging as high-growth segments within the farm economy.

This credit target is not merely a symbolic figure; it represents the government’s commitment to expand the credit net to underserved rural populations and encourage diversified farm-based activities. By prioritizing allied sectors, the budget acknowledges that agricultural incomes can no longer rely solely on crop cultivation. Instead, a more resilient and holistic income model—integrating livestock, aquaculture, and horticulture—is essential for rural sustainability. Access to working capital and term loans for these enterprises, often overlooked in traditional farm lending, will now receive strategic policy attention.

In parallel, the budget takes concrete steps to revitalize India’s vast cooperative credit ecosystem, particularly the Primary Agricultural Credit Societies (PACS), which form the backbone of rural credit delivery. With over 63,000 PACS operating at the village level, they serve as the first point of contact for millions of farmers seeking input loans, crop finance, and storage facilities. However, these institutions have historically faced challenges such as poor governance, lack of professional capacity, weak financial health, and limited digital integration.

To address these structural bottlenecks, Budget 2023 proposes a comprehensive computerization and modernization drive for PACS. This includes:

- Digitization of member data, accounting systems, and loan records
- Integration with core banking systems to enable smoother inter-institutional transactions
- Standardization of Model Byelaws to improve governance and transparency
- Capacity building and skill training for PACS management and staff

These interventions aim to transform PACS from rudimentary financial outposts into multi-service rural business hubs capable of handling not just credit, but also agri-input distribution, warehousing, processing, and marketing. The government's vision is to enable PACS to function as one-stop service centers, aligned with the broader goal of doubling farmers' income and improving rural financial inclusion.

Additionally, the government announced plans to create new multi-purpose cooperative societies, primary fisheries cooperatives, and dairy cooperatives in unserved and underserved panchayats and tribal areas. These institutions are expected to mobilize rural capital, reduce dependency on informal credit channels, and generate employment through community-owned enterprises. The cooperative model, rooted in the principles of mutual aid and democratic governance, can play a transformative role in empowering rural producers when supported with technology, market access, and regulatory reform.

From a systemic standpoint, enhancing rural credit access also complements ongoing government efforts under Kisan Credit Card (KCC) expansion, Interest Subvention Schemes, and Crop Insurance Programs. However, the success of credit-based interventions will depend on credit absorption capacity, effective targeting, timely loan disbursement, and post-loan monitoring to prevent over-indebtedness or misuse.

In conclusion, Budget 2023 underscores a significant shift from subsidy-led to credit-enabled agricultural support, aiming to unleash the productive potential of rural India through institutional finance and cooperative modernization. By strengthening the cooperative infrastructure and ensuring inclusive access to capital, the budget sets the stage for a more equitable and self-sustaining farm economy that integrates production, services, and enterprise development at the grassroots level.

8.6 Other Key Announcements

While the Union Budget 2023–24 addressed major structural themes like digital infrastructure, credit expansion, millet promotion, and natural farming, it also introduced several additional measures aimed at strengthening specific sub-sectors and plugging operational gaps across the agricultural value chain. These announcements, though more targeted in nature, reflect the government's commitment to a multi-pronged agricultural transformation agenda. They focus on improving input quality, promoting value-added processing, supporting farmer collectives, and boosting climate and export resilience.

1 Bio-Input Resource Centres (BRCs)

A standout measure in this category was the proposal to establish 10,000 Bio-Input Resource Centres across the country. These centres are envisioned as decentralized production and distribution hubs for organic fertilizers, bio-pesticides, decomposers, and microbial inoculants. Their role is to promote low-cost, environmentally friendly alternatives to synthetic agro-chemicals, and thereby reduce input costs while restoring ecological balance in farmlands. These centres will also serve as training and extension platforms, helping farmers transition to more sustainable practices in line with the government's push toward natural and organic farming.

2 Cotton Productivity Enhancement Mission

To address the declining yields and pest vulnerability in one of India's most important cash crops, the budget introduced a Cotton Productivity Enhancement Mission. This mission involves collaboration between research institutions, farmer producer organizations (FPOs), extension workers, and input suppliers. The strategy will focus on promoting climate-resilient seed varieties, integrated pest management (IPM), mechanization support, and improved market linkages. Cotton, which sustains over six million farmers and contributes significantly to the rural economy, has faced declining profitability in recent years due to input-intensive practices, low-quality seeds, and global price volatility. The mission aims to revitalize this sector with a scientific, cooperative-based, and innovation-led approach.

3 Support for Farmer Producer Organizations (FPOs)

FPOs received renewed emphasis in Budget 2023 as vehicles for collective bargaining, input procurement, credit access, and market engagement. While the government has already launched a program to create 10,000 new FPOs, the budget strengthens this with financial incentives, technical handholding, and dedicated value-chain integration. Special provisions have been made for women-led, tribal, and aspirational district-based FPOs, ensuring that the benefits of aggregation and scale reach historically marginalized communities. Empowering FPOs is key to overcoming the fragmented nature of Indian agriculture, where smallholders often lack bargaining power, face high transaction costs, and remain excluded from formal markets.

4 Expansion of Agricultural Start-up Ecosystem

In addition to the Accelerator Fund discussed earlier, the budget also included measures to expand the enabling ecosystem for agri-tech entrepreneurs. These include incubation support through Krishi Vigyan Kendras (KVKs), linkage of rural start-ups with academic institutions and research centers, and provision of testing infrastructure for agri-inputs and equipment. These steps are aimed at converting India's grassroots knowledge and youth innovation into commercially viable and socially impactful agricultural enterprises.

5 Infrastructure and Export Orientation

Recognizing the importance of post-harvest infrastructure and market connectivity, the budget also reiterated support for schemes like the Agriculture Infrastructure Fund (AIF), PM Formalization of Micro Food Processing Enterprises (PMFME), and Operation Greens. These schemes aim to address value addition, cold chain development, agro-logistics, and branding of perishable commodities such as fruits and vegetables. Emphasis was also placed on enhancing agri-export capabilities, particularly in high-value crops and processed food items, to raise India's global competitiveness and farmers' earnings.

Taken together, these ancillary but strategic announcements in Budget 2023 reveal a layered approach to agricultural development—combining foundational reforms with specialized interventions. While large-scale policies set the agenda for transformation, these focused measures ensure that sectoral gaps are addressed, and region-specific or crop-specific issues are not overlooked. They reinforce the vision of building a diverse, resilient, technology-empowered, and inclusive agricultural ecosystem that goes beyond production to include processing, sustainability, enterprise, and global integration.

6 Support to Farmers – Direct and Indirect Measures

The Union Budget 2023–24 continued India's strategic commitment to farmer welfare through a balanced mix of direct income transfers, input subsidies, institutional support, and capacity-building initiatives. These measures reflect an evolving approach to agricultural development—one that acknowledges the limitations of input-intensive farming and focuses on equity, empowerment, and resilience. Support to farmers is extended not only in the form of financial assistance but also through access to infrastructure, services, markets, and knowledge systems that enable sustainable livelihoods.

6.1 Direct Support: Income Transfers and Subsidies

a) PM-KISAN (Pradhan Mantri Kisan Samman Nidhi)

One of the most significant pillars of direct farmer support remains the PM-KISAN scheme, which provides ₹6,000 per annum in three equal instalments to eligible farmer families. In Budget 2023–24, the scheme was allocated a substantial ₹60,000 crore, benefiting nearly 11 crore farmers. This direct income support helps farmers meet short-term input needs and acts as a critical financial buffer during the sowing season. It also ensures greater liquidity and consumption stability, particularly for small and marginal farmers, who comprise over 85% of India's farming population.

b) Fertilizer Subsidy

In addition to PM-KISAN, the government continues to provide massive subsidies for fertilizers, particularly urea, to ensure affordability of key inputs. While fertilizer prices have surged globally due to the Ukraine conflict and energy price shocks, the government absorbed the bulk of the cost, with the fertilizer subsidy touching ₹2.25 lakh crore in FY 2022–23. Budget 2023 maintained this support to shield farmers from volatile global markets and sustain food production. The continued use of neem-coated urea and promotion of alternative nutrients was also emphasized to curb overuse and environmental degradation.

c) Interest Subvention and Kisan Credit Cards (KCC)

To support timely access to credit, the government extended the interest subvention scheme under which farmers receive short-term crop loans at concessional rates (as low as 4%), particularly through the Kisan Credit Card framework. This scheme is crucial for working capital needs during the crop cycle and helps reduce dependency on informal lenders. Budget 2023 reinforced this mechanism, especially targeting fisheries, animal husbandry, and dairy farmers, expanding the KCC platform to allied sectors.

6.2 Indirect Support: Infrastructure, Market Reforms, and Risk Mitigation

a) Agriculture Infrastructure Fund (AIF)

Budget 2023 further strengthened the Agriculture Infrastructure Fund, with a focus on building post-harvest facilities, warehouses, cold chains, primary processing units, and logistics networks. The scheme enables farmers and Farmer Producer Organizations (FPOs) to access interest-free loans and capital subsidies, addressing one of the most critical gaps in the Indian agricultural value chain—post-harvest losses, which average between 6% and 18% depending on the crop.

b) Crop Insurance: PMFBY

Another cornerstone of indirect support is the Pradhan Mantri Fasal Bima Yojana (PMFBY), which insures farmers against crop losses due to droughts, floods, pests, and extreme weather. Budget 2023 reiterated commitment to PMFBY by streamlining digital claim settlement, expanding coverage, and improving transparency. It remains the largest crop insurance program globally in terms of enrolled farmers, offering vital protection against climate and market shocks.

c) Digital and Advisory Services

As part of indirect support, the budget also emphasized digital advisory platforms, particularly through the creation of a Digital Public Infrastructure for Agriculture (elaborated in Section 3.2). Farmers are expected to benefit from weather alerts, agronomic advice, soil testing results, and access to online markets and credit platforms—all delivered via mobile-based tools or local agri-entrepreneurs. This digital empowerment enhances decision-making and reduces input-output uncertainty.

7 Capacity Building and Extension Services

Support to farmers also comes in the form of education, training, and extension. Budget 2023 enhanced support to Krishi Vigyan Kendras (KVKs), ICAR research institutions, and state agricultural universities to build farmer capacity around natural farming, crop diversification, organic inputs, and climate-smart techniques. These institutions play a vital role in translating scientific knowledge into practical field-level applications and ensuring that even smallholders can adopt innovations without heavy capital investment.

The budget also envisioned linking start-ups and private extension agents with farmers to promote farm mechanization, drone services, soil health diagnostics, and remote monitoring systems. This integration of public-private support mechanisms increases both the scale and reach of knowledge systems.

8 Marginalized Groups and Inclusivity

A key strength of the Budget 2023 approach lies in its inclusivity. Programs were tailored to extend greater support to women farmers, tribal communities, and farmers in aspirational districts. Incentives for women-led FPOs, training programs in green skills, and subsidies for

SC/ST-owned cooperatives were promoted to ensure that growth in the sector does not bypass vulnerable groups. This aligns with national goals of social equity and inclusive growth.

In sum, Budget 2023–24 adopts a dual-track approach—offering direct financial support to address immediate needs and indirect ecosystem-level investments to build long-term resilience. This comprehensive strategy not only protects farmers from short-term volatility but also empowers them to transition toward a modern, sustainable, and market-oriented agriculture system. By integrating technology, credit, risk insurance, and knowledge dissemination with income and input support, the government lays the foundation for a farmer-first economic transformation that is both robust and inclusive.

8.7 Conclusion and Policy Reflections

The Union Budget 2023–24 reflects a pivotal shift in the Indian government’s approach to agriculture—from a predominantly subsidy-based model to a more investment- and innovation-driven framework. By balancing direct income support with infrastructure development, digital empowerment, and ecological sustainability, the budget presents a nuanced roadmap for the sector's transformation. It recognizes the multifaceted role of agriculture as an engine of economic growth, a guarantor of food and nutritional security, and a lifeline for rural livelihoods.

At its core, Budget 2023 is guided by a long-term vision: to make Indian agriculture resilient, inclusive, and competitive in a rapidly evolving global context. The continued financial outlay for PM-KISAN, agricultural credit, and fertilizer subsidies ensures short-term stability for farmers, particularly the small and marginal segments. At the same time, investment in Digital Public Infrastructure for Agriculture, support for agri-tech start-ups, and a thrust on climate-smart and natural farming practices indicate a deepening focus on sustainability, innovation, and self-reliance.

One of the most commendable aspects of the budget is its diversified and inclusive strategy. From promoting millets and traditional crops to strengthening Farmer Producer Organizations (FPOs), cooperatives, and women-led initiatives, the government has moved toward building a farmer-centric ecosystem rather than delivering fragmented support. Moreover, the efforts to digitize and modernize Primary Agricultural Credit Societies (PACS), expand crop insurance, and promote bio-inputs speak to the goal of increasing rural capacity, efficiency, and access to essential services.

Yet, while the policy intent is laudable, the effectiveness of implementation remains a critical factor. Several challenges continue to hamper India's farm sector, including:

- Fragmented landholdings and limited market integration
- Regional disparities in access to irrigation, extension, and credit
- Lack of last-mile connectivity for digital and physical infrastructure
- Low farmer awareness of government schemes and agri-tech tools
- Weak institutional capacity in many states to roll out reforms at scale

These structural constraints must be actively addressed through cooperative federalism, capacity building, and community-led interventions. States will play a vital role in implementing centrally designed schemes, and their cooperation, resource mobilization, and innovation will determine actual outcomes. Moreover, monitoring and evaluation mechanisms should be institutionalized to assess the performance of new initiatives, especially in areas like agri-start-up promotion, climate-resilient farming, and PACS digitization.

There is also a need for greater private sector participation, particularly in building rural supply chains, promoting agro-processing, and developing customized tech solutions for Indian farmers. Public-private partnerships (PPPs) should be encouraged in post-harvest management, agri-logistics, and farm mechanization to create employment, reduce wastage, and increase value addition. Similarly, financial institutions, start-ups, and civil society actors must be integrated into the agricultural ecosystem for a truly inclusive and sustainable transformation.

From a policy standpoint, future budgets may need to focus more on regenerative agriculture, climate adaptation financing, and export competitiveness. Greater emphasis on outcome-based budgeting—rather than purely financial allocations—can improve resource use efficiency. There is also scope to expand agricultural education, rural skilling, and data-driven governance, so that India's vast human capital in rural areas is leveraged for innovation and resilience.

As India moves toward its vision of becoming a developed nation by 2047, agriculture must evolve into a knowledge-intensive, technology-enabled, and environmentally sustainable sector. The Union Budget 2023–24 takes meaningful strides in this direction, offering a

broad-based support framework that is both forward-looking and grounded in rural realities. If implemented with accountability, inclusivity, and collaboration, these reforms can uplift millions of farming households and position Indian agriculture as a global leader in sustainability, equity, and productivity.

Check Your Progress

Q1. What is the annual financial assistance provided to eligible farmers under the PM-KISAN scheme as per Budget 2023–24?

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Q2. Mention any two objectives of promoting millets through the Union Budget 2023.

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Q3. What are the key functions of the Bio-Input Resource Centres proposed in Budget 2023?

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8.8 Let us sum up

The Union Budget 2023–24 marks a significant step toward transforming Indian agriculture by blending traditional support mechanisms with forward-looking reforms. While direct measures like PM-KISAN income support, interest subvention, and fertilizer subsidies continue to ensure short-term security for farmers, the budget also introduces transformative initiatives such as the creation of Digital Public Infrastructure for Agriculture and the Agriculture Accelerator Fund to support agri-tech start-ups. A strong emphasis has been placed on promoting millets for nutritional security, expanding natural and climate-smart

farming, and modernizing rural institutions like Primary Agricultural Credit Societies (PACS). The budget also enhances credit flow to allied sectors like dairy, fisheries, and animal husbandry, ensuring a diversified income base for rural households. Together, these initiatives reflect a shift from subsidy-based support to investment in resilience, innovation, and sustainability—positioning Indian agriculture on a path toward inclusivity, modernization, and long-term food and livelihood security.

8.9 Glossary

- **PM-KISAN (Pradhan Mantri Kisan Samman Nidhi):**
A government scheme providing ₹6,000 per year in three instalments to eligible farmer families as direct income support.
- **Digital Public Infrastructure (DPI):**
A unified, open-source digital platform proposed in Budget 2023 to provide farmers with access to information, advisory, credit, and market linkages.
- **Agriculture Accelerator Fund:**
A dedicated fund announced in Budget 2023 to support agri-tech start-ups with seed funding, mentoring, and incubation services.
- **Millets (Shree Anna):**
Nutritious, drought-resistant grains like ragi, jowar, and bajra promoted for food security, health benefits, and climate resilience.
- **Natural Farming:**
A chemical-free method of agriculture that relies on locally available bio-inputs such as cow dung, urine, and compost for soil fertility and pest control.
- **Climate-Smart Agriculture (CSA):**
An integrated approach to agriculture that increases productivity, enhances resilience to climate change, and reduces emissions.
- **PACS (Primary Agricultural Credit Societies):**
Grassroots cooperative institutions that provide credit and input services to farmers, now being modernized under Budget 2023.

- **FPO (Farmer Producer Organization):**
A collective of farmers formed to improve access to inputs, credit, technology, and markets, often supported through government schemes.
- **Bio-Input Resource Centres:**
Decentralized centres proposed in the budget to produce and distribute organic and biological inputs for natural farming practices.
- **Agriculture Infrastructure Fund (AIF):**
A government-backed fund providing interest-free loans for building post-harvest infrastructure such as warehouses, cold chains, and processing units.
- **Kisan Credit Card (KCC):**
A credit scheme enabling farmers to access affordable short-term loans for crop and allied activities.
- **PMFBY (Pradhan Mantri Fasal Bima Yojana):**
A crop insurance scheme protecting farmers against losses due to natural calamities, pests, and other unforeseen events.

8.10 Suggestive Readings

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8.11 Hints to Check your Progress

CYP-I

Q1. Refer to section 8.5

Q2. Refer to section 8.5

Q3. Refer to section 8.5

8.12 Examination Oriented Questions

Q1. Critically evaluate the role of Budget 2023–24 in promoting sustainable and climate-resilient agriculture in India. How do initiatives such as natural farming, bio-input resource centres, and climate-smart practices align with national and global sustainability goals?

Q2. Discuss the significance of the Digital Public Infrastructure for Agriculture announced in Budget 2023. How can this initiative transform the delivery of agricultural services and empower small and marginal farmers?

Q3. Examine the impact of the PM-KISAN scheme and agricultural credit expansion as instruments of direct support to Indian farmers. To what extent do these interventions address structural issues in the farm economy?

Q4. Millets have been positioned as ‘Shree Anna’ in Budget 2023. Analyze the nutritional, environmental, and economic rationale behind promoting millets and the policy support extended to achieve this goal.

Q5. Explain the role of cooperatives and Farmer Producer Organizations (FPOs) in modernizing Indian agriculture. What institutional and financial reforms have been proposed in the budget to strengthen these rural institutions?

Q6. Agri-tech start-ups and rural youth engagement are emerging themes in Budget 2023. Discuss how the Agriculture Accelerator Fund and related initiatives can create employment, drive innovation, and enhance farm incomes.

Q7. Describe the key direct and indirect measures of farmer support outlined in Budget 2023. How do these reflect a shift in the government’s approach toward agricultural policy and rural development?

Q8. Evaluate the overall coherence and inclusiveness of Budget 2023’s support to agriculture. How does the budget address the needs of marginalized groups such as women farmers, tribal communities, and rainfed region cultivators?

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Structure

9.0 Objectives

9.1 Learning Outcomes

9.2 Introduction

9.3 Prologue

9.4 Evolution of Agricultural Marketing in India

9.5 Structure and Functioning of Agricultural Markets in India

9.6 APMC Acts and Their Reforms

9.7 Electronic National Agriculture Market (e-NAM)

9.8 Recent Policy Initiatives

9.9 Price Discovery Mechanisms, Agricultural Subsidies & Market Interventions

9.10 Food Security in India: Concept and Evolution

9.10.1 Historical Evolution of Food Security Policy in India

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9.12 Nature of Food Inflation in India

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9.15 Linkages Between Agricultural Markets and Food Security in India

9.16 Conclusion and Policy Recommendations

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9.21 Examination Oriented Questions

9.0 Objectives

The main objectives of this lesson are to enable you to:

1. Elaborate the structure, evolution, and functioning of agricultural markets in India, including their regulatory frameworks and institutional mechanisms.
2. Examine key policy interventions such as the APMC Acts, e-NAM, MSP system, and procurement strategies aimed at improving price discovery and market efficiency.
3. Analyze India's food security architecture, particularly the National Food Security Act (NFSA), the Public Distribution System (PDS), and buffer stock policies.

4. Explore the role of cooperatives, Farmer Producer Organizations (FPOs), and private sector participation in strengthening agricultural market linkages.
5. Evaluate the emerging challenges related to climate change, trade dynamics, and regional disparities affecting agricultural marketing and food security.
6. Recommend reforms for building an integrated, inclusive, and sustainable system that aligns agricultural market development with national food security goals.

9.1 Learning Outcomes

After completing this lesson, the learner will be able to:

- Explain the historical and policy context of agricultural market regulation in India.
- Identify the mechanisms of price support, procurement, and food grain distribution and assess their impact on farmers and consumers.
- Describe the working of institutions such as APMCs, FCI, CACP, and FPOs in the agricultural value chain.
- Analyze the relationship between agricultural markets and food security using economic, social, and environmental dimensions.
- Assess recent policy initiatives like e-NAM, contract farming laws, and NFSA in the context of market efficiency and food access.
- Critically evaluate the challenges facing Indian agriculture, including climate risks, market fragmentation, and nutritional insecurity.
- Propose policy strategies and institutional reforms to enhance market inclusiveness, price stability, and long-term food system resilience.

9.2 Introduction

Dear Learner, after going through this chapter, you will understand how agricultural markets in India influence food availability, farmer income, and consumer access. The chapter explores key policies such as APMC Acts, MSP, e-NAM, and NFSA, and their roles in shaping India's food security. It highlights the significance of procurement systems, public distribution, and market reforms. You will also examine the role of FPOs, cooperatives, and the private sector. Additionally, the chapter discusses challenges like climate change, market

fragmentation, and price volatility. By the end, you will be equipped to analyse how efficient, inclusive markets contribute to sustainable food security.

9.3 Prologue

Agricultural markets and food security are two foundational pillars of India's economic development and human well-being. Agriculture continues to sustain the livelihoods of nearly half of India's population and remains integral to rural employment, income generation, and national food supply. In a country with high population density and persistent income disparities, ensuring an efficient agricultural marketing system and a robust food security framework is critical not only for economic growth but also for social stability and equity. However, the functioning of agricultural markets in India has long been fraught with inefficiencies, fragmentation, and exploitation, particularly of small and marginal farmers who face constraints in accessing fair prices, timely credit, infrastructure, and reliable buyers.

The issue of food security, meanwhile, transcends mere availability of food—it encompasses accessibility, affordability, nutritional adequacy, and long-term stability. India has made significant strides since the Green Revolution in achieving food self-sufficiency, yet paradoxically, malnutrition and hunger persist in various pockets of the country. Recognizing this, successive governments have introduced a range of food security policies—from the Public Distribution System (PDS) to the more comprehensive National Food Security Act (NFSA), 2013. These initiatives have sought to ensure that vulnerable populations are protected from food price volatility, production shocks, and supply chain disruptions.

At the same time, market reforms in agriculture—through deregulation, the introduction of electronic trading platforms like e-NAM, and encouragement of private investment—are aimed at creating more competitive and integrated markets. While such reforms have the potential to benefit farmers through better price realization and market access, they have also sparked debate over their impact on existing regulatory systems like the Agricultural Produce Market Committees (APMCs), and the need to balance liberalization with institutional safeguards. Moreover, with climate change, international trade dynamics, and food inflation increasingly influencing domestic supply chains, the question of how to align market efficiency with food security goals has become more urgent.

9.4 Evolution of Agricultural Marketing in India

The evolution of agricultural marketing in India reflects the broader economic and policy transformations that have occurred since the colonial era. In the pre-independence period, agricultural marketing was largely informal and dominated by village traders and moneylenders who operated without any regulatory framework. Farmers, often lacking bargaining power and storage facilities, were compelled to sell their produce immediately after harvest, usually at low prices. The British colonial regime established a few regulated markets, but these were limited in scope and aimed more at ensuring food supply to urban centers than protecting farmers' interests.

Post-independence, the Government of India recognized the need for organized agricultural markets to improve price discovery and reduce exploitation of farmers. This led to the establishment of the Agricultural Produce Market Committee (APMC) Acts by various states in the 1950s and 1960s, with the goal of creating regulated market yards or mandis. These markets were intended to ensure fair trade practices by eliminating intermediaries and standardizing weights, measures, and prices. Over the decades, thousands of APMC mandis were developed, forming the backbone of the formal agricultural marketing infrastructure.

However, by the 1990s, the limitations of the APMC system became increasingly apparent. Market monopolies, entry barriers for private traders, cartelization, and excessive fees eroded the efficiency of these markets. The economic liberalization of 1991 spurred demands for reforming agricultural marketing to allow for greater competition and integration with national and global value chains. This culminated in the proposal of the Model APMC Act, 2003, which encouraged direct marketing, contract farming, and private market yards. Despite these policy efforts, the pace of reform has varied widely across states, with many continuing to operate under outdated regulations.

In recent years, digitalization and new laws such as the introduction of the e-NAM (Electronic National Agriculture Market) have attempted to further modernize the sector. The short-lived farm laws of 2020 also aimed to liberalize agricultural marketing by allowing farmers to sell outside APMC mandis without incurring state taxes. Although these laws were repealed due to widespread protests, they highlighted the urgent need for a more inclusive and efficient marketing system. Today, India stands at a crossroads—balancing regulatory oversight with market liberalization to ensure that agricultural marketing evolves in a way that is fair, transparent, and beneficial for all stakeholders, especially small and marginal farmers.

9.5 Structure and Functioning of Agricultural Markets in India

The structure of agricultural markets in India is diverse and multi-tiered, reflecting the vast geographical spread, crop diversity, and socio-economic disparities of the country. Agricultural markets in India operate through a combination of formal and informal channels, with both regulated and unregulated markets playing critical roles. Despite decades of policy reforms and institutional development, the functioning of these markets remains marked by inefficiencies, poor infrastructure, and unequal power relations between stakeholders.

At the core of India's formal agricultural marketing system are the regulated markets, also known as mandis, established under the Agricultural Produce Market Committee (APMC) Acts enacted by state governments. These mandis were designed to provide a structured marketplace where farmers could sell their produce through licensed traders under the supervision of the APMC, which ensures proper weighing, price transparency, and standardization of quality. There are over 7,000 APMC markets and more than 20,000 sub-markets across India, but their performance varies significantly by state. While they have contributed to better price discovery and reduced exploitation to some extent, many of these markets suffer from monopolistic practices, high transaction costs, and poor infrastructure such as roads, storage, and cold chains.

Outside the APMC system, there exists a large unregulated market space, which includes village haats, roadside vendors, and private buyers. These informal markets continue to dominate in many remote areas due to the inaccessibility or inefficiency of regulated mandis. In these markets, farmers are often forced to accept distress prices due to lack of storage facilities and immediate need for cash. Additionally, middlemen or commission agents (arthiyas) play a pivotal role in both regulated and unregulated markets by facilitating transactions, providing informal credit, and managing transportation—but often at the cost of farmers' margins and autonomy.

In recent years, electronic trading platforms, particularly the National Agriculture Market (e-NAM), have been introduced to integrate fragmented markets and promote transparent price discovery. e-NAM provides an online trading platform for agricultural commodities, enabling farmers to access markets beyond their local mandi. However, the reach of e-NAM is still limited, and its adoption is hindered by infrastructural gaps, digital illiteracy, and resistance from traditional market stakeholders. As of 2023, over 1,300 mandis have been integrated into e-NAM, but actual interstate trading remains a small fraction of total transactions.

Private sector markets such as contract farming, direct procurement centers, and agribusiness firms have also emerged as alternative marketing channels. These provide a structured environment with assured pricing and technical support, but often cater to a limited segment of farmers and crops. Moreover, the lack of legal enforcement and farmer bargaining power can sometimes lead to exploitative contracts.

The functioning of agricultural markets is further constrained by supply chain bottlenecks, including poor connectivity, inadequate warehousing, and limited access to market intelligence. These factors lead to post-harvest losses, wide price fluctuations, and suboptimal farm gate prices. Additionally, the perishability of many agricultural products, especially fruits and vegetables, makes timely and efficient market access crucial.

In summary, the agricultural marketing system in India is characterized by a multiplicity of market types and actors. While regulated APMC markets provide a degree of formality and oversight, their limitations have led to the proliferation of alternative market systems, each with its own advantages and challenges. For the system to function efficiently, a holistic approach is required—one that promotes competition, reduces transaction costs, strengthens market infrastructure, protects farmers' interests, and ensures better integration with food security goals.

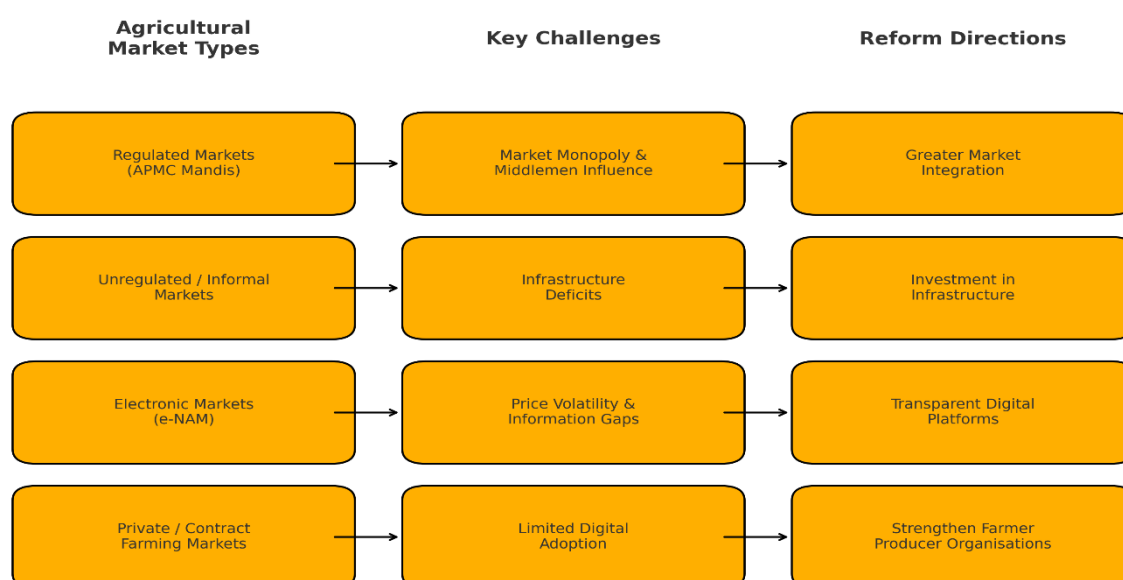


Figure 1: Structure and Functioning of Agricultural Markets in India

9.6 APMC Acts and Their Reforms

The Agricultural Produce Market Committee (APMC) Acts form the cornerstone of India's regulated agricultural marketing system. Enacted by individual states, these Acts were initially introduced to ensure fair trading practices, protect farmers from exploitation by middlemen, and facilitate transparent price discovery mechanisms. Under these Acts, state governments established APMC markets or mandis, where farmers were legally required to sell their produce. Licensed traders and commission agents operated within these mandis, and transactions were supervised to ensure standardized weights, fair pricing, and payment integrity.

While the original intent behind the APMC Acts was laudable, their practical implementation over the decades has led to several distortions in the agricultural marketing ecosystem. Most notably, the monopoly of APMCs over the first point of sale restricted farmers' choices. They could not sell their produce outside the notified mandis, and in many cases, were compelled to engage with a small group of licensed commission agents. These agents often formed cartels, leading to price fixing, low transparency in bidding, and unfair deductions from farmer payments. Furthermore, the APMC markets charged multiple fees—market fee, licensing fee, weighment fee—many of which were passed on to farmers, effectively lowering their net income.

Recognizing these structural inefficiencies, various expert committees, including the 2002 Expert Committee on Agricultural Marketing and the National Commission on Farmers (Swaminathan Commission), recommended urgent reforms. In response, the Ministry of Agriculture proposed the Model APMC Act, 2003, encouraging states to amend their existing Acts. The Model Act advocated for:

- Promotion of private markets and direct marketing
- Legal framework for contract farming
- Establishment of farmers' markets
- More transparent and efficient licensing systems
- Market-friendly infrastructure development

However, the uptake of reforms under the Model APMC Act was uneven across states. While states like Maharashtra, Karnataka, and Andhra Pradesh undertook partial reforms, others

were reluctant due to fears of losing mandi revenues and political resistance from powerful mandi lobbies. This fragmented implementation limited the creation of a unified national market.

To address these limitations, the Government of India introduced another framework—the Model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017—with a stronger emphasis on liberalizing agricultural trade. It encouraged single unified trading licenses valid across the state, the establishment of markets by private players, and integrated market infrastructure. This was followed by the Model Contract Farming and Services Act, 2018, aimed at regulating fair agreements between farmers and agribusiness firms.

The most ambitious attempt at agricultural market reform came in 2020, with the passage of three central farm laws:

1. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020
2. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020
3. The Essential Commodities (Amendment) Act, 2020

These laws aimed to bypass the APMC system by allowing farmers to sell directly to private buyers anywhere in the country, enter into legal contracts with agribusinesses, and reduce restrictions on the storage and movement of agricultural commodities. However, despite their economic rationale, the laws faced widespread protests from farmer groups—especially in Punjab, Haryana, and western Uttar Pradesh—who feared the dismantling of the MSP-procurement regime and increased corporate control over agriculture. Amidst public outcry and prolonged agitation, the government repealed all three farm laws in November 2021.

The debates surrounding APMC reforms underscore the tension between liberalization and institutional security. While many economists and policymakers argue that dismantling APMC monopolies would enhance market competition and farmer income, others emphasize the need for strong state-backed mechanisms like MSP and regulated procurement to safeguard small and marginal farmers. Going forward, a balanced reform strategy must ensure that any liberalized market framework coexists with robust regulatory oversight, dispute resolution mechanisms, farmer education, and digital support systems.

9.7 Electronic National Agriculture Market (e-NAM)

The Electronic National Agriculture Market (e-NAM) is one of India's flagship digital initiatives aimed at transforming agricultural marketing. Launched on 14th April 2016 by the Ministry of Agriculture and Farmers' Welfare, e-NAM seeks to create a unified national market for agricultural commodities by integrating existing APMC mandis across states through a common online trading platform. This initiative is a critical step towards achieving price transparency, competitive bidding, and market accessibility for farmers, especially small and marginal producers.

Objectives of e-NAM

The primary goals of e-NAM include:

- Facilitating real-time price discovery based on actual demand and supply
- Enabling transparent online trading of agricultural produce
- Reducing the role of middlemen and collusive practices
- Allowing farmers to access multiple markets from a single point
- Promoting inter-state and inter-mandi trade
- Improving **supply chain efficiency** and quality grading of produce

Scope and Coverage

According to data from the Press Information Bureau (PIB) and the Ministry of Agriculture:

- 1,361 mandis across 23 states and 4 Union Territories have been integrated with the e-NAM platform (as of March 2024)
- Over 1.8 crore farmers, 2.2 lakh traders, and 1,000 Farmer Producer Organizations (FPOs) are registered on the platform
- The platform facilitates trading in 200+ agricultural and horticultural commodities, including cereals, pulses, oilseeds, spices, fruits, and vegetables
- In the financial year 2022–23, Rs. 68,000 crore worth of trade was conducted through e-NAM, a significant increase from Rs. 36,000 crore in 2020–21

Key Features of e-NAM

- **Unified Licensing:** Traders are granted a single license to operate across all e-NAM mandis in a state
- **Quality Testing:** Mandis are equipped with assaying labs to grade produce based on standardized parameters (e.g., moisture, grain quality)
- **Payment and Logistics Integration:** Integration with BHIM, UPI, and other e-payment systems enables faster transactions; logistic providers are linked for delivery and transport
- **Mobile App Interface:** Farmers can view real-time prices, participate in bidding, and receive payment alerts via the e-NAM mobile app
- **FPO Trading Module:** Special features allow registered Farmer Producer Organizations to aggregate and sell produce in bulk to institutional buyers

Achievements and Progress

- **Digital Transformation:** e-NAM has enabled many farmers to bypass physical presence in mandis, especially during COVID-19 lockdowns, promoting contactless trade
- **Price Realization:** Studies have shown an average 10–15% improvement in price realization for farmers participating in e-NAM compared to local sales
- **Reduced Malpractices:** Electronic bidding has curbed underhand dealings, arbitrary deductions, and price manipulation by agents
- **Capacity Building:** Training programs and workshops for farmers and mandi officials have been regularly conducted, helping build digital literacy

Challenges and Limitations

Despite its promise, e-NAM faces several constraints:

- **Digital Infrastructure Gaps:** Many rural mandis lack high-speed internet or power backup to fully support online transactions
- **Reluctance from Traders and APMC Staff:** Resistance from entrenched mandi operators and traders often hampers smooth functioning

- **Low Interstate Trade:** Although permitted, less than 10% of the total e-NAM trade is interstate due to state-level policy mismatches and logistics issues
- **Inadequate Grading and Storage Facilities:** Not all mandis have fully functional assaying labs and warehouses, affecting trade in perishable and high-value produce

Therefore, to unlock the full potential of e-NAM, future strategies should include:

- Universal APMC Reforms across states to remove barriers to inter-mandi and inter-state trade
- Public-private partnerships (PPP) to improve mandi infrastructure and digital penetration
- Integration with other platforms like ONDC (Open Network for Digital Commerce) to streamline agri-e-commerce
- Encouraging more participation by FPOs and women farmers, and building robust training and hand-holding programs

e-NAM represents a paradigm shift from fragmented, opaque, and location-bound agricultural marketing towards a transparent, integrated, and digitally enabled marketplace. While its full implementation remains a work in progress, it holds transformative potential for making Indian agriculture more market-oriented, farmer-centric, and resilient.

9.8 Recent Policy Initiatives

In response to persistent constraints within the APMC framework and driven by a broader agenda of market liberalization, the Government of India introduced a series of landmark policy measures in 2020 aimed at transforming agricultural trade and contractual relations. These include three central Acts:

1 Farmers' Produce Trade and Commerce (Promotion & Facilitation) Act, 2020

Promulgated on June 5, 2020, and later enacted in September 2020, this Act allows farmers to trade produce outside APMC mandis—including farm gates, warehouses, silo facilities, and processing units—without being subjected to mandi fees, cesses or levies. By enabling legally valid electronic trading platforms, the law aimed to dismantle trader cartels and expand buying options, thereby increasing competitive access and potentially improving farmer incomes.

2 Farmers (Empowerment & Protection) Agreement on Price Assurance and Farm Services Act, 2020

Also enacted in September 2020, this law creates a regulatory framework for contract farming, enabling farmers to negotiate crop-specific agreements with buyers before cultivation. Contracts must include price guarantees or pricing formulas, along with quality, quantity, and delivery terms. Moreover, a three-tier dispute resolution mechanism including conciliation boards, Sub-Divisional Magistrates (SDMs), and appellate authorities is mandated.

3 Essential Commodities (Amendment) Act, 2020

This amendment removed key foodstuffs—such as cereals, pulses, oilseeds, onions, potatoes, and edible oils—from the purview of the Essential Commodities Act, easing restrictions on stocking and movement. State governments may impose stock limits only during exceptional price surges: 100% for perishables and 50% for non-perishables. It also curtailed central power to impose stock limits, aiming to encourage private investment in cold storage and warehousing infrastructure.

Together, these Acts were designed to:

- Enable barrier-free intra- and inter-state trade beyond regulated mandis
- Encourage creation of electronic trading platforms for better transparency
- Prevent APMC fee-imposition in unregulated trade areas
- Provide a fair and enforceable contract farming mechanism with built-in dispute settlement
- Attract private investment in storage and logistics by relaxing stock limits

These measures were part of a larger strategy to “create a unified agricultural market” and to facilitate the government’s goal of doubling farmers’ income. Widespread protests, especially in Punjab, Haryana, and western Uttar Pradesh, led to the repeal of the three farm laws in November 2021. Supporters argued that the reforms could modernize agriculture and give farmers leverage, while detractors highlighted gaps in safety nets and legal protection mechanisms, emphasizing the need to guarantee MSP and smallholder safeguards. This episode underscored the delicate balance between market liberalization and institutional safeguards essential for sustained, equitable reform.

The 2020 policy initiatives, despite their contentious rollout and subsequent repeal, have profoundly shaped India's agricultural policy discourse—ushering in debates about deregulation, institutional modernization, and the co-existence of market-driven and protective frameworks.

9.9 Price Discovery Mechanisms, Agricultural Subsidies & Market Interventions

Price discovery refers to the process by which market prices are determined through interactions between buyers and sellers. In agriculture, where millions of small and marginal farmers operate with limited access to market information and bargaining power, price discovery plays a crucial role in determining farm incomes and production decisions. In India, price discovery is influenced by several interlinked mechanisms including the Minimum Support Price (MSP) system, procurement by government agencies, trading in APMC mandis, market arrivals, and increasingly, electronic trading platforms like e-NAM.

a) Minimum Support Price (MSP) Mechanism

The MSP system is the cornerstone of India's price support policy. Announced annually by the Commission for Agricultural Costs and Prices (CACP), the MSP is intended to guarantee farmers a minimum remunerative price for certain crops, irrespective of market fluctuations. For the 2023–24 agricultural season, the Government of India announced MSPs for 23 crops, including cereals (paddy, wheat), pulses (tur, moong), oilseeds (mustard, groundnut), and commercial crops like cotton and sugarcane.

The MSP is primarily operational for rice and wheat, which are procured by the Food Corporation of India (FCI) and state agencies under the central pool for the Public Distribution System (PDS). While MSPs are declared for many crops, procurement is limited in scope, with over 80% of government procurement focused on wheat and paddy. In states like Punjab and Haryana, over 60–70% of farmers benefit from MSP procurement, but in states like Bihar, the reach is below 10%, highlighting geographic disparities.

Limitations and Challenges of the MSP Regime

- **Inequitable Coverage:** MSP benefits are heavily skewed toward north-western states due to infrastructure and political mobilization.
- **Skewed Cropping Patterns:** The focus on rice and wheat incentivizes monocropping and discourages diversification into pulses, oilseeds, or millets.

- **Mounting Fiscal Burden:** High procurement and subsidy costs have led to foodgrain stockpiles exceeding buffer norms, putting stress on fiscal management and storage.
- **Price Distortions:** Market prices often fall below MSP in states without procurement, making MSP an ineffective floor price in practice.

b) Agricultural Market Interventions

To correct market failures and address price volatility, the government undertakes various interventions, both through **price support** and **input subsidies**:

Market Intervention Scheme (MIS) and Price Support Scheme (PSS)

- These are operated when market prices fall below MSP levels, especially for perishable or non-procured commodities.
- NAFED and state agencies procure surplus stock to stabilize prices.
- For example, under PSS in 2022–23, over 2 million tonnes of pulses and oilseeds were procured at MSP prices.

Price Stabilization Fund (PSF)

- Established to moderate price volatility for essential commodities like onions, potatoes, and pulses.
- The scheme supports buffer stocking and subsidized sales during price spikes.
- In 2023–24, the Department of Consumer Affairs maintained **buffer stocks of 5 lakh tonnes of onions** under the PSF.

Agricultural Input Subsidies

India's input subsidy regime is one of the largest globally and includes:

i. Fertilizer Subsidy

- The government subsidizes nearly 70–80% of the cost of urea. In FY 2023–24, the total fertilizer subsidy allocation was **₹1.75 lakh crore**, making it the largest single agricultural subsidy.
- This system, though beneficial for input affordability, has led to overuse of urea and nutrient imbalance in soil.

ii. Power and Irrigation Subsidies

- State governments provide highly subsidized or free electricity for irrigation, especially in Punjab, Maharashtra, and Andhra Pradesh.
- Although helpful in increasing yields, this has led to **overextraction of groundwater** and ecological stress.

iii. Credit and Interest Subvention

- Farmers receive short-term credit at subsidized interest rates (4%–7%), with additional incentives for timely repayment.
- In 2023, the government allocated **₹23,000 crore** for the Interest Subvention Scheme to support institutional credit.

iv. Seed and Machinery Subsidies

- Subsidies on certified seeds, farm machinery (tractors, harvesters), and equipment under schemes like **Sub-Mission on Agricultural Mechanization (SMAM)** and **National Food Security Mission (NFSM)** enhance productivity and reduce labour dependency.

While subsidies have played a key role in improving farm input usage, raising yields, and sustaining production, they have also led to:

- **Distorted input usage patterns**
- **Overdependence on public procurement**
- **Environmental degradation**
- **Budgetary constraints and crowding out of capital investments**

To make price discovery more efficient and subsidies more sustainable, the following reforms are crucial:

- **Direct Benefit Transfer (DBT)** of input subsidies to reduce leakage and target beneficiaries
- **Diversifying procurement** beyond rice and wheat to include pulses, millets, and oilseeds

- **Expanding decentralized procurement** to underserved states
- Promoting **price insurance models** and linking MSP with actual cost-plus margins
- Strengthening **market intelligence systems** and mandating **real-time price disclosures**

In conclusion, price discovery and market interventions form the backbone of India's agricultural support system. While mechanisms like MSP and subsidies offer crucial safety nets, they must evolve to become more inclusive, efficient, and environmentally sustainable. Balancing market signals with social protection will be key to ensuring both farmer welfare and long-term food security.

9.10 Food Security in India: Concept and Evolution

Food security exists when all people, at all times, have physical, social, and economic access to sufficient, safe, and nutritious food that meets their dietary needs and preferences for an active and healthy life (FAO, 1996). The concept encompasses four key dimensions:

- **Availability:** Sufficient quantities of food available consistently
- **Access:** Economic and physical access to food
- **Utilization:** Proper biological use of food through clean water, sanitation, and health care
- **Stability:** Food access and availability that is not at risk due to shocks or cyclical crises

In India, food security is not just a developmental priority—it is a constitutional imperative linked to the Right to Life under Article 21. Addressing chronic undernutrition, hunger, and price shocks has led to the establishment of a complex network of public provisioning systems and market interventions.

9.10.1 Historical Evolution of Food Security Policy in India

i. Post-Independence Era (1950s–1970s): Food Shortages and Imports

In the first two decades after independence, India grappled with frequent food shortages and famines. Dependency on food aid, especially under the **PL-480 agreement with the United States**, highlighted India's vulnerability in food provisioning. The **1960s Green Revolution**—focused on high-yielding varieties (HYVs), fertilizers, and irrigation—marked

a turning point. It helped transform India from a food-deficit to a food-surplus country, primarily in wheat and rice.

ii. Establishment of Institutional Mechanisms (1970s–1990s)

To stabilize prices and ensure food availability, the government established:

- **Food Corporation of India (FCI)** in 1965 for procurement, storage, and distribution
- **Commission for Agricultural Costs and Prices (CACP)** in 1965 to recommend MSPs
- **Public Distribution System (PDS)** to distribute subsidized foodgrains via ration shops

The PDS expanded gradually, but leakages, inclusion/exclusion errors, and poor targeting were persistent issues.

iii. Post-1991 Era: Economic Liberalization and Targeted Interventions

Liberalization in the 1990s exposed India to global food price volatility. In response, the government launched:

- **Targeted Public Distribution System (TPDS)** in 1997, focusing on Below Poverty Line (BPL) households
- **Antyodaya Anna Yojana (AAY)** in 2000 for the poorest of the poor, offering highly subsidized grains
- **Mid-Day Meal Scheme (MDMS)** and **Integrated Child Development Services (ICDS)** for school children and mothers

Despite these, the **Global Hunger Index** consistently ranked India poorly—indicating persistent undernourishment.

9.10.2 National Food Security Act (NFSA), 2013

The most ambitious step toward legal entitlement-based food security was the National Food Security Act (NFSA), enacted in September 2013. It legally guarantees subsidized food grains to approximately two-thirds of the Indian population.

Salient Features of NFSA:

- **Coverage:** Up to 75% of rural and 50% of urban population (~81.35 crore people)
- **Entitlements:**
 - 5 kg of food grains per person/month at ₹3 (rice), ₹2 (wheat), ₹1 (coarse grains)
 - 35 kg per household/month under AAY
- **Nutritional Support:**
 - Mid-Day Meals (for children aged 6–14 years)
 - Take-home rations and meals for pregnant/lactating women under ICDS
- **Price Guarantee:** Central government bears cost of food subsidy and ensures foodgrain supply to states
- **Grievance Redressal:** Every state must set up vigilance committees and grievance redressal mechanisms

Performance and Critique:

- NFSA has substantially improved **food grain access**—especially for rural and poor households.
- **Food subsidy expenditure** ballooned to **₹2.06 lakh crore in FY 2022–23** (revised estimates), a rise driven by pandemic-era free food schemes.
- Concerns remain about **nutritional diversity** (grain-heavy diet), **exclusion errors** in digitized beneficiary lists, and **state-level implementation gaps**.

9.10.3 Food Security During the COVID-19 Pandemic

The pandemic underscored the importance of robust food security systems. Under the **Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY)**:

- **5 kg of additional food grains** were distributed free of cost to NFSA beneficiaries
- Over **1,118 lakh metric tonnes** were distributed from April 2020 to December 2022
- PMGKAY was merged with NFSA in January 2023, continuing free distribution for all NFSA beneficiaries

This massive public provisioning prevented a food crisis during lockdowns and demonstrated the **resilience of India's procurement and distribution networks**.

Despite improvements, significant challenges remain:

- **Nutritional Security vs Food Security:** NFSA focuses on calorie sufficiency, not protein, micronutrients, or dietary diversity.
- **Storage and Logistics:** Inadequate warehousing and transportation often lead to spoilage and leakage.
- **Climate Vulnerability:** Erratic monsoons and extreme weather events increasingly affect crop yields and market availability.
- **Exclusion of the Urban Poor:** Many migrant and informal workers remain outside the PDS net.
- **Regional Disparities:** Procurement and distribution are still biased towards a few surplus states like Punjab, Haryana, and Chhattisgarh.

In conclusion, food security in India has evolved from an aid-dependent model to a legally enforceable right with institutional backing. While major strides have been made in improving access to staples, the challenge now lies in moving toward **nutrition-sensitive, inclusive, and climate-resilient food systems** that ensure not just survival but long-term well-being and human capital development.

9.11 Public Distribution System (PDS): Structure and Evolution

The **Public Distribution System (PDS)** is the backbone of India's food security architecture, designed to ensure the availability of essential foodgrains at subsidized prices to economically vulnerable sections of the population. Originating during World War II as a rationing mechanism, the system underwent significant expansion post-Independence, particularly after the Green Revolution enabled food self-sufficiency.

Structure of the PDS

- The **Central Government**, through the **Food Corporation of India (FCI)**, procures foodgrains—primarily rice and wheat—from surplus states at Minimum Support Prices (MSP).
- The grains are stored, transported, and allocated to states based on a central pool.

- **State governments** handle the last-mile delivery via **Fair Price Shops (FPS)** using a ration card system.

As of 2023–24:

- There are **over 5.3 lakh FPS** across the country.
- Around **81.35 crore beneficiaries** are covered under NFSA.
- Digital reforms like **e-PoS machines**, **Aadhaar seeding**, and **online monitoring systems** have helped improve transparency.

Limitations of the PDS

- **Inclusion and exclusion errors** persist, with many eligible households excluded due to documentation or digitization failures.
- **Leakages and diversion** of grains remain a concern, especially in remote and less-monitored regions.
- **Nutritional limitations:** The PDS largely focuses on rice and wheat, overlooking nutritional diversification (e.g., pulses, millets).

Buffer Stocking and Procurement Policy

Buffer stocking is a vital instrument for ensuring food security and price stability. The **Food Corporation of India (FCI)** maintains buffer stocks of rice and wheat for:

1. **Disaster and emergency provisioning**
2. **Stabilizing open market prices**
3. **Supply to welfare schemes such as PDS and Mid-Day Meals**

Buffer Norms and Current Status

The **buffer norms** are fixed by the government and reviewed periodically. As of **January 2024**:

- The buffer stock norm was **41.1 million tonnes** of rice and wheat.
- Actual stock was **64 million tonnes**, significantly above the norm due to surplus procurement during pandemic years.

Procurement Strategy

- Procurement is done under **MSP-based price support**, primarily from Punjab, Haryana, Chhattisgarh, Madhya Pradesh, and Telangana.
- Over 80% of procurement is **centralized**, though some states (e.g., Odisha, Tamil Nadu) follow **decentralized procurement (DCP)** models.
- **Decentralized Procurement System** empowers states to procure, store, and distribute foodgrains using central funding, improving local efficiency.

Issues in Buffer Stocking

- **Overstocking and storage costs:** Excessive foodgrain stocks lead to storage bottlenecks and cost the exchequer over ₹1 lakh crore annually.
- **Inadequate warehouse infrastructure** in many states leads to wastage and quality degradation.
- **Skewed procurement:** Eastern and north-eastern states are underrepresented, contributing to regional food insecurity.

9.12 Nature of Food Inflation in India

Food inflation in India is structurally significant due to:

- Supply chain disruptions
- Seasonal production cycles
- Global commodity prices
- MSP hikes and procurement pressures

From **2020–2023**, food inflation averaged between **6%–8%**, with **spikes in vegetables, pulses, and edible oils**. In FY 2023–24, retail inflation (CPI) surged to **7.3%** in July 2023, largely driven by food components like tomatoes and cereals.

Linkages with Market Structures

- **High procurement at MSP and stocking by FCI** limits open market availability, pushing prices upward.
- **Fragmented supply chains and dependence on middlemen** result in high consumer prices despite low farmgate prices.

- **Post-harvest losses**, estimated at **₹92,000 crore annually** (NABARD), aggravate supply-side constraints.

Government Interventions

- **Open Market Sale Scheme (OMSS)**: FCI sells foodgrains in the open market to moderate prices. In 2023, OMSS was used extensively to curb wheat and rice prices.
- **Ban or restriction on exports** of certain commodities (e.g., onions, wheat) to secure domestic supply.
- **Buffer stocks of pulses and onions** were used strategically under the **Price Stabilization Fund (PSF)**.

The Need for Market Integration

- Building **efficient farm-to-market linkages** is critical to reduce price volatility.
- Expanding **cold chain infrastructure**, **direct procurement models**, and **Farmer Producer Organizations (FPOs)** can help farmers capture more value.
- Strengthening **real-time market intelligence systems** will enable better demand-supply forecasting and price regulation.

The Public Distribution System, buffer stock policies, and inflation management form a triad of tools to ensure that food remains **affordable, accessible, and available** to all Indians. However, the over-centralization of procurement, inefficiencies in grain management, and supply chain rigidities pose significant challenges. A reformed approach involving **greater decentralization, diversification, and digitization** is crucial for building a food system that is equitable, resilient, and market-responsive.

9.13. Role of Cooperatives and Farmer Producer Organizations (FPOs)

Cooperatives and Farmer Producer Organizations (FPOs) have emerged as essential institutions for empowering India's predominantly small and marginal farmers by enabling collective action in agricultural production and marketing. These entities help overcome the challenges associated with fragmented landholdings, weak bargaining power, and limited market access. Agricultural cooperatives have a long-standing history in India, with successful models like AMUL (dairy), IFFCO (fertilizers), and NAFED (procurement and marketing) demonstrating the potential of collective enterprise. These cooperatives facilitate

access to quality inputs, provide storage and processing facilities, and enable farmers to participate in value-added chains—functions that are otherwise inaccessible to individual smallholders.

While traditional cooperatives continue to play a significant role, the government has shifted focus in recent years to the formation of FPOs. FPOs are farmer-owned enterprises registered under the Companies Act or the Cooperative Societies Act. Supported by institutions like NABARD, Small Farmers' Agribusiness Consortium (SFAC), and state agencies, FPOs aim to enhance the socio-economic status of their members by organizing them around key activities such as input procurement, aggregation of produce, and direct market linkages. As of April 2024, over 10,000 FPOs have been registered under the Central Sector Scheme for Formation and Promotion of 10,000 FPOs, with a total budget outlay of ₹6,865 crore. These organizations are being strategically promoted in clusters to enable specialization in specific crops and commodities suited to agro-climatic conditions.

Despite their promise, FPOs face significant constraints. Many suffer from inadequate financial resources, weak governance structures, and limited managerial capacity. Market access remains a challenge, particularly in regions lacking physical infrastructure or reliable digital connectivity. Moreover, the scale of operations in most FPOs is still too small to compete effectively with private traders or corporate buyers. To address these issues, comprehensive support in the form of capacity-building programs, working capital assistance, and handholding by professional agencies is critical. Integration of FPOs into digital trading platforms such as e-NAM, and their participation in public procurement schemes, would further enhance their viability.

Going forward, FPOs and cooperatives must be seen not just as intermediaries in agricultural marketing, but as transformative institutions capable of fostering inclusive, farmer-led rural development. Their success will depend on sustained institutional support, favorable policy frameworks, and the ability to leverage economies of scale for better price realization and value chain integration.

9.14 Emerging Challenges and Future Outlook

India's agricultural marketing system and food security framework continue to face a complex set of emerging challenges that threaten to undermine recent gains in productivity, farmer welfare, and equitable food access. One of the most critical challenges is the persistent **marginalization of smallholder farmers**, who comprise nearly 86% of India's farming

community. With shrinking landholdings, limited access to technology, and weak market linkages, these farmers often lack bargaining power in both input and output markets. Despite policy efforts to collectivize them through Farmer Producer Organizations (FPOs) and cooperatives, scale and outreach remain limited, making their participation in competitive markets extremely difficult.

Another structural challenge is the **fragmented nature of agricultural markets across states**, with varying APMC regulations, tax regimes, and procurement models. This fragmentation restricts the formation of a unified national agricultural market and inhibits efficient price discovery and inter-state trade. Although platforms like e-NAM have attempted to address this by integrating digital market infrastructure, adoption has been uneven and largely symbolic in many regions. The slow pace of digital literacy, lack of internet infrastructure, and resistance from traditional market intermediaries continue to hinder seamless market integration.

Price volatility remains a persistent concern for both producers and consumers. Farmers frequently suffer from low prices during bumper harvests, while consumers experience high food inflation during supply shortages, often exacerbated by poor storage, inadequate processing infrastructure, and logistical inefficiencies. The lack of real-time market intelligence and reliable forecasting systems adds to this volatility. Moreover, global market dependencies, geopolitical tensions, and climate-induced shocks are increasingly affecting domestic food price stability.

Environmental degradation poses a mounting threat to agricultural sustainability. Decades of input-intensive farming practices—especially in the Green Revolution regions—have led to soil nutrient depletion, falling groundwater tables, and loss of biodiversity. Coupled with climate change, these trends have introduced new layers of risk and uncertainty into the agricultural economy. The continued overemphasis on water- and subsidy-intensive crops like paddy and wheat, largely driven by assured procurement policies, has discouraged diversification into more resilient and nutrient-rich crops such as pulses, oilseeds, and millets.

Institutionally, the system faces the challenge of **governance fragmentation and capacity limitations**. Agricultural markets are regulated at the state level, while central schemes increasingly influence market structures and pricing. This dualism often leads to policy incoherence, implementation delays, and jurisdictional disputes. Additionally, the

mechanisms for **grievance redressal, contract enforcement, and market regulation** remain weak, deterring private sector participation and investor confidence.

Looking ahead, a **forward-looking strategy** must prioritize the transformation of agricultural markets into efficient, inclusive, and climate-resilient systems. Investments in **value chain development, agro-logistics, and cold storage infrastructure** must be significantly scaled up. At the same time, enhancing the capacity of FPOs, integrating smallholders into modern supply chains, and providing institutional credit support can help democratize market participation. The future of Indian agriculture also depends on leveraging **emerging technologies** such as blockchain for traceability, artificial intelligence for crop prediction, and IoT for precision farming—all of which require parallel investment in rural digital infrastructure.

In summary, addressing the emerging challenges in agricultural markets and food security requires not only correcting existing inefficiencies but also preparing the sector for a rapidly changing global and ecological landscape. A coherent policy framework that aligns market reform, environmental sustainability, technological innovation, and farmer empowerment is essential to ensure that India's agricultural transition is both inclusive and future-ready.

9.15 Linkages Between Agricultural Markets and Food Security in India

The relationship between agricultural markets and food security in India is both foundational and multidimensional. Agricultural markets serve as the critical interface between production and consumption—determining how food moves from farm to fork, how incomes are generated for producers, and how affordability and availability are ensured for consumers. In a country where over 50% of the population is dependent on agriculture for livelihood, and nearly 70% of the poor reside in rural areas, the efficiency, inclusivity, and transparency of agricultural markets directly shape the outcomes of food security.

1. Price Realization and Farmer Incentives

One of the most direct links between agricultural markets and food security lies in the **prices received by farmers**. Efficient market systems enable better price discovery, reduce the role of exploitative middlemen, and provide incentives for farmers to invest in productivity-enhancing inputs. Higher and stable farm incomes contribute to **greater food production and supply stability**, which are key to long-term food availability. Conversely, when markets

fail—due to monopsony, low access to information, or poor infrastructure—farmers suffer income insecurity, discouraging them from increasing or even maintaining output levels.

2. Accessibility and Affordability of Food

From the consumer side, **market structures influence food prices, availability, and distribution**. Inefficient supply chains, post-harvest losses, and lack of cold storage contribute to price volatility and seasonal scarcity. For low-income households, food affordability is directly tied to market dynamics. When market bottlenecks raise prices for essentials like cereals, pulses, and vegetables, household nutrition suffers. Well-functioning markets ensure that food reaches urban and rural consumers efficiently, minimizing price distortions and enabling **stable, year-round access** to staples and perishable goods alike.

3. Market Integration and Regional Balance

India's food security is often regionally imbalanced, with certain states producing surplus (e.g., Punjab, Haryana, Chhattisgarh) and others relying on imports. **Integrated agricultural markets**—across states and nationally—help redistribute food across regions, mitigate local shortages, and reduce dependency on public distribution mechanisms. Initiatives like **e-NAM** aim to foster this integration, ensuring that food moves to where it is needed and farmers can access broader demand zones.

4. Role in Government Procurement and Public Distribution

Agricultural markets also feed directly into India's **food security programs** such as the **Public Distribution System (PDS)** and **Mid-Day Meal Scheme**. Government procurement at **Minimum Support Prices (MSP)** depends on active and regulated market channels to source grains efficiently and equitably. Weak market linkages can disrupt procurement, leading to stock imbalances, regional exclusion, or underutilization of central food buffer stocks. Strengthening mandi infrastructure and decentralizing procurement—as in states like Chhattisgarh and Odisha—have improved the reliability and outreach of food security programs.

5. Market-Based Diversification for Nutritional Security

Traditional food security has emphasized calorie sufficiency, but modern understanding emphasizes **nutritional security**—ensuring adequate intake of proteins, micronutrients, and diverse food groups. Market systems that enable value chain development for **pulses, millets,**

oilseeds, fruits, and vegetables help shift production and consumption patterns toward more balanced diets. With adequate incentives, infrastructure, and market access, farmers can diversify beyond rice and wheat, while consumers gain access to more affordable and nutritious food options.

6. Risk Management and Food Stability

Well-regulated markets support the development of **price stabilization mechanisms**, including futures trading, crop insurance, and public buffer stocking. These instruments help farmers and consumers hedge against climatic, supply, or geopolitical shocks. For instance, strategic market interventions like the **Open Market Sale Scheme (OMSS)** are used to control retail prices of rice and wheat when food inflation spikes. Thus, markets are instrumental in ensuring not just food availability and access, but **food system stability**.

7. Empowerment Through Institutions and Inclusion

Inclusive markets that engage **Farmer Producer Organizations (FPOs)**, **Self-Help Groups (SHGs)**, and **cooperatives** allow marginalized producers, especially women and landless workers, to participate meaningfully in food economies. Their inclusion enhances both production and distribution equity, contributing to **social dimensions of food security** such as gender equity and rural employment.

In summary, the linkages between agricultural markets and food security in India are deeply intertwined. Efficient, inclusive, and resilient markets form the bedrock of a food-secure nation—not only by facilitating availability and affordability but also by enhancing production incentives, reducing regional and nutritional disparities, and creating institutional structures that protect against shocks. Strengthening these market-food linkages is essential for India to meet its developmental goals of zero hunger, rural prosperity, and sustainable agriculture.

9.16 Conclusion and Policy Recommendations

The evolution of agricultural markets and food security policies in India reflects the country's broader developmental challenges—balancing the imperatives of economic efficiency, social equity, and environmental sustainability. Over the decades, India has made significant strides in ensuring food availability through increased agricultural production, buffer stocking, and a robust Public Distribution System (PDS). At the same time, market reforms have aimed to improve price realization for farmers, reduce transaction costs, and introduce competition

through digital and institutional innovations. However, both agricultural marketing systems and food security mechanisms continue to grapple with deeply embedded structural inefficiencies, regional disparities, and institutional weaknesses that require urgent, systemic reforms. On one hand, agricultural markets remain fragmented, over-regulated, and often monopolistic. The dominance of state-controlled Agricultural Produce Market Committees (APMCs) in many regions restricts farmer choice and depresses competition. Despite the introduction of progressive measures such as the Model APMC Act (2003), the e-NAM platform, and reforms under the short-lived 2020 farm laws, the pace of adoption and implementation has been uneven across states. As a result, small and marginal farmers—who constitute the vast majority—remain trapped in cycles of distress sales, dependence on middlemen, and limited access to high-value markets. The uneven spread of procurement infrastructure and the overwhelming focus on a few crops—mainly rice and wheat—has also led to geographic and commodity skewness, further deepening rural inequality.

On the other hand, India's food security framework, though legally institutionalized through the National Food Security Act (NFSA), 2013, faces challenges of leakages, limited nutritional diversity, and fiscal sustainability. While programs like PM Garib Kalyan Anna Yojana (PMGKAY) during COVID-19 exemplified the state's ability to scale up provisioning during emergencies, the broader question remains—how can the state move from a calorie-sufficiency model to one that ensures **nutrition-sensitive, climate-resilient, and regionally balanced food security**?

The tight coupling of food security policies with agricultural marketing outcomes necessitates an integrated reform approach. Improving the efficiency of agricultural markets is essential not just for farmer welfare, but also for achieving universal and sustainable food security. It is within this context that a set of comprehensive, long-term **policy recommendations** is proposed:

1. Strengthen Market Infrastructure and Integration

There is an urgent need to modernize and expand market infrastructure through a mix of public investment and private partnerships. Upgrading rural mandis, establishing aggregation centers, promoting cold storage and logistics hubs, and investing in market-linked warehouses are essential. Additionally, accelerating the integration of state-level markets into a pan-India digital platform with real-time data, unified licensing, and quality assurance mechanisms can facilitate better price discovery and inter-state trade.

2. Diversify Crops and Procurement

The overdependence on wheat and rice in procurement policies has discouraged farmers from cultivating pulses, oilseeds, and millets—crops that are essential for both nutrition and climate resilience. Expanding the Minimum Support Price (MSP) and decentralized procurement system to include these crops, especially in rainfed and tribal areas, will promote sustainable farming and equitable food access.

3. Reimagine MSP and Farmer Income Support

Rather than relying solely on MSP operations—which cover a limited geography and crop base—India must consider direct income support schemes, such as PM-Kisan, in conjunction with targeted price insurance mechanisms. Price deficiency payment models, crop-neutral procurement, and universal crop insurance with simplified claim procedures can provide income security while minimizing market distortion.

4. Empower FPOs, Cooperatives, and SHGs

FPOs and cooperatives must be at the center of the new agricultural marketing architecture. Providing them with access to working capital, digital platforms, storage infrastructure, and market linkages will help farmers aggregate produce, reduce dependency on intermediaries, and negotiate better prices. Capacity building, governance reforms, and professionalization of FPO management are crucial to their long-term sustainability.

5. Promote Climate-Resilient and Nutrition-Sensitive Agriculture

Mainstreaming climate-smart agricultural practices, such as conservation agriculture, agroforestry, and organic farming, is necessary to address ecological degradation and ensure long-term productivity. Food security programs must also integrate nutritional goals—by including pulses, millets, fruits, and vegetables in PDS, ICDS, and school meal programs. Incentivizing farmers to grow diverse, nutrient-dense crops through procurement, extension, and marketing support is essential.

6. Build a Responsive and Decentralized Food Security System

State-level innovations in procurement, food processing, and distribution—such as Odisha’s millet mission or Telangana’s Rythu Bandhu—should be supported and scaled. Strengthening decentralized procurement, community-level storage, and digital beneficiary management

systems will improve delivery efficiency and responsiveness. Universalization and portability through the One Nation, One Ration Card scheme must be expedited.

7. Institutional Reforms and Federal Coordination

Agriculture being a state subject, the success of market and food security reforms depends on cooperative federalism. A shared policy vision, supported by financial incentives, capacity development, and dispute resolution mechanisms, can align central and state priorities. Additionally, reforming APMC Acts, contract enforcement, and regulatory bodies will be critical to building trust among stakeholders and ensuring accountability.

In conclusion, achieving food security in India is not merely a matter of producing enough food or delivering subsidized grain—it requires a complete overhaul of how markets function, how incentives are aligned, and how institutional frameworks empower both producers and consumers. A forward-looking strategy must rest on the pillars of integration, inclusion, innovation, and sustainability. Only then can India build an agricultural system that feeds its population equitably, empowers its farmers fairly, and sustains its natural resources responsibly.

Check Your Progress:

Q1. What are the key objectives of the Agricultural Produce Market Committee (APMC) Acts?

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Q2. Explain the role of e-NAM in transforming agricultural marketing in India.

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Q3. What is the significance of the Minimum Support Price (MSP) system for Indian farmers?

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9. 17 Let us sum up

India's agricultural markets have evolved significantly but continue to face challenges such as fragmentation, price inefficiency, and limited access for smallholders. Reforms like e-NAM and APMC liberalization aim to modernize the system but require broader adoption. The MSP and public procurement system support farmer incomes and food security but have led to crop and regional imbalances. The NFSA, 2013 has expanded food access, though issues like nutritional gaps and leakages persist. Buffer stocking stabilizes prices but strains storage and budgets. Private sector and FPOs are improving linkages, yet need institutional support. Climate change and supply shocks demand adaptive, resilient systems. A balanced, inclusive strategy is essential for sustainable food and market reform.

9.18 Key Words

- **Agricultural Produce Market Committee (APMC):**
A state-regulated marketing board established to ensure fair trade between farmers and buyers, and to eliminate exploitative practices by intermediaries.
- **Buffer Stock:**
A reserve of foodgrains maintained by the government to ensure food security, manage price stability, and respond to emergencies or crop failures.
- **e-NAM (Electronic National Agriculture Market):**
A pan-India online trading platform that integrates APMC mandis to create a unified national market for agricultural commodities.
- **Minimum Support Price (MSP):**
A guaranteed price announced by the government to protect farmers from price fluctuations and to ensure a minimum profit margin over cost of production.
- **Public Distribution System (PDS):**
A government-managed food security mechanism that distributes subsidized foodgrains to eligible households through a nationwide network of Fair Price Shops.

- **Farmer Producer Organization (FPO):**
A collective of farmers registered as a legal entity to engage in input procurement, aggregation, marketing, and value addition of farm produce.
- **National Food Security Act (NFSA), 2013:**
A law that entitles up to 75% of rural and 50% of urban populations to receive subsidized foodgrains under the Targeted Public Distribution System.
- **Contract Farming:**
An arrangement where a farmer agrees to produce and supply a specified crop to a buyer at predetermined terms including price, quality, and delivery schedule.
- **Price Stabilization Fund (PSF):**
A fund used by the government to stabilize prices of essential food commodities through market interventions such as buffer stocking and open market sales.
- **Food Security:**
A condition in which all people, at all times, have physical, social, and economic access to sufficient, safe, and nutritious food to meet their dietary needs for a healthy life.

9.19 Suggestive Readings

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9.20 Hints to Check Your Progress

CYP-I

Q1. Refer to section 9.6

Q2. Refer to section 9.7

Q3. Refer to section 9.9

9.21 Examination Oriented Questions

Q1. Critically evaluate the impact of the National Food Security Act (NFSA), 2013 on food access and affordability in India.

Q2. Discuss the benefits and limitations of private sector participation in agricultural markets.

Q3. How do climate change and environmental degradation affect food security in India? Suggest adaptation measures.

Q4. Explain the role of Farmer Producer Organizations (FPOs) in strengthening agricultural markets and enhancing farmer incomes.

Q5. Analyse the linkages between agricultural market efficiency and food price inflation in India.

10.0 Objectives

10.1 Learning Outcomes

10.2 Introduction

10.3 Rural Skill Development: Prologue

10.4 Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)

10.4.1 Implementation Architecture and Operational Mechanisms of DDU-GKY

10.4.2 Achievements and Impact of DDU-GKY

10.4.3 Convergence with Other Government Programs

10.5 Policy Reforms and Future Outlook

10.6 Convergence with Other Government Programs

10.7 Challenges

10.8 Let us Sum up

10.9 Keywords

10.10 Suggestive Readings

10.11 Hints to Check Your Progress

10.12 Examination oriented Questions

10.0 Objectives

The main objectives of this lesson are to enable you to:

- Understand the role of rural skill development in achieving inclusive growth within the Vision for Developed India 2047
- Examine how DDU-GKY serves as a key policy initiative for empowering rural youth through skills and employment

- Explore strategies and sectoral linkages that enhance the effectiveness of DDU-GKY in promoting rural inclusion and economic resilience

10.1 Learning Outcomes

After completing this lesson, you will be able to:

- Define inclusive growth in the context of rural India and explain how skill development supports this vision
- Describe the structure, goals, and components of DDU-GKY as a rural skill development initiative
- Evaluate the challenges and potential of implementing DDU-GKY and similar programs for achieving equitable rural development

10.2 Introduction

Dear learner, after going through this chapter, you will gain a comprehensive understanding of how skill development initiatives can transform rural India. The Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) stands as a flagship program aimed at enhancing the employability of rural youth through structured training and job placement. With its focus on inclusivity, it empowers marginalized communities by equipping them with market-relevant skills. The scheme plays a crucial role in curbing rural unemployment, reducing migration, and promoting sustainable livelihoods. This chapter explores the objectives, institutional mechanisms, achievements, challenges, and future prospects of DDU-GKY in depth.

10.3 Rural Skill Development: Prologue

Skill development has emerged as a central pillar of India's growth story, especially in the context of rural transformation. With over two-thirds of India's population residing in villages, the rural economy remains integral to national development. However, rural youth often face barriers such as limited access to quality education, lack of exposure to industry-relevant skills, and restricted employment opportunities. These challenges have contributed to persistent poverty, disguised unemployment in agriculture, and large-scale rural-to-urban migration.

In this backdrop, rural skill development is not just an employment strategy, but also a social empowerment tool. Equipping rural youth with market-relevant skills enhances their

employability, promotes entrepreneurship, and supports local economies. It plays a crucial role in ensuring inclusive and sustainable growth, especially for marginalized groups such as Scheduled Castes (SC), Scheduled Tribes (ST), minorities, and women.

The Government of India, recognizing the need to bridge the urban-rural skill divide, has launched several initiatives in the last two decades. Among these, the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) stands out as a flagship scheme exclusively focused on rural youth. It is part of the Ministry of Rural Development's (MoRD) broader strategy to transform rural livelihoods through skilling and job placement.

This chapter explores the evolution, design, implementation, and impact of DDU-GKY in detail. It highlights how the program has been instrumental in addressing rural unemployment, promoting dignity of labor, and enabling rural youth to access better income opportunities within and beyond their villages.

10.4 Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)

The Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) was officially launched on 25th September 2014, commemorating the birth anniversary of Pandit Deen Dayal Upadhyaya, a visionary leader who advocated for "Antyodaya"—upliftment of the poorest. The scheme was introduced by the Ministry of Rural Development (MoRD), Government of India, as part of its revamped skill development strategy for rural youth.

Background Context

Prior to DDU-GKY, India had initiated various skilling efforts such as the Swarnjayanti Gram Swarozgar Yojana (SGSY) and the National Rural Livelihoods Mission (NRLM). While NRLM emphasized promoting self-employment and collective entrepreneurship through Self-Help Groups (SHGs), there was a felt need for a dedicated placement-linked skill development program for wage employment. This led to the evolution of DDU-GKY from the skills component of the Aajeevika program.

Objectives of the Scheme

- **Enhancing Employability of Rural Youth:** The primary goal of DDU-GKY is to equip rural youth with market-relevant skills that improve their employability and enable them to secure stable, gainful employment.

- **Promoting Sustainable Livelihoods:** The scheme aims to provide professional training that leads to long-term and sustainable employment, thereby contributing to the reduction of rural poverty.
- **Empowering Women and Marginalized Communities:** Special emphasis is placed on uplifting socially and economically disadvantaged groups, including women, Scheduled Castes (SC), Scheduled Tribes (ST), and minorities, by creating inclusive opportunities for skill development and income generation.
- **Reducing Rural-to-Urban Migration:** By facilitating employment opportunities within rural and semi-urban areas, the scheme seeks to minimize distress migration and encourage balanced regional development.
- **Focusing on Sector-Specific Skill Development:** Training is provided in high-demand sectors such as agriculture, healthcare, construction, hospitality, and manufacturing, in alignment with the evolving needs of the economy.
- **Encouraging Financial Independence:** DDU-GKY strives to enable rural youth to achieve financial self-reliance through access to wage employment and self-employment avenues.
- **Bridging the Skill Demand-Supply Gap:** The scheme aims to close the gap between the skills required by industries and the existing capabilities of the rural workforce by offering industry-aligned training programs.
- **Fostering Entrepreneurial Mindsets:** Beyond wage employment, the program encourages rural youth to consider entrepreneurship and supports them in starting their own ventures or engaging in self-employment.
- **Strengthening Social Inclusion:** By targeting the underprivileged and marginalized sections, DDU-GKY contributes to enhancing social equity and promoting inclusive economic participation.

Significance of the Scheme

- **Empowering Rural Youth:** DDU-GKY plays a pivotal role in equipping rural youth with industry-relevant skills, enabling them to access sustainable employment opportunities and build independent livelihoods.

- **Alleviating Rural Poverty:** By facilitating employment and income generation, the scheme contributes directly to the economic upliftment of rural households and helps break the cycle of poverty.
- **Advancing Women Empowerment:** The program emphasizes the inclusion of women and marginalized groups, thereby promoting gender equality, financial independence, and broader social participation among rural women.
- **Stimulating Rural Economic Growth:** By enhancing the capabilities of the rural workforce, DDU-GKY contributes to increased productivity and supports the expansion of micro-enterprises and small industries in rural regions.
- **Curbing Rural-to-Urban Migration:** The provision of job opportunities within or near rural communities reduces the need for migration, easing the pressure on urban infrastructure and preserving rural social structures.
- **Bridging the Skill Gap:** The scheme addresses the mismatch between industry demands and the available rural skill base by offering targeted training in emerging and high-growth sectors.
- **Fostering Entrepreneurship:** DDU-GKY promotes entrepreneurial thinking among rural youth and supports self-employment by enabling them to establish small ventures and contribute to local economic ecosystems.
- **Enhancing Standard of Living:** Access to higher-paying, skilled jobs allows individuals to improve their living conditions, fostering better education, health, and overall well-being in rural communities.
- **Supporting Holistic Rural Development:** The scheme integrates with other government initiatives, including financial inclusion and social welfare programs, to promote comprehensive rural transformation.
- **Alignment with National and Global Development Goals:** DDU-GKY aligns with India's national objectives of inclusive growth and poverty reduction while contributing to the achievement of the United Nations Sustainable Development Goals (SDGs), particularly those related to decent work, education, and inequality reduction.

Characteristics of the scheme

The salient features of the scheme are as follows:

- **Target Beneficiaries:** The scheme primarily targets rural youth belonging to economically weaker sections, with special focus on socially disadvantaged groups including Scheduled Castes (SCs), Scheduled Tribes (STs), women, and other marginalized communities.
- **Age Group Coverage:** DDU-GKY caters to individuals in the age bracket of **15 to 35 years**, with an extended age limit of up to 45 years for SC/ST, women, and Persons with Disabilities (PwDs).
- **Vocational Skill Training:** The program offers sector-specific vocational training across a wide range of industries such as agriculture, healthcare, hospitality, construction, manufacturing, and information technology-enabled services, thereby aligning with market demands.
- **Placement-Linked Approach:** A distinctive feature of the scheme is its placement-linked training model, which ensures that candidates receive post-training job opportunities. Training providers are mandated to secure employment for at least 70% of the trained candidates.
- **Accredited Training Partners:** Skill development under DDU-GKY is delivered through a network of approved and accredited training institutions that meet prescribed quality standards and infrastructure norms.
- **Financial Support Mechanism:** The program provides **financial assistance** in the form of free training, **stipends for trainees**, and **performance-based incentives** for training partners and placement agencies to ensure sustained outcomes.
- **Monitoring and Evaluation Framework:** A robust system of continuous monitoring and evaluation has been instituted to assess the performance of training centers and track post-placement progress. This includes the use of IT-based platforms for transparency and accountability.
- **Rural Employment Focus:** One of the core goals of DDU-GKY is to generate sustainable employment opportunities in rural areas, thereby addressing rural unemployment and reducing the need for migration to urban centers.

- **Holistic Capacity Building:** The program emphasizes both **technical and soft skill development**, including communication, workplace readiness, and digital literacy, to enhance the all-round employability of rural youth.
- **Gender Inclusion and Empowerment:** The scheme maintains a strong **gender-sensitive approach**, aiming to empower rural women through targeted skill development and economic integration.
- **Convergent Rural Development:** DDU-GKY promotes **integrated rural development** by aligning itself with other government schemes and programs, thus creating synergies for broader socio-economic transformation in rural India.

10.4.1 Implementation Architecture and Operational Mechanisms of DDU-GKY

The successful implementation of the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) depends on a well-structured institutional framework, sustainable financing, strategic mobilization of rural youth, standardized training design, and robust infrastructure. Together, these elements form the backbone of the program's skill development and employment delivery model.

Institutional Framework

DDU-GKY is implemented through a multi-tiered institutional structure that ensures coordinated efforts at national, state, and grassroots levels. The scheme is steered by the Ministry of Rural Development (MoRD), which provides policy direction, funding, and national-level oversight. To decentralize implementation, State Rural Livelihoods Missions (SRLMs) or State Skill Missions (SSMs) function as nodal agencies in respective states. These bodies are responsible for project sanctioning, monitoring, and facilitation at the local level.

In addition, Project Implementing Agencies (PIAs)—including NGOs, private training providers, educational institutions, and industry bodies—are entrusted with training delivery and placement of candidates. The National Institute of Rural Development and Panchayati Raj (NIRDPR) and Technical Support Agencies (TSAs) assist in quality assurance, capacity building, and technical handholding. Collectively, this institutional ecosystem ensures scalability, accountability, and quality delivery of the scheme.

Funding and Financial Model

DDU-GKY is a centrally sponsored scheme with shared funding between the Central and State Governments. The cost-sharing ratio varies depending on the category of the state (e.g., 60:40 for general states, 90:10 for Northeastern and Himalayan states, and 100% for Union Territories).

The scheme adopts a performance-based funding model, where disbursements to training partners are made in stages: at project approval, during mobilization and training, upon placement, and post-placement retention. These payments are linked to measurable outcomes such as candidate enrolment, certification, placement, and sustained employment.

Additionally, trainees receive stipends or boarding and lodging support, and PIAs are eligible for placement-linked incentives. This financial framework ensures that both the training providers and beneficiaries are incentivized, and public funds are effectively utilized to create measurable impact.

Training Design and Curriculum

The curriculum under DDU-GKY is designed to meet both industry standards and market needs, ensuring that rural youth are equipped with skills relevant to contemporary employment sectors. The training modules are aligned with the National Skills Qualification Framework (NSQF) and certified by Sector Skill Councils (SSCs).

Training covers a diverse range of trades including agriculture, electronics, healthcare, hospitality, construction, IT/ITES, logistics, and more. In addition to domain-specific skills, the curriculum integrates soft skills, English language communication, and digital literacy, thereby preparing candidates for both domestic and global markets.

Each training program typically spans 3 to 12 months, depending on the skill level, and concludes with third-party assessments and certification. This structured approach enhances employability and facilitates smooth transition into the job market.

Mobilization and Selection of Candidates

Mobilization is a critical component of DDU-GKY and is carried out through a combination of awareness campaigns, community outreach, and digital enrolment drives. Special efforts are made to reach youth from marginalized sections, including SCs, STs, minorities, and women, ensuring equitable access to skill development.

Community-based institutions such as Self-Help Groups (SHGs), Gram Panchayats, and Block Resource Centers play a significant role in identifying potential candidates. Mobilization activities include counseling sessions to inform youth about the benefits of the program, eligibility criteria, and available trades. The enrolment process also verifies socioeconomic status, using criteria such as inclusion in the Socio-Economic Caste Census (SECC) database.

This targeted mobilization strategy ensures that the most vulnerable sections of the rural population are prioritized and empowered through skills and employment.

Training Infrastructure and Delivery Mechanism

The training under DDU-GKY is delivered through a network of residential and non-residential training centers operated by accredited PIAs. These centers are required to comply with stringent quality standards regarding infrastructure, trainer qualifications, training equipment, and pedagogy. Each center must have classrooms, computer labs, practical labs, biometric attendance systems, and accommodation facilities for residential programs. Emphasis is placed on safe and inclusive environments, especially for women and differently-abled candidates. Training centers also provide life skills training, grooming sessions, and counseling services to prepare youth for workplace challenges. To ensure standardization and continuous improvement, training centers undergo periodic inspections, third-party audits, and real-time monitoring via the Kaushal Bharat portal. Feedback mechanisms and grievance redressal systems are integrated into the training cycle to uphold accountability and responsiveness.

By integrating planning, training, mobilization, and placement through a cohesive ecosystem, DDU-GKY presents a systemic solution to rural unemployment. The convergence of institutional support, funding innovation, industry-relevant training, and local engagement has made it a unique and replicable model for rural skill development in India.

10.4.2 Achievements and Impact of DDU-GKY

Since its inception in 2014, the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) has made substantial strides in transforming rural skill development into a structured, outcome-oriented national priority. Its achievements span not just quantitative metrics but also qualitative socio-economic outcomes that are helping reshape the rural employment landscape.

1. Large-Scale Skill Training and Enrolment

As of recent data provided by the Ministry of Rural Development, **over 14 lakh rural youth** have been trained under DDU-GKY across various trades and sectors. The program has reached youth in over 700 districts and across 28 states and UTs, making it one of the most expansive rural skill initiatives in India.

2. Employment Generation and Placement

One of the major successes of the scheme lies in its placement-linked model. A significant portion of the trained youth have been successfully placed in formal employment sectors including hospitality, retail, construction, IT, healthcare, and manufacturing. Many states have reported placement rates above 70%, with some also offering international placement opportunities.

3. Inclusion of Marginalized Groups

DDU-GKY has prioritized the inclusion of **SCs, STs, minorities, women, and persons with disabilities**. Around **50% of beneficiaries** belong to marginalized communities, and **over 30–35% are women**, reflecting the program's commitment to **inclusive growth and social empowerment**.

4. Development of Accredited Training Infrastructure

The scheme has facilitated the development of over 1500+ accredited training centers that comply with quality standards, infrastructure norms, and digital tracking systems. These centers are equipped with modern tools and industry-specific labs, significantly improving the learning environment for rural youth.

5. Strengthening Industry Linkages

In collaboration with Sector Skill Councils (SSCs) and private sector employers, DDU-GKY has created industry-responsive training content and on-the-job training models. Several training providers have developed MoUs with reputed companies, ensuring better alignment of curriculum with market needs.

6. Empowerment through Soft Skills and Digital Literacy

Beyond technical skills, the inclusion of English language training, computer literacy, workplace readiness, and life skills has enhanced the confidence, mobility, and adaptability of trainees, particularly young women and first-generation learners.

7. Contribution to Rural Economy and Enterprise

By reducing migration pressure and enhancing the productivity of the rural workforce, DDU-GKY has supported the growth of rural micro-enterprises, improved household incomes, and contributed to local economic development. In several cases, youth have transitioned from wage employment to entrepreneurship, launching their own ventures with acquired skills and support.

8. International Placements and Global Outreach

In selected trades, DDU-GKY has enabled **overseas job placements** in countries such as the **UAE, Qatar, and Saudi Arabia**, providing international employment opportunities to skilled rural youth and strengthening India's position in the global labor market.

9. Digital Transformation and Monitoring

The introduction of IT tools like the Kaushal Bharat portal has improved transparency, real-time monitoring, and data reporting. It also facilitates tracking of trainees, ensuring better accountability and informed policymaking.

While challenges persist, the achievements of DDU-GKY establish it as a cornerstone initiative in India's journey toward inclusive and equitable rural transformation.

10.4.3 Convergence with Other Government Programs

A key strength of the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) lies in its ability to converge with other government schemes, thereby maximizing developmental outcomes, optimizing resource utilization, and promoting holistic rural development. This convergence strengthens the ecosystem for skill development by creating pathways that integrate employment, entrepreneurship, and digital inclusion.

1. Synergy with MGNREGA

While the **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** provides wage employment for unskilled labor, DDU-GKY complements it by offering **skilled employment opportunities**. Beneficiaries of MGNREGA households are given

preference for training under DDU-GKY, creating a dual-layered support system—short-term income support through MGNREGA and long-term livelihood stability through skills and job placements.

2. Integration with National Rural Livelihoods Mission (NRLM)

As a sub-scheme under the **NRLM**, DDU-GKY aligns its objectives with community-based development and financial inclusion. Self-Help Groups (SHGs), Village Organizations, and Cluster Level Federations play a crucial role in mobilizing candidates, especially women, and providing post-training support such as access to credit and group enterprises.

3. Alignment with Digital India

By incorporating digital literacy and IT-based skills into its training modules, DDU-GKY supports the objectives of the Digital India campaign. Trainees are equipped with digital competencies, enhancing their ability to participate in the digital economy and access online employment opportunities.

4. Support to Make in India and Local Manufacturing

DDU-GKY plays a vital role in building a skilled workforce for the manufacturing sector, thereby complementing the Make in India initiative. Training in areas such as electronics, textile production, construction, and machine operations creates a talent pool suited for local manufacturing and industrial growth, especially in rural and semi-urban areas.

5. Leveraging Corporate Social Responsibility (CSR) and Private Sector Participation

The scheme encourages **Corporate Social Responsibility (CSR) funding** and private sector partnerships for expanding training infrastructure, updating curriculum, and offering internships and placements. Many companies collaborate with Project Implementing Agencies (PIAs) to provide on-the-job training, apprenticeships, and industry exposure, thus enhancing job-readiness.

10.5 Policy Reforms and Future Outlook

To strengthen DDU-GKY's impact and ensure its long-term success, policy reform and strategic innovation are crucial. As India prepares for future labor market shifts, the scheme must evolve to meet emerging needs while retaining its inclusive foundation.

1. Suggestions for Programmatic Improvement

- **Enhance Awareness and Outreach:** A structured IEC (Information, Education, and Communication) campaign in regional languages should be undertaken to improve visibility and awareness in remote areas.
- **Strengthen Monitoring and Evaluation:** Real-time dashboards, geo-tagging of training centers, and third-party audits should be made more rigorous to ensure accountability.
- **Improve Placement Sustainability:** Establish feedback loops between employers, training partners, and the government to monitor post-placement retention and career progression.

2. Ensuring Quality and Scalability

- **Accreditation and Certification Reform:** Only highly rated PIAs should be retained, and continuous trainer capacity building should be mandated.
- **Outcome-Based Funding Model:** Tie disbursements more tightly to job retention and wage levels rather than just certification and initial placement.
- **Decentralized Innovation:** Encourage states to pilot context-specific models (e.g., agro-skilling in agricultural states or tourism training in heritage zones).

3. Integration of Green Skills and Sustainability

With climate change posing long-term risks to rural livelihoods, DDU-GKY should promote green skills in sectors like renewable energy, organic farming, eco-construction, and waste management. This would contribute to both environmental sustainability and rural resilience.

4. Readiness for the Gig Economy and Digital Work

The future of employment increasingly lies in the gig economy and remote digital platforms. Training modules should include freelancing skills, digital marketing, e-commerce operations, content creation, and platform management to prepare youth for non-traditional, tech-enabled employment.

5. Fostering Innovation and Entrepreneurship

Introduce incubation support and entrepreneurship toolkits for trainees interested in starting micro-enterprises or self-help initiatives, particularly in rural crafts, services, and local tourism.

10.6 Convergence with Other Government Programs

A key strength of the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) lies in its ability to **converge with other government schemes**, thereby maximizing developmental outcomes, optimizing resource utilization, and promoting holistic rural development. This convergence strengthens the ecosystem for skill development by creating pathways that integrate employment, entrepreneurship, and digital inclusion.

1. Synergy with MGNREGA

While the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) provides wage employment for unskilled labor, DDU-GKY complements it by offering skilled employment opportunities. Beneficiaries of MGNREGA households are given preference for training under DDU-GKY, creating a dual-layered support system—short-term income support through MGNREGA and long-term livelihood stability through skills and job placements.

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10.7 Challenges

Despite its comprehensive design and ambitious goals, the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) faces several challenges that limit its effectiveness and scalability across diverse rural regions of India. These challenges include:

- **Limited Awareness and Accessibility:** A significant proportion of rural youth, particularly those residing in remote and backward regions, remain unaware of the scheme's existence. This information gap restricts enrollment and reduces the potential impact of the program.
- **Inadequate Training Infrastructure:** Many rural areas continue to lack the necessary infrastructure for effective skill training. The shortage of certified training centers and qualified instructors impairs the quality and reach of the program.
- **Suboptimal Placement Outcomes:** In several regions, the placement rates fall short of targets due to weak linkages between training providers and industry partners. This disconnect hampers the transition of trainees into meaningful employment.
- **Variability in Training Quality:** The quality of training imparted is inconsistent across centers, with some failing to adhere to industry norms and standards. This undermines the credibility of certification and reduces the employability of graduates.
- **Skill-Labor Market Mismatch:** In some cases, the skills imparted do not align with the demands of the local or regional job markets. This mismatch results in underemployment or unemployment among trained youth.
- **Weak Industry Engagement:** The lack of sustained collaboration with industry stakeholders limits job placements, internships, and on-the-job training opportunities. Stronger industry partnerships are needed to ensure employment-led training.

- **Gender-Based Barriers to Participation:** Although women are a focus group for inclusion, cultural norms, mobility restrictions, and safety concerns continue to inhibit their participation in several parts of rural India.
- **Monitoring and Accountability Gaps:** The absence of rigorous and real-time monitoring systems in some areas leads to irregularities, inefficiencies, and difficulty in measuring training outcomes and job placements accurately.
- **Insufficient Financial Assistance:** For many trainees, especially those from extremely poor households, the stipends and support provided may not be sufficient to cover daily expenses, creating barriers to continued participation in training programs.
- **Employment Sustainability Issues:** While initial job placements are often achieved, ensuring long-term retention, career progression, and income stability remains a persistent challenge.
- **Regional Disparities in Implementation:** The effectiveness of DDU-GKY varies across states and districts, with certain regions lagging due to lower administrative capacity, funding constraints, or lack of local political will.

Check Your Progress

Q1. Who is the nodal ministry responsible for implementing the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)?

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Q2. Mention any two key challenges faced in the implementation of DDU-GKY.

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Q3. How can you relate DDU-GKY scheme with MGNREGA?

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10.8 Let us sum up

The Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) represents a significant step toward empowering rural youth through skill development and employment generation. By linking training with placement and focusing on disadvantaged groups, it promotes inclusive growth and rural transformation. The scheme's multi-stakeholder framework ensures reach and accountability. However, challenges such as infrastructure gaps, regional disparities, and weak industry linkages need urgent attention. Strengthening monitoring, improving training quality, and fostering private sector partnerships can enhance its effectiveness. With sustained policy support, DDU-GKY holds the potential to reshape rural livelihoods and reduce poverty.

10.9 Keywords

- **DDU-GKY:** *Deen Dayal Upadhyaya Grameen Kaushalya Yojana* – A skill development program launched by the Ministry of Rural Development for rural youth in India.
- **MoRD:** *Ministry of Rural Development* – The central ministry responsible for formulating and implementing rural development schemes in India.
- **SRLM:** *State Rural Livelihoods Mission* – The state-level body responsible for implementing livelihood and skill development programs under NRLM.
- **PIA:** *Project Implementing Agency* – Organizations or institutions authorized to provide training and placement under DDU-GKY.
- **NSQF:** *National Skills Qualification Framework* – A framework that organizes qualifications according to levels of knowledge, skills, and aptitude.
- **SSC:** *Sector Skill Council* – Industry-led bodies that define occupational standards and develop training curriculum for various sectors.

- **SECC:** *Socio-Economic Caste Census* – A nationwide database that identifies households living below the poverty line based on various indicators.
- **Placement-Linked Training:** A training model where candidates are assured of employment after successful completion of their training program.
- **Soft Skills:** Non-technical skills including communication, interpersonal abilities, problem-solving, and teamwork that are essential for workplace success.
- **Skill Mismatch:** A situation where the skills acquired through training do not align with the actual demands of the job market.
- **SHG:** *Self-Help Group* – A community-based group, especially of women, engaged in collective economic and social development activities.
- **Kaushal Bharat Portal:** A digital monitoring and management system used by DDU-GKY to track implementation, trainee progress, and placement status.
- **Antyodaya:** A philosophy promoting the upliftment of the poorest and most marginalized sections of society.
- **Training Center Accreditation:** The formal recognition granted to a training center based on its adherence to specified quality and infrastructure standards.

10.10 Suggestive Readings

- <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2085248>
- [https://www.nextias.com/blog/grameen-kaushalya-yojana-ddu-gky/#:~:text=awareness%20than%20others.-,Key%20Pointers%20of%20Deen%20Dayal%20Upadhyaya%20Grameen%20Kaushalya%20Yojana%20\(DDU,GKY\)%20for%20UPSC%20CSE%20Prelims&text=Target%20Group%3A%20Rural%20youth%20aged,improve%20livelihoods%20of%20rural%20youth.](https://www.nextias.com/blog/grameen-kaushalya-yojana-ddu-gky/#:~:text=awareness%20than%20others.-,Key%20Pointers%20of%20Deen%20Dayal%20Upadhyaya%20Grameen%20Kaushalya%20Yojana%20(DDU,GKY)%20for%20UPSC%20CSE%20Prelims&text=Target%20Group%3A%20Rural%20youth%20aged,improve%20livelihoods%20of%20rural%20youth.)
- Papola, T. S., & Sahu, P. P. (2012). *Growth and structure of employment in India: Long-term and post-reform performance and the emerging challenge*. Institute for Studies in Industrial Development (ISID).
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- Khera, R. (Ed.). (2019). *A decade of MGNREGA: Achievements, challenges and the road ahead*. Routledge India.
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- National Institute of Rural Development and Panchayati Raj (NIRDPR). (n.d.). *Annual report on DDU-GKY implementation*. Hyderabad: NIRDPR.

10.11 Hints to Check Your Progress

CYP-I

Q1. Refer to section 10.4.1

Q2. Refer to section 10.7

Q3. Refer to section 10.6

10.12 Examination Oriented Questions

Q1. Critically examine the objectives and key features of the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY). How does it aim to address rural unemployment in India?

Q2. Discuss the institutional framework of DDU-GKY. How do the roles of MoRD, SRLMs, and PIAs contribute to the implementation and monitoring of the scheme?

Q3. Explain the financial and operational model of DDU-GKY. What mechanisms are in place to ensure transparency, accountability, and outcome-oriented disbursement of funds?

Q4. Evaluate the training ecosystem of DDU-GKY. How does the scheme ensure quality, industry-relevant skill training, and integration of soft skills for holistic employability?

Q5. Highlight the challenges faced in the implementation of DDU-GKY across different regions. Suggest strategic measures to overcome these challenges.

Q6. Analyze the importance of candidate mobilization and community participation in DDU-GKY. How does the scheme ensure inclusion of marginalized groups such as SCs, STs, women, and minorities?

Q7. Compare DDU-GKY with other skill development initiatives such as PMKVY and NRLM. What makes DDU-GKY unique in its approach to rural transformation?

Q8. Assess the impact of DDU-GKY in empowering rural youth through skill development and job placements. Support your answer with examples or case studies.

M.A. Eco. Sem 2

**Make in India
and**

Unit II

Eco 207

Atmanirbhar Bharat -Pros and Cons

Lesson 11

11.0 Objectives

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11.5 Make in India –Objectives

11.6 Make in India: Policy Initiatives

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11.8 Make in India: Challenges

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1111 Atmanirbhar Bharat: Challenges

11.12 Synergies and Differences between Make in India and Atmanirbhar Bharat

11.13 Make in India and Atmanirbhar Bharat: Conclusion and Future Outlook

11.14 Let us Sum up

11.15 Keywords

11.16 Suggestive Readings

11.17 Hints to Check your progress

11.18 Examination Oriented Questions

11.0 Objectives

The main objectives of this lesson are to enable you to:

- Deduce the concept and significance of *Make in India* and *Atmanirbhar Bharat*
- Identify key policy measures and strategies adopted to strengthen domestic industries and attract investment
- Analyse the impact of these initiatives on India's internal development and global economic positioning

11.1 Learning Outcomes

By the end of this lesson, you will be able to:

- Explain the core ideas and significance of the Make in India and Atmanirbhar Bharat initiatives
- Describe the major policies and reforms introduced to boost domestic industries and attract both domestic and foreign investment
- Evaluate the influence of these initiatives on India's internal economic development and its global economic participation

11.2 Introduction

Dear Learner, after going through this chapter, you will gain a comprehensive understanding of India's dual policy thrust towards industrialization and strategic economic self-reliance

through the flagship initiatives *Make in India* and *Atmanirbhar Bharat Abhiyan*. These two initiatives represent transformative policy responses to the structural challenges faced by India's manufacturing sector and the global disruptions caused by the COVID-19 pandemic. Make in India, launched in 2014, sought to reposition India as a global manufacturing hub by encouraging investment, innovation, infrastructure development, and skill enhancement. Atmanirbhar Bharat, introduced in 2020, emerged as a broader national mission focused on building resilient supply chains, enhancing domestic capabilities in critical sectors, and reducing overdependence on imports. While both initiatives share the goals of industrial revival and employment generation, they differ in orientation—one being outward-focused and investor-driven, the other inward-focused and strategically self-sufficient. This chapter will equip you with insights into the objectives, policy mechanisms, achievements, challenges, and future outlook of both initiatives. It will also help you critically analyze their role in shaping India's economic transformation in the context of globalization, technological change, and sustainable development.

11.3 Make in India and Atmanirbhar Bharat: Rationale

In the 21st century, nations are increasingly being defined not only by their political power but also by their economic might. India, with its vast population, demographic dividend, and growing aspirations, has been striving to redefine its position in the global economic order. Central to this vision is the need for a robust manufacturing sector, greater self-reliance, and deeper integration into global value chains. In this context, two flagship initiatives—**Make in India** and **Atmanirbhar Bharat Abhiyan**—have emerged as key policy frameworks aimed at transforming India into a global manufacturing hub and fostering economic self-sufficiency.

Launched in September 2014, the Make in India initiative was a proactive policy move to address the stagnation in manufacturing, attract foreign investment, generate employment, and make India a preferred destination for industrial activity. It sought to revive the manufacturing sector's contribution to GDP, which had remained stagnant at around 15-17% for decades, and position India as a global manufacturing destination by improving ease of doing business and building world-class infrastructure.

In May 2020, amidst the global disruption caused by the COVID-19 pandemic, the Government of India launched the **Atmanirbhar Bharat Abhiyan** (Self-Reliant India Mission). Unlike Make in India which primarily focused on attracting foreign investment, Atmanirbhar Bharat emphasized domestic resilience. It aimed to reduce dependency on

imports, strengthen domestic supply chains, promote indigenous production, and ensure that India could stand strong in the face of global uncertainties and supply chain disruptions.

Together, these two initiatives represent complementary pillars of India's economic strategy—Make in India represents the global-facing industrial and investment strategy, while Atmanirbhar Bharat represents the domestic-facing resilience and innovation strategy. Both are rooted in the belief that India must build the internal capabilities and external linkages necessary to become a \$5 trillion economy in the coming years.

This chapter explores the evolution, objectives, achievements, and challenges of both Make in India and Atmanirbhar Bharat. It also examines how these initiatives reflect a shift in India's development paradigm—one that balances globalization with strategic autonomy, foreign investment with domestic empowerment, and economic growth with inclusive development.

11.4 Historical Context and the Need for Economic Reforms

India's economic journey since independence has been shaped by a complex interplay of historical legacies, political ideologies, and evolving global dynamics. At the time of independence in 1947, the Indian economy was predominantly agrarian and underdeveloped. Centuries of colonial rule had left the country with poor infrastructure, negligible industrial base, and low per capita income. In response, India's post-independence leadership adopted a centrally planned economic model aimed at self-sufficiency and rapid industrialization. The Industrial Policy Resolution of 1956 laid the foundation for a mixed economy, with the state controlling the commanding heights of the economy through a large public sector and regulated private enterprise.

This approach led to the development of heavy industries, infrastructure, and public sector undertakings (PSUs). However, it also gave rise to what became known as the "License-Permit-Quota Raj"—a complex and restrictive system of controls and approvals. While the intentions behind the policy were to ensure equitable growth and national self-reliance, the system led to widespread inefficiencies, stifled innovation, discouraged competition, and created a burdensome bureaucracy that hindered industrial growth. Over the decades, India's industrial performance remained modest, and the manufacturing sector failed to reach its potential, both in terms of output and employment generation.

A major turning point came in 1991, when India faced a severe balance of payments crisis. With foreign exchange reserves plummeting and the country on the brink of default, the government was compelled to initiate sweeping economic reforms. These liberalization

measures included deregulation of industries, relaxation of foreign investment rules, reduction of import tariffs, and privatization of certain public enterprises. Spearheaded by then Finance Minister Dr. Manmohan Singh, these reforms marked India's shift from a closed economy to a market-oriented one.

While the reforms unleashed a wave of economic dynamism, they also led to an imbalance in sectoral growth. The services sector, especially IT and finance, boomed and became a global success story. However, the manufacturing sector, which was expected to absorb a large portion of India's labor force and contribute to equitable regional development, did not witness commensurate growth. Between 1991 and 2014, the manufacturing share in GDP remained stagnant at around 15–17%, and its contribution to employment was limited. Structural issues such as inadequate infrastructure, complex tax systems, rigid labor laws, and skill shortages continued to plague the sector.

This underperformance was particularly problematic in a country where over 12 million people enter the workforce each year. The inability of manufacturing to generate sufficient employment opportunities posed a serious threat to inclusive growth. Moreover, India's trade deficit continued to widen due to heavy dependence on imports for electronics, machinery, and other industrial goods, further emphasizing the need to strengthen domestic production capacities.

At the same time, global dynamics were shifting. China, which had emerged as the “factory of the world,” was beginning to experience rising labor costs, environmental challenges, and an aging population. Global firms started exploring alternatives to diversify their supply chains—a strategy popularly known as “China +1”. India was seen as a promising candidate due to its large workforce, expanding domestic market, and democratic institutions. However, to seize this opportunity, India needed substantial reforms to improve its investment climate, infrastructure, and ease of doing business.

This historical context laid the foundation for the launch of the Make in India initiative in 2014. Recognizing the urgency of revitalizing the industrial sector, the Government of India aimed to position India as a global manufacturing hub by fostering investor confidence, simplifying regulations, and enhancing infrastructure. The goal was not only to increase the manufacturing sector's share in GDP but also to create jobs, boost exports, and improve technological capabilities.

The urgency for reform gained even more momentum in 2020, when the COVID-19 pandemic exposed the vulnerabilities of global supply chains. The crisis disrupted imports of essential goods—from pharmaceuticals and electronics to medical equipment—and

highlighted India's over-reliance on external sources. This led to the launch of the Atmanirbhar Bharat Abhiyan (Self-Reliant India Mission), which aimed to build domestic capabilities, strengthen local supply chains, and reduce dependency on imports in key sectors. Unlike earlier models of self-sufficiency that promoted protectionism, Atmanirbhar Bharat emphasized resilience, innovation, and global competitiveness.

Together, Make in India and Atmanirbhar Bharat represent two phases of India's evolving economic strategy. The former focuses on attracting global investments and establishing India as a competitive manufacturing destination, while the latter stresses building internal capabilities, nurturing home-grown industries, and ensuring strategic autonomy in an interconnected world.

In essence, India's industrial policies over the decades reflect a gradual shift—from state control to market liberalization, and now to a strategic model that balances globalization with self-reliance. The twin initiatives of Make in India and Atmanirbhar Bharat are responses to both domestic structural challenges and global opportunities, aimed at reshaping India's economic destiny in the 21st century.

11.5 Make in India –Objectives

- **Accelerating Manufacturing Growth**

The primary objective of the initiative is to stimulate rapid growth in the manufacturing sector, aiming to achieve an annual growth rate of 12–14%. This ambitious target is designed to revitalize industrial output, enhance production efficiency, and position India as a global manufacturing powerhouse. An integral part of this vision is to generate an estimated 100 million new jobs, thereby offering employment opportunities to India's vast and growing workforce. Furthermore, the initiative sets a goal to elevate the manufacturing sector's share in the national GDP to 25% by 2025, reinforcing its role as a key pillar of economic development.

- **Enhancing Global Competitiveness**

To strengthen India's position in the global economic landscape, the program places significant emphasis on enhancing competitiveness. This includes attracting substantial foreign direct investment (FDI) by creating a conducive and transparent business environment, upgrading critical infrastructure, such as industrial corridors, transport networks, smart cities, and energy systems, to meet international standards, streamlining bureaucratic procedures through digital governance, regulatory reforms, and the simplification of compliance frameworks to ensure ease of doing business. These strategic

efforts are geared toward making India an attractive and reliable destination for international investors and manufacturers.

- **Strategic Sectoral Focus**

The initiative initially concentrated on 25 key sectors, which were selected based on their potential for high growth, employment generation, and contribution to exports. These included industries such as Automobiles and auto components, Textiles and garments, Electronics systems design and manufacturing (ESDM), Pharmaceuticals and biotechnology, Defence manufacturing, Aerospace, Renewable energy, and solar equipment. This diverse selection underscores the commitment to a broad-based industrial development strategy, tailored to both traditional strengths and emerging global demands.

- **Transition to “Make in India 2.0”**

In its evolved phase, titled “Make in India 2.0,” the program has been further refined and expanded to include 27 sectors, demonstrating the government’s renewed commitment and adaptive approach to changing global and domestic economic scenarios. This phase incorporates a stronger emphasis on advanced technologies and digital manufacturing, deeper public-private collaboration and a push for sustainability and green manufacturing. “Make in India 2.0” aims to amplify earlier successes while addressing challenges through innovation, policy support, and capacity building.

- **Transformative Economic and Social Impact**

At its core, the Make in India initiative is a transformational policy framework intended to reshape India’s economic trajectory. It seeks not only to increase industrial output and exports but also to create large-scale employment opportunities, especially for the country’s young and dynamic workforce. By encouraging skill development, entrepreneurship, and technological innovation, the initiative aspires to foster inclusive growth and establish India as a leading global manufacturing hub.

As such to fulfil the objectives, the ‘Make in India’ initiative is built on four foundational pillars aimed at transforming India into a global manufacturing hub. The first pillar, **New Processes**, emphasizes the importance of ‘Ease of Doing Business’ as a catalyst for entrepreneurship and industrial growth. To this end, the government implemented streamlined procedures, simplified regulations, and reduced bureaucratic obstacles to create a more conducive environment for both startups and established businesses. The second pillar, **New Infrastructure**, focuses on the development of industrial corridors and smart cities equipped with state-of-the-art technology and high-speed communication systems. This also includes

strengthening the intellectual property rights (IPR) framework to support innovation and protect creators. The third pillar, **New Sectors**, is marked by the opening up of various industries to Foreign Direct Investment (FDI), thereby inviting global capital and expertise into the Indian economy. Finally, the **New Mindset** reflects a significant shift in the government's approach—from acting as a regulator to becoming a facilitator. This new outlook encourages a collaborative partnership between the public and private sectors, aiming to collectively drive India's economic progress.

11.6 Make in India: Policy Initiatives

- **Production Linked Incentive (PLI) Scheme**

The **PLI Scheme** was launched to boost domestic manufacturing, minimize reliance on imports, and accelerate India's path to self-reliance under the *Atmanirbhar Bharat* vision. The scheme aims to attract significant investments, integrate cutting-edge technologies, and foster production efficiency. Spanning across 14 priority sectors such as electronics, solar modules, and pharmaceuticals, it is geared toward building comprehensive manufacturing ecosystems. With an initial incentive outlay of ₹1.97 lakh crore, the scheme attracted ₹1.23 lakh crore in actual investments by March 2024, creating around 8 lakh jobs.

- **PM Gati Shakti – National Master Plan**

Launched in October 2021, PM Gati Shakti aims to develop integrated and efficient multi-modal transport and logistics infrastructure to realize the USD 5 trillion economy target by 2025. The initiative is driven by seven key engines: Railways, Roads, Ports, Waterways, Airports, Mass Transport, and Logistics Infrastructure. It focuses on ensuring seamless last-mile connectivity, enhancing supply chain efficiency, and reducing logistical costs. Major industrial corridors such as the Delhi-Mumbai and Bengaluru-Mumbai corridors are being developed under this initiative.

- **Semiconductor Ecosystem Development – Semiconductor India Programme**

To establish India as a global hub for electronics and semiconductor manufacturing, the government launched the **Semicon India Programme** in 2021 with an outlay of **₹76,000 crore**. The program supports the creation of a sustainable ecosystem for semiconductors and display manufacturing. Notable developments include Tata's collaboration with Taiwan's Powerchip Semiconductor Manufacturing Corp to set up a fabrication plant in Dholera, Gujarat.

- **National Logistics Policy (NLP)**

The National Logistics Policy, unveiled in September 2022, seeks to overhaul the logistics sector through the use of digital technologies, optimized processes, and skilled workforce. Its main objectives include reducing logistics costs as a percentage of GDP, enhancing India's global logistics ranking, and introducing a data-driven decision support system. The policy aims to place India among the top 25 nations in the Logistics Performance Index by 2030.

- **Industrialization and Urbanization through Corridor Development**

The National Industrial Corridor Development Programme plays a pivotal role in creating world-class **smart cities** and modern **industrial hubs**. It supports planned urbanization and high-quality infrastructure aligned with manufacturing goals. Projects like the Delhi-Mumbai Industrial Corridor (DMIC) and others help strengthen connectivity and catalyze regional economic development.

- **Boosting Foreign Direct Investment (FDI)**

Several reforms have been undertaken to attract higher volumes of FDI. These include raising the FDI cap in sectors like defence (from 26% to 74%), insurance, and railways. As a result, India witnessed a record \$84 billion in FDI inflows in 2021–22, cementing its status as one of the most attractive investment destinations globally.

- **Skill Development Initiatives**

To match the demand for skilled labor created by expanding manufacturing and industrialization, the government introduced programs like Skill India and Pradhan Mantri Kaushal Vikas Yojana (PMKVY). These initiatives have provided vocational training to millions of youth across diverse sectors, thereby enhancing employability and industrial productivity.

- **Startup India Initiative**

The Startup India mission was introduced to build a vibrant startup ecosystem, enabling innovation and entrepreneurship. It seeks to transform India into a nation of job creators rather than job seekers. As of September 2024, India is home to the third-largest startup ecosystem in the world, with 148,931 DPIIT-recognized startups, generating over 15.5 lakh direct jobs.

- **Tax Reforms – Goods and Services Tax (GST)**

The introduction of the Goods and Services Tax (GST) on July 1, 2017, marked a watershed moment in India's tax reform journey. By replacing multiple cascading taxes with a unified tax system, GST reduced compliance burdens, lowered production costs, and enhanced the competitiveness of domestic manufacturing.

- **Unified Payments Interface (UPI)**

India's Unified Payments Interface (UPI) has emerged as a global leader in real-time digital transactions, processing 46% of the world's real-time payments. Between April and July 2024 alone, UPI handled transactions worth nearly ₹81 lakh crore, showcasing the strength and trust in India's digital payment ecosystem and supporting a cashless, formal economy.

11.7 Make in India: Achievements

Since its launch in 2014, **Make in India** has evolved into a transformative initiative that has catalysed industrial growth, encouraged foreign investment, enhanced self-reliance, and enabled India to emerge as a key player in the global manufacturing ecosystem. The initiative has seen robust results across a wide array of sectors including electronics, defence, pharmaceuticals, railways, renewable energy, and exports.

- **Global Vaccine Leadership and Health Manufacturing**

India has cemented its position as the pharmacy of the world, supplying nearly 60% of global vaccine demand. During the COVID-19 pandemic, India developed and distributed indigenous vaccines like Covaxin and Covishield, rapidly achieving record domestic coverage while exporting to over 150 countries through missions such as Vaccine Maitri. Every second vaccine globally is made in India, affirming the country's role in global public health. India's pharmaceutical exports touched USD 27.9 billion in FY 2023–24. This achievement was a result of synergistic efforts under Make in India, Atmanirbhar Bharat, and Digital India.

- **Rise in Mobile and Electronics Manufacturing**

India has emerged as the second-largest mobile phone manufacturer globally. From only 2 units in 2014, the country now hosts over 200 mobile manufacturing plants.

Mobile phone production now constitutes 43% of the total electronics output. Mobile exports surged from ₹1,556 crore in 2014 to ₹1.2 lakh crore in 2024. The electronics sector reached USD 155 billion in FY 2022–23, with India now becoming a preferred electronics hub for global players like Apple, Samsung, and Foxconn.

- **Defence Production and Strategic Export Expansion**

India has made major strides in defence manufacturing to reduce import dependence and boost indigenous capability. Defence production hit ₹1.27 lakh crore in FY 2023–24. Defence exports have reached over 90 countries. Milestones include INS Vikrant, India's first indigenously built aircraft carrier, Indigenous fighter jets (HAL Tejas), drones, and submarines, 'Made in Bihar' combat boots adopted by the Russian Army. These developments

mark India's emergence as a major defence exporter, reflecting strategic autonomy and global trust in Indian military-grade technology.

- **Railways: Vande Bharat Trains and Infrastructure Boost**

The Vande Bharat Express, India's first indigenous semi-high-speed train, has become a symbol of technological innovation and design excellence under Make in India. As of 2024, 51 trains (102 services) are operational across India. These trains feature state-of-the-art coaches, faster acceleration, and enhanced passenger comfort. The success reflects India's capabilities in railway engineering, precision manufacturing, and public infrastructure planning.

- **Semiconductor & Chip Manufacturing Momentum**

Semiconductor manufacturing—previously absent in India—received a major push: Investment commitments in the sector have crossed ₹1.5 lakh crore. Five fabrication plants are under development, projected to produce 7 crore chips daily. The HCL-Foxconn plant in Noida, approved in May 2025, is one of the largest and expected to create 22,000 direct jobs. These developments are aimed at reducing India's reliance on imported chips and creating a domestic electronics ecosystem.

- **Renewable Energy Expansion**

India has become the 4th largest producer of renewable energy globally. Renewable capacity grew from 76.38 GW in 2014 to 203.1 GW in 2024. India has become a leader in solar energy production, under schemes such as PM-KUSUM and Solar Park initiatives. The renewable sector is crucial to achieving India's net-zero emissions target by 2070.

- **Automobile and Electric Vehicle Growth**

The automobile sector has seen exponential growth. India is now a global leader in two-wheeler production. The electric vehicle (EV) market has grown to \$3 billion, spurred by FAME and PLI schemes. Domestic firms like Tata Motors, Ola Electric, and Ather Energy are expanding production, while Tesla and global players are exploring Indian entry.

- **Steel and Heavy Industry Expansion**

India has significantly enhanced its steel production capacity. Production increased by 50% since 2014. India has become a net exporter of finished steel. Indigenous steel now powers key infrastructure projects including railway tracks, defence, and urban transport systems.

- **Export Growth and Global Market Access**

India's export performance has reflected the growing competitiveness of its manufacturing sector. Merchandise exports touched USD 437.06 billion in FY 2023–24. India is now

exporting Kashmir willow cricket bats, a traditional product that gained global popularity. Amul, India's largest dairy brand, launched products in the United States, symbolizing India's food processing and branding success.

- **Textiles, Toys, and Traditional Sectors**

The textile industry has created 14.5 crore jobs, making it one of the largest employers in India. Focused support through the PM-MITRA scheme is aiding mega textile parks. India has marked remarkable progress in case of toy industry. India now produces over 400 million toys annually. On average, 10 new toy designs are developed every second—fostering innovation and indigenous design. Import dependency has reduced by over 70% due to local manufacturing capacity.

Therefore, over the past decade, Make in India has evolved from a vision to a tangible force transforming India's industrial landscape. It has driven job creation across sectors, boosted global competitiveness, strengthened indigenous R&D and accelerated India's role in global supply chains

11.8 Make in India: Challenges

- **Infrastructure Deficiencies and High Logistics Costs**

India continues to suffer from **inadequate infrastructure**, including unreliable power supply, poor connectivity, and inefficient logistics. Despite progress in industrial corridors, logistics costs remain high (13–14% of GDP) compared to 8–9% in developed countries, reducing the global competitiveness of Indian-made goods.

- **Regulatory Hurdles and Bureaucratic Delays**

Although there have been improvements in the Ease of Doing Business rankings, complex regulations, labor laws, and bureaucratic red tape still persist. Slow approvals and decision-making in critical areas such as land acquisition and environmental clearances discourage investment and hamper project execution.

- **Skill Gap and Workforce Mismatch**

India faces a significant shortage of industry-ready skilled labor. The India Skills Report 2024 reveals that around 60% of the workforce lacks relevant skills for manufacturing jobs. The current vocational training ecosystem does not adequately align with industry demands, limiting productivity and efficiency.

- **Low R&D Spending and Innovation Deficit**

India's R&D spending is only 0.7% of GDP, far below the global average of 1.8%. The India Innovation Index 2021 highlights low public and private investment in research. Brain drain

and lack of incentives for sunrise sectors further undermine innovation, especially in high-tech and strategic industries.

- **Dependence on Imports and Trade Imbalance**

India remains highly dependent on imports for critical components in sectors like electronics, defence, and semiconductors, weakening self-reliance goals. This overdependence also contributes to a growing trade imbalance, especially from 2020-21 to 2023-24, and limits the scope of local value addition.

- **Slow Implementation of Key Reforms**

Crucial reforms in labor laws, land acquisition, and taxation have seen delayed implementation, leading to investor uncertainty. Despite policy announcements, execution gaps persist, undermining the momentum needed for manufacturing-led growth.

- **Weak Investment and Capital Formation Trends**

India has fallen short of its investment targets — only USD 23 billion of the USD 100 billion manufacturing investment goal for 2025 had been achieved by 2023. Additionally, Gross Fixed Capital Formation (GFCF) dropped from 4.5% in 2012-13 to just 0.3% in 2019-20, reflecting weak industrial investment.

- **Intense Global Competition**

India faces stiff competition from countries like China, Vietnam, and Bangladesh, which offer lower costs, faster project execution, and better policy support. Despite India ranking 5th in the Global Manufacturing Index (2023), it lags behind top performers like China and the USA in competitiveness.

11.9 Atmanirbhar Bharat – Vision for Self-Reliant India

The announcement of the Atmanirbhar Bharat Abhiyan in May 2020 marked a critical turning point in India's economic policy discourse. Launched in response to the unprecedented economic disruption caused by the COVID-19 pandemic, this initiative reflects a strategic recalibration of India's development model—one that emphasizes resilience, domestic capability, and global competitiveness. Importantly, Atmanirbhar Bharat is not a return to the autarkic or protectionist policies of post-independence India but represents a contemporary vision of self-reliance that is integrated with global value chains. Drawing upon both Keynesian stimulus principles and structuralist development theory, the initiative seeks to enhance supply-side efficiency, reduce critical dependencies, and promote sustainable, innovation-driven growth.

The conceptual roots of Atmanirbharta lie in the recognition that long-term national progress requires not only the inflow of global capital but also the strengthening of indigenous capacities. This approach differs from the import substitution industrialization (ISI) model that India followed in the mid-20th century, which eventually led to inefficiencies, technological stagnation, and fiscal strain. In contrast, Atmanirbhar Bharat embraces globalization but seeks to make India a more competitive player within it. It reflects a hybrid policy stance that invites foreign investment and technological transfer while also fostering home-grown innovation and infrastructure. The policy aligns closely with Amartya Sen's capabilities approach, which prioritizes the expansion of people's freedoms and opportunities through public investment and inclusive growth.

The COVID-19 pandemic served as the immediate context for the initiative's launch, revealing structural vulnerabilities in India's supply chains, public health infrastructure, and industrial ecosystem. With widespread disruptions to global logistics and India's heavy reliance on imports for pharmaceuticals, medical equipment, semiconductors, and electronics, the need for strategic autonomy became evident. Simultaneously, the pandemic triggered a domestic economic shock marked by contraction in GDP, mass unemployment, and distress migration from urban to rural areas. In this backdrop, the government unveiled a comprehensive economic package worth ₹20 lakh crore—equivalent to roughly 10% of GDP—under the Atmanirbhar Bharat banner. The stimulus was guided by five core pillars: economy, infrastructure, systems, demography, and demand. These pillars together formed the architecture for a long-term transformation agenda, beyond short-term recovery.

Atmanirbhar Bharat is structured around sectoral priorities that address both macroeconomic and strategic concerns. In the healthcare sector, the initiative aimed to boost domestic production of active pharmaceutical ingredients (APIs), support indigenous vaccine development through missions like COVID Suraksha, and promote the One Health approach that links human, animal, and environmental well-being. In defence manufacturing, the initiative banned imports of over 400 items and promoted public-private partnerships for the indigenous development of aerospace and weapons systems. Strategic defence corridors in states such as Tamil Nadu and Uttar Pradesh were revitalized, and major breakthroughs such as the commissioning of INS Vikrant underscored India's growing self-sufficiency in high-end military platforms.

The digital and electronics sectors received a strong push through schemes like the Production Linked Incentive (PLI), which incentivized domestic manufacturing of mobile phones, semiconductors, and consumer electronics. These efforts were backed by broader

reforms in data governance, cybersecurity, and digital infrastructure under the Digital India framework. In agriculture, the initiative sought to liberalize markets, expand investment in agri-infrastructure, and support food processing through targeted subsidies and rural entrepreneurship schemes. Although some reform measures, particularly the three farm laws, were later withdrawn due to public opposition, the broader thrust toward improving rural productivity and logistics continues. Similarly, the renewable energy component of Atmanirbhar Bharat aims to align economic development with environmental sustainability. Investments in solar energy, green hydrogen, and biofuels are central to achieving the country's goal of 500 GW of renewable capacity by 2030 and reaching net-zero emissions by 2070.

Institutional and fiscal reforms were critical to the operationalization of Atmanirbhar Bharat. Initiatives such as the National Monetisation Pipeline, the Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs, and expanded use of digital platforms like UPI and JAM trinity improved both access and accountability in public finance. Labour law reforms attempted to consolidate a historically fragmented regulatory landscape, although their implementation remains uneven. From a fiscal standpoint, the policy response to the pandemic reflected a quasi-Keynesian approach, emphasizing capital expenditure, infrastructure development, and credit facilitation as tools to stimulate demand and rebuild productive capacity.

India's self-reliance initiative also mirrors several international models. For instance, parallels can be drawn with China's dual circulation strategy, South Korea's chaebol-led industrial expansion, and Japan's emphasis on resilient supply chains. However, the Indian approach remains unique in its federal structure and democratic execution. States play a significant role in implementing the policy goals, with states like Tamil Nadu, Gujarat, and Uttar Pradesh emerging as key players in sectors such as electronics, renewable energy, and defence, respectively. Yet, despite these successes, several critiques of Atmanirbhar Bharat persist in academic and policy circles. There is concern that overemphasis on import substitution could lead to protectionist tendencies, undermining competition, and innovation. Execution challenges, including delays in PLI disbursements, limited uptake among MSMEs, and constraints in public delivery systems, point to the need for stronger institutional capacity.

Moreover, while the initiative has catalysed growth in certain industries—most notably electronics and pharmaceuticals—India's manufacturing sector continues to contribute only around 14–15% of GDP, far below the 25% target envisioned. Formal job creation has been uneven, and the informal sector remains under strain, especially post-pandemic. There is also

a need to expand R&D expenditure, which remains below 1% of GDP, and address persistent gaps in judicial and regulatory efficiency, which hamper investor confidence.

In conclusion, Atmanirbhar Bharat is both a policy framework and a developmental philosophy that seeks to place India on a more resilient, equitable, and competitive economic trajectory. Its success will depend not only on financial incentives and structural reforms but also on the state's ability to ensure institutional coherence, regional equity, and inclusive growth. As India aspires to become a \$5 trillion economy, the Atmanirbhar Bharat vision must continuously evolve—balancing openness with self-sufficiency, and ambition with execution.

The **Atmanirbhar Bharat Abhiyaan Package** is structured around **five foundational pillars**, which collectively aim to transform India into a resilient and self-reliant economy:

1. **Economy:**

The vision emphasizes a transformative shift rather than small-scale improvements—aiming for a significant leap forward that turns current challenges into strategic opportunities for national growth.

2. **Infrastructure:**

Infrastructure is envisioned as the hallmark of a modern and progressive India, serving as a cornerstone for building a new, forward-looking nation.

3. **Systems:**

The emphasis is on creating systems rooted in 21st-century technologies and modern governance practices, moving beyond outdated regulatory frameworks.

4. **Demography:**

India's robust and dynamic democratic framework is considered a vital source of strength, empowering citizens and energizing the movement towards self-reliance.

5. **Demand:**

The initiative leverages India's large consumer base and strong domestic demand by enhancing the efficiency and resilience of supply chains, thus supporting sustainable economic development.



FIVE PILLARS OF ATMANIRBHAR BHARAT ABHIYAAN



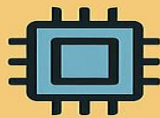
1. ECONOMY

Focuses on bold, transformative reforms — not just incremental changes — to turn adversity into opportunity.



2. INFRASTRUCTURE

Represents the foundation of a modern India; aims to be the face of a self-reliant and globally competitive nation.



3. SYSTEMS

Envisions a 21st-century India driven by smart governance and cutting-edge digital technologies



4. DEMOGRAPHY

Leverages India's vibrant democracy and youthful population as a source of strength and innovation



5. DEMAND

Enhances domestic consumption and supply chain resilience to support local production and reduce dependency

Source: PIB

11.10 Atmanirbhar Bharat: Tranches

The Atmanirbhar Bharat Abhiyan, launched in May 2020 by the Government of India, was a comprehensive economic stimulus package amounting to approximately **₹20 lakh crore**, or **10% of India's GDP**, aimed at reviving the Indian economy amidst the COVID-19 pandemic. The relief package was rolled out in **five tranches**, each targeting specific sectors and themes such as liquidity, credit access, reforms, infrastructure, and welfare.

Tranche 1: Liquidity Support and Credit Measures for MSMEs and NBFCs

The first tranche of the Atmanirbhar Bharat Abhiyan, announced in May 2020, primarily focused on ensuring liquidity and credit support to Micro, Small, and Medium Enterprises (MSMEs), Non-Banking Financial Companies (NBFCs), and other core sectors such as power distribution. Key measures included the launch of the ₹3 lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs to provide collateral-free loans, a ₹20,000 crore subordinated debt scheme for stressed MSMEs, and a ₹50,000 crore equity infusion through a Fund of Funds mechanism. Additionally, ₹90,000 crore was allocated to provide liquidity support to power distribution companies (DISCOMs), and a Partial Credit Guarantee Scheme 2.0 was extended to NBFCs and Housing Finance Companies (HFCs) to ease credit access. The definition of MSMEs was also revised to broaden coverage and eligibility, aiming to formalize and support a wider spectrum of enterprises. The central objective of this tranche was to preserve jobs, facilitate business continuity, and restore credit flow to the productive sectors of the economy.

Tranche 2: Relief for Migrant Workers, Urban Poor, and Farmers

The second tranche of the stimulus package addressed the humanitarian crisis resulting from the COVID-19 lockdown, with targeted support for migrant workers, the urban poor, and farmers. Under this tranche, provisions were made for free food grain distribution for migrant workers for two months under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), benefiting approximately 8 crore individuals. The "One Nation, One Ration Card" initiative was announced to ensure nationwide portability of food entitlements, allowing beneficiaries to access ration supplies regardless of their location. Additionally, a ₹5,000 crore credit facility was rolled out for nearly 50 lakh street vendors to help revive small urban livelihoods. The tranche also included measures such as an affordable rental housing scheme for migrant laborers under a Public-Private Partnership (PPP) model, interest subvention for MUDRA Shishu loan holders, and the expansion of the Kisan Credit Card (KCC) scheme to include more farmers. These interventions aimed to ensure food security, support livelihood recovery, and enhance rural credit accessibility.

Tranche 3: Agricultural and Allied Sector Reforms

The third tranche of the Atmanirbhar Bharat Abhiyan was dedicated to the long-term structural reform of agriculture and allied sectors. A key announcement under this tranche was the creation of a ₹1 lakh crore Agriculture Infrastructure Fund to finance viable projects in post-harvest management and community farming infrastructure. Additionally, a ₹10,000 crore scheme was introduced to formalize Micro Food Enterprises (MFEs) with a focus on local branding and export promotion. The Pradhan Mantri Matsya Sampada Yojana

(PMMSY), with a budget of ₹20,000 crore, was launched to support fisheries infrastructure and marine development. Further investments included ₹15,000 crore for the Animal Husbandry Infrastructure Development Fund, and support for the promotion of herbal cultivation, beekeeping, and value chain development for perishable produce under the "TOP to TOTAL" scheme. This tranche emphasized strengthening India's agricultural supply chains, improving rural incomes, and boosting agro-processing capacities to build a self-reliant agrarian economy

Tranche 4: Structural Reforms in Key Sectors

The fourth tranche focused on implementing structural reforms in critical sectors of the economy to enhance efficiency, attract private investment, and reduce regulatory bottlenecks. One of the major reforms was the liberalization of the coal sector, allowing commercial mining by private entities and removing the government's monopoly. The defense manufacturing sector saw reforms such as increasing the Foreign Direct Investment (FDI) limit from 49% to 74% through the automatic route, and the corporatization of the Ordnance Factory Board to improve competitiveness and transparency. The government also proposed privatization of power distribution companies in Union Territories to improve service quality and reduce losses. Furthermore, the space sector was opened to private companies for satellite development and launches, and reforms were introduced in civil aviation, mineral resources, and atomic energy to encourage innovation and self-reliance. These measures aimed to make India globally competitive by unlocking the potential of strategic sectors through policy liberalization and institutional reforms.

Tranche 5: Government Reforms and Enablers

The fifth and final tranche emphasized governance reforms and fiscal stimulus mechanisms to empower states and ensure effective implementation of previous announcements. A key feature was the enhancement of the borrowing limit for states from 3% to 5% of Gross State Domestic Product (GSDP) for 2020–21, conditional on undertaking specific reforms such as improving urban local body revenues, ease of doing business, and power sector performance. To generate rural employment, an additional allocation of ₹40,000 crore was made under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). The tranche also encouraged privatization of Public Sector Enterprises (PSEs) through a new policy framework that allowed strategic disinvestment in all sectors except a few strategic ones. It highlighted the need for states and local governments to undertake reforms in areas of health, education, and infrastructure development. By introducing reform-linked incentives and

emphasizing cooperative federalism, this tranche aimed to strengthen the enabling environment for long-term economic resilience and inclusive development.

11.11 Atmanirbhar Bharat: Challenges

1. Impact on International Trade and Investment

One of the key challenges associated with the Atmanirbhar Bharat initiative is the potential curtailment of international trade and investment. The emphasis on increasing tariffs, promoting import substitution, and the use of non-tariff barriers such as quotas and embargoes can lead to reduced foreign participation in the Indian economy. These measures may be interpreted as a shift towards protectionism, discouraging foreign investors and trade partners. This isolationist tendency could hinder India's integration into global supply chains, thereby affecting overall economic dynamism and export potential.

2. Policy and Regulatory Issues

Atmanirbhar Bharat faces critical policy-level hurdles that can impede its effectiveness. For instance, India's enforcement regime for Intellectual Property Rights (IPR) is often considered inadequate, which can discourage innovation and foreign collaboration. Moreover, the pharmaceutical sector continues to face regulatory gaps and rigid controls over drug pricing, which limit growth and competitiveness. Such issues highlight the need for comprehensive regulatory reforms to make Indian industries more attractive to both domestic and international investors.

3. Economic Consequences of Data Localisation

The policy push for data localisation—requiring that data be stored and processed within Indian borders—poses certain economic challenges. While aimed at enhancing data security and sovereignty, such requirements may restrict Indian firms' access to global digital infrastructure. This could hinder participation in international markets, reduce access to capital and technology, and ultimately limit competitiveness. Smaller firms, in particular, may find it difficult to comply with localisation norms, thereby losing out on opportunities in the global digital economy.

4. Challenges in the Space Sector

The decision to open the Indian space sector to private entities marks a significant policy shift. However, the initiative is marred by a lack of procedural clarity, which undermines

investor confidence. Potential investors and private players often find the regulatory and operational frameworks ambiguous, slowing down participation and innovation. Although the creation of the Indian National Space Promotion and Authorization Centre (IN-SPACe) aims to provide a level playing field, the institutional framework is still evolving and requires more transparency and efficiency to be fully effective.

5. Defence Sector Concerns

In the defence sector, the government has introduced an import embargo on 101 items, to be implemented in phases up to 2024. While intended to boost domestic manufacturing and self-reliance, this measure may deter foreign defence companies from investing in India. Additionally, the revisions made to the Defence Acquisition Procedure (DAP) 2020 mandate that no items on the embargo list be imported after the specified deadlines. These restrictions could limit access to advanced technologies and reduce opportunities for collaborative ventures with global defence manufacturers.

6. Risk of Overemphasis on Self-Reliance

Critics argue that the overemphasis on self-reliance, if not balanced with openness to global cooperation, could undermine India's competitiveness. Excessive reliance on domestic production without matching global standards may lead to lower quality and costlier products. Such outcomes can reduce consumer welfare and discourage exports. In a globalised economy, strategic integration with international partners is vital, and turning inward could affect India's long-term economic aspirations.

7. Infrastructure and Human Capital Gaps

Achieving true self-reliance necessitates strong infrastructure and a skilled workforce—areas where India continues to face significant deficits. Without adequate investment in logistics, transportation, digital infrastructure, and human capital development, the objectives of Atmanirbhar Bharat may remain unfulfilled. Industrial and manufacturing sectors require consistent power supply, efficient transport networks, and a trained workforce to scale up and compete internationally. These structural challenges must be addressed in parallel with policy reforms.

8. Socio-Economic and Environmental Concerns

The push for rapid industrialization under Atmanirbhar Bharat may exert pressure on India's

socio-economic fabric. There are valid concerns regarding the displacement of vulnerable communities and the potential degradation of natural ecosystems. The challenge lies in balancing the goals of economic growth with environmental sustainability and social inclusion. Without careful planning, the initiative could lead to increased inequalities and ecological stress, undermining long-term development outcomes.

11.12 Synergies and Differences between Make in India and Atmanirbhar Bharat

Make in India and Atmanirbhar Bharat represent two of the most ambitious policy frameworks aimed at accelerating India's economic transformation in the 21st century. While both initiatives are closely linked in their emphasis on manufacturing growth, employment generation, and self-sufficiency, they emerge from distinct historical contexts and reflect evolving policy priorities. Understanding their synergies and differences is essential for appreciating how India's development narrative has matured over time—from a focus on industrial promotion to a broader agenda of strategic resilience and inclusive self-reliance.

At a foundational level, both initiatives seek to reduce India's dependence on imports, enhance domestic production capabilities, and improve integration with global value chains. They share a common objective of revitalizing the manufacturing sector, which has historically underperformed relative to its potential. Through incentives, infrastructure investments, and regulatory reforms, both policies attempt to create a conducive environment for businesses, particularly in sectors such as electronics, defence, automobiles, textiles, and pharmaceuticals. Moreover, each initiative places significant importance on the role of public-private partnerships, technology adoption, and foreign direct investment (FDI) in driving industrial growth. The emphasis on improving the ease of doing business, streamlining bureaucratic procedures, and building modern infrastructure also reflects a shared commitment to competitiveness and investor confidence.

However, key differences arise in terms of scope, strategic focus, and timing. Launched in September 2014, Make in India was primarily a pre-emptive industrial policy aimed at positioning India as a global manufacturing hub. It was born out of the need to create jobs for a rapidly growing young population, revive stalled projects, and expand India's share in global manufacturing, which at the time was only around 2%. The initiative emphasized sector-specific investment promotion and aimed to raise the share of manufacturing in GDP to 25% by 2025. Its approach was predominantly growth-oriented and outward-facing, focused on FDI promotion, export competitiveness, and sectoral brand building.

In contrast, Atmanirbhar Bharat, announced in May 2020, was largely a reactive strategy in response to the economic and geopolitical disruptions caused by the COVID-19 pandemic. While it incorporates many of the goals of Make in India, it goes beyond industrial promotion to encompass a holistic national strategy for resilience. The initiative emphasizes strategic autonomy in critical areas such as health, defence, semiconductors, energy, and digital infrastructure. It is inherently self-reliance driven, prioritizing not just economic revival but also the capacity to withstand future shocks, reduce overdependence on external supply chains, and build indigenous innovation ecosystems. It includes welfare schemes, credit support, and public health investment, highlighting its broader economic and social policy dimensions.

Another distinction lies in the design and implementation architecture. Make in India focused heavily on sectoral ministries and brand promotion through investor outreach, roadshows, and single-window clearances. It was supported by deregulation, simplification of licensing, and digital platforms like the Make in India portal. Atmanirbhar Bharat, in contrast, operates through a multi-layered package of schemes—including fiscal stimulus, structural reforms, and targeted PLI (Production Linked Incentive) subsidies. Its instruments span agriculture, MSMEs, labour laws, social welfare, and infrastructure, making it more comprehensive and inter-sectoral in nature.

Moreover, the tone and language of the two initiatives differ. Make in India was framed with a strong emphasis on India's openness to global investors and aimed to position India as a friendly, low-cost, and large-scale production base. Atmanirbhar Bharat, while not rejecting globalization, places greater weight on national priorities, domestic supply chains, and local innovation, often invoking the slogan of “vocal for local.” It aligns with broader geopolitical shifts, including global supply chain diversification, regionalisation, and the drive for strategic decoupling in sensitive industries.

In terms of outcomes, both initiatives have had mixed yet noteworthy results. Make in India succeeded in attracting record levels of FDI between 2014 and 2022, particularly in sectors like telecom and electronics. It contributed to India becoming the second-largest mobile phone manufacturer globally. However, its broader target of raising the manufacturing share in GDP has remained elusive, with the figure hovering around 14–15%. Atmanirbhar Bharat has shown early signs of success in building **strategic capacities**, such as in vaccine production, defence exports, and semiconductor planning. Its policy tools, such as PLI, have begun to restructure India's industrial base, though challenges remain in execution and uptake.

In essence, Make in India and Atmanirbhar Bharat should not be seen as competing frameworks but as complementary stages in India's economic evolution. The former laid the groundwork for industrial resurgence, while the latter builds upon it with a strategic focus on resilience and sustainability. Together, they reflect a shift in India's development model—from liberalization and integration to strategic statecraft and calibrated self-reliance. Understanding these synergies and differences enables policymakers, scholars, and citizens alike to chart a more informed and balanced path toward inclusive national growth.

11.13 Make in India and Atmanirbhar Bharat: Conclusion and Future Outlook

Over the past decade, *Make in India* and *Atmanirbhar Bharat* have emerged as two cornerstone initiatives shaping the trajectory of India's economic development. They represent not just policy frameworks, but evolving visions of national progress, industrial transformation, and strategic autonomy. Together, they illustrate how India's development thinking has matured—from a focus on attracting foreign investment and building global competitiveness to a broader, more integrated vision of self-reliance that incorporates resilience, inclusiveness, and sustainability.

Make in India laid the essential foundation for manufacturing revival. By focusing on sector-specific promotion, infrastructure investment, and regulatory reform, it succeeded in improving the ease of doing business and enhancing India's reputation as a manufacturing destination. It facilitated substantial foreign direct investment inflows and gave a decisive push to sectors such as electronics, defence, and automotive. However, it also faced structural constraints, such as land and labour bottlenecks, limited R&D investment, and sluggish growth in job-intensive manufacturing. These challenges made clear that industrial revival in India required not just promotion but deeper systemic reforms.

Atmanirbhar Bharat expanded the agenda of Make in India by integrating it with national resilience and strategic self-sufficiency. Emerging in the wake of the COVID-19 pandemic and subsequent global disruptions, it redefined the scope of economic policy by linking industrial capability with social security, digital empowerment, and infrastructure modernisation. It emphasized indigenous innovation, supply chain diversification, and robust welfare systems as foundations for long-term growth. Its deployment of instruments like Production Linked Incentives (PLIs), emergency credit support, and national infrastructure planning marks a shift towards a more interventionist, outcomes-driven policy model.

The synergy between the two initiatives lies in their shared emphasis on building a competitive and self-confident India. Both aim to create jobs, enhance productivity, and

strengthen India's position in global value chains. Yet, the differences in their strategic orientation—Make in India being more outward-looking and investment-led, while Atmanirbhar Bharat is inwardly resilient and systems-focused—highlight the adaptive nature of India's policy evolution. Where Make in India was aspirational, Atmanirbhar Bharat is corrective and future-oriented.

Looking ahead, the success of both initiatives will depend on a number of critical factors. First, implementation efficiency must be improved through stronger inter-ministerial coordination, real-time data monitoring, and better targeting of incentives. Second, greater emphasis is needed on skilling and workforce transformation, particularly in the context of rapid technological change and green transition. Third, India's industrial policy must move from sectoral targeting to ecosystem development—supporting startups, research institutions, and MSMEs that drive innovation at the grassroots. Fourth, regional disparities must be addressed to ensure that manufacturing and investment growth are inclusive and geographically balanced.

On the global stage, India's twin focus on openness and self-reliance must be carefully calibrated. While promoting domestic capabilities, India must continue to engage with global markets, attract high-quality investment, and champion multilateral cooperation in trade, climate, and technology. As global value chains reorganize in response to geopolitical shifts and digital disruption, India has a historic opportunity to reposition itself as a reliable, democratic, and competitive hub for production and innovation.

In conclusion, Make in India and Atmanirbhar Bharat are not standalone or time-bound schemes—they represent a continuum in India's long journey toward economic modernization and national resilience. Together, they offer a roadmap for building a New India—one that is globally integrated but domestically empowered, economically competitive but socially inclusive, and technologically advanced yet environmentally sustainable. Their future success will rest on India's ability to execute reforms with agility, scale innovation with intent, and foster development with equity and purpose.

Check your Progress

Based on your understanding of the previous section, answer these questions in your own words:

Q1. What are the core objectives of the Atmanirbhar Bharat Abhiyan, and how does it differ from traditional protectionist policies?

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Q2. List any three sectors that have significantly benefited from the Production Linked Incentive (PLI) scheme under Atmanirbhar Bharat.

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Q3. How does Make in India aim to enhance India's global manufacturing competitiveness?

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11.14 Let us Sum up

Therefore, Make in India and Atmanirbhar Bharat are key initiatives aimed at boosting India’s manufacturing and economic self-reliance. Launched in 2014, Make in India promotes domestic production, FDI, and job creation across 27 core sectors. Further Atmanirbhar Bharat, introduced in 2020, builds on this by reducing import dependency and strengthening local capabilities. Both focus on improving infrastructure, ease of doing business, and fostering innovation. Schemes like PLI, PM Gati Shakti, and support for startups and MSMEs are common to both. Together, they aim to position India as a globally competitive and resilient economy. The goal is to create a self-sustaining ecosystem driven by local strength and global engagement.

11.15 Keywords

- **Atmanirbhar Bharat** – A policy initiative launched in 2020 aiming for a self-reliant India by promoting domestic production, reducing import dependence, and building resilient supply chains across strategic sectors.

- **Make in India** – An initiative launched in 2014 to transform India into a global manufacturing hub by encouraging both domestic and foreign companies to manufacture in India.
- **Production Linked Incentive (PLI) Scheme** – A government program that provides financial incentives to companies based on incremental sales of products manufactured in India, aimed at boosting domestic production and exports.
- **Self-Reliance** – The ability of a country to meet its needs independently without excessive dependence on external sources, especially in strategic areas like defence, health, and energy.
- **Import Substitution** – An economic strategy that advocates replacing foreign imports with domestic production to reduce external dependence and build internal capabilities.
- **Global Value Chains (GVCs)** – International production networks where different stages of the manufacturing process are located across various countries to optimize efficiency and cost.
- **FDI (Foreign Direct Investment)** – Investment made by a company or individual in one country into business interests located in another country, often used to build facilities or acquire stakes in companies.
- **Ease of Doing Business** – A composite index published by the World Bank ranking countries based on regulatory and business-friendly environments for starting and operating a business.
- **Emergency Credit Line Guarantee Scheme (ECLGS)** – A COVID-19 relief measure introduced to provide credit guarantees to MSMEs to help them recover from financial stress and maintain operations.
- **MSMEs (Micro, Small and Medium Enterprises)** – Businesses that form a significant part of India's industrial base, often characterized by small-scale operations and limited access to formal credit and markets.
- **Digital India** – A flagship program launched to transform India into a digitally empowered society and knowledge economy through improved internet access, e-governance, and digital infrastructure.
- **Green Energy/ Renewable Energy** – Energy derived from natural resources like solar, wind, hydro, and biomass that are sustainable and environmentally friendly alternatives to fossil fuels.

- **Defence Corridors** – Industrial regions focused on defence manufacturing, where clusters of public and private sector defence production units are established with shared infrastructure and incentives.
- **Vocal for Local** – A slogan under Atmanirbhar Bharat encouraging consumers and producers to promote and prioritize indigenous products and innovations.

11.16 Suggestive Readings

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11.18 Hints to Check Your Progress

- Q1. Refer to section 11.9
- Q2. Refer to section 11.3
- Q3. Refer to section 11.6

11.19 Examination Oriented Questions

Q1. Critically evaluate the synergies and differences between the Make in India and Atmanirbhar Bharat initiatives. How do these reflect India's evolving approach to industrial and economic policy in the global context?

Q2. Discuss the role of key policy instruments such as the Production Linked Incentive (PLI) Scheme, Emergency Credit Line Guarantee Scheme (ECLGS), and PM Gati Shakti in achieving the goals of Atmanirbhar Bharat. Support your answer with recent data and examples.

Q3. Examine the impact of the Make in India initiative on India's manufacturing sector over the last decade. To what extent has it succeeded in meeting its original objectives, and what are the major challenges it continues to face?

Q4. Analyze the role of the COVID-19 pandemic in shaping the Atmanirbhar Bharat initiative. In what ways did the crisis expose vulnerabilities in India's economic structure, and how did the policy framework attempt to address them?

Q5. Discuss the contribution of the Make in India initiative to employment generation and industrial diversification in India. Highlight the sectors where progress has been notable and examine areas where the initiative has underperformed.

Q6. Evaluate the impact of India's self-reliance initiatives on its position in global trade and geopolitics. How has the shift towards Atmanirbharta influenced India's engagement with global value chains and international partners?

Q7. Examine the structural and implementation challenges that have affected the performance of schemes like PLI, PM Gati Shakti, and ECLGS. Suggest policy measures that could enhance their effectiveness and scalability.

Q8. Critically assess the compatibility of Atmanirbhar Bharat with the goals of sustainable development. How do initiatives under this framework balance economic growth, environmental sustainability, and social inclusion?

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12.0 Objectives

The main objectives of this lesson are to enable you to:

- Explain the historical evolution of India's digital and IT sectors from pre-2000 to the present.
- Identify the key government initiatives that shaped India's digital transformation (e.g., Digital India, Aadhaar, BharatNet).
- Analyze the growth of IT services, BPOs, startups, fintech, and digital infrastructure.
- Evaluate the impact of digital tools in sectors such as education, health, retail, and governance.
- Assess the challenges, opportunities, and future trajectory of India's digital ecosystem, including global competitiveness and environmental concerns.

12.2 Learning Outcomes

By the end of this lesson, learners will be able to:

- Describe the foundational pillars and major policy interventions that powered India's digital revolution.

- Interpret the role of emerging technologies like AI, blockchain, cloud computing, and Web 3.0 in India's development.
- Discuss how fintech, e-governance, healthtech, and edtech have redefined citizen access to services and empowerment.
- Assess India's performance in the global IT market and recognize the role of unicorns, venture capital, and skilling initiatives.
- Critically evaluate India's digital roadmap leading up to 2047 and propose strategic directions for inclusive, sustainable digital growth.

12.2 Introduction

Dear Learner, after going through this lesson, you will explore India's remarkable rise as a global digital and IT leader in the 21st century. From early pioneers like TCS and Infosys to recent unicorns and startups, this journey reflects innovation, liberalization, and policy synergy. You will understand how initiatives like Digital India, Aadhaar, and UPI transformed service delivery. The lesson also highlights developments in edtech, healthtech, e-governance, and e-commerce. It examines key challenges like the digital divide and environmental impact. Ultimately, you'll grasp how digital growth is shaping India's inclusive and futuristic development path.

12.3 Prologue

India's digital revolution in the 21st century marks a transformative phase in the country's socio-economic and technological landscape. With over 800 million internet users and more than 1.2 billion mobile subscribers as of 2024, India is one of the world's largest and fastest-growing digital markets. The term *digital revolution* refers to the sweeping changes brought about by the proliferation of digital technologies—ranging from the internet and mobile connectivity to cloud computing, artificial intelligence, and blockchain—across all sectors of society. In India, this revolution is closely linked to the phenomenal growth of the Information Technology (IT) sector, which has evolved from a nascent industry in the 1990s to a global powerhouse, employing over 5 million people and contributing nearly 7.5% to the country's GDP.

The interplay between government initiatives, private innovation, and global integration has been central to this transformation. Programs like Digital India, Startup India, and Make in

India have created a policy ecosystem conducive to digital empowerment, innovation, and inclusive development. The IT sector, once limited to software exports and back-office services, now encompasses a broad range of functions including digital payments, e-governance, e-commerce, cloud-based services, and artificial intelligence applications.

This chapter explores the evolution and expansion of India's digital and IT ecosystem in the 21st century. It analyzes the historical foundations of the IT boom, key drivers of the digital revolution, policy milestones, the rise of startups and fintech innovations, and the challenges of inclusion and data governance. The chapter also examines India's position in the global digital economy and reflects on future trends such as 5G, AI, and cybersecurity. By understanding these dimensions, the reader will gain insights into how digital transformation is reshaping India's economy, governance, and society.

12.3.1 Historical Background of IT Development in India

The roots of India's Information Technology (IT) sector can be traced back to the 1970s and 1980s, a period when computing technology was largely confined to government departments, public sector undertakings (PSUs), and a few premier academic institutions such as the Indian Institutes of Technology (IITs). The use of computers was minimal and highly regulated under the restrictive industrial licensing regime. During this period, companies like Tata Consultancy Services (TCS), Wipro, and HCL began modest operations, primarily offering hardware and software services in a highly controlled economic environment. However, the full potential of the IT sector remained largely untapped due to policy constraints, poor infrastructure, and lack of global integration.

The real breakthrough came in the early 1990s, following the economic crisis of 1991 and the subsequent adoption of the New Economic Policy, which ushered in an era of liberalization, privatization, and globalization (LPG). These reforms dismantled trade barriers, allowed foreign direct investment (FDI), and promoted a market-oriented economy. The liberalized environment provided Indian IT firms the opportunity to expand their operations, tap into global markets, and attract international clients. Software Technology Parks of India (STPIs), established in the early 1990s, played a critical role by offering high-speed internet, tax benefits, and regulatory support to budding IT firms.

By the late 1990s and early 2000s, India had emerged as a major hub for IT services and business process outsourcing (BPO). The *Y2K bug* phenomenon gave Indian IT firms a chance to showcase their technical expertise on a global stage, leading to an explosion in

demand for Indian software professionals. Simultaneously, the availability of a large pool of English-speaking, technically skilled graduates provided a significant comparative advantage. Cities like Bengaluru, Hyderabad, Pune, and Gurugram became the nerve centers of India's IT revolution, attracting investments, talent, and international recognition.

Government initiatives such as the Information Technology Act of 2000 laid the legal framework for e-commerce and digital transactions, further legitimizing the digital economy. The National e-Governance Plan (NeGP), launched in 2006, aimed to bring government services online, setting the stage for deeper digital penetration in governance and citizen engagement.

Thus, the historical trajectory of the Indian IT sector reflects a shift from a protectionist, government-dominated model to a liberalized, globally competitive, innovation-driven ecosystem. These foundational developments set the stage for the digital revolution that India is witnessing today.

12.4 Key Drivers of the Digital Revolution

The digital revolution in India has been propelled by a confluence of structural, technological, and policy-level factors. These drivers have collectively created an enabling environment for widespread digitization across economic sectors, governance, and civil society. The following are the key enablers that have transformed India into one of the fastest-growing digital economies in the world:

1. Government Vision and Policy Support

One of the most significant drivers of India's digital transformation has been the proactive role of the government in setting a long-term digital vision. The **Digital India Mission**, launched in 2015, aimed to transform India into a digitally empowered society and knowledge economy. The programme emphasized three core areas: digital infrastructure as a utility for every citizen, governance and services on demand, and digital empowerment of citizens. Initiatives like **BharatNet** (rural broadband connectivity), **DigiLocker**, **e-Sign**, and **UMANG** (Unified Mobile App for New-Age Governance) were launched to integrate digital services across platforms and improve public service delivery.

Moreover, policies such as Startup India, Smart Cities Mission, National Policy on Software Products (2019), and National Broadband Mission (2019) were strategically aligned to promote innovation, digital entrepreneurship, and technological infrastructure. These

frameworks provided tax incentives, streamlined regulatory processes, and created digital public goods that accelerated India's digital economy.

2 Mobile and Internet Penetration

India's mobile revolution has been a cornerstone of its digital transformation. With over 1.2 billion mobile connections and more than 800 million internet users as of 2024, the widespread adoption of smartphones has democratized digital access. The entry of low-cost smartphones and disruptive pricing models introduced by telecom players like Reliance Jio in 2016 dramatically reduced data costs, making high-speed internet accessible to even the most remote regions.

The availability of 4G networks and now the rollout of 5G services have further improved digital connectivity and latency, enabling the seamless delivery of digital services ranging from education and health to entertainment and financial inclusion. The mobile-first approach has especially benefitted sectors like e-commerce, FinTech, EdTech, and agritech, which are now deeply integrated with rural markets.

3 Digital Infrastructure and Public Platforms

India has developed a unique set of digital public infrastructure that forms the backbone of its digital economy. At the core of this infrastructure is the India Stack, an open digital platform comprising Aadhaar (biometric identification), Unified Payments Interface (UPI), e-KYC, DigiLocker, and consent-based data sharing protocols. These interoperable systems have enabled millions of Indians to access banking services, digital identity, and government benefits without physical intermediaries.

The UPI platform, launched by the National Payments Corporation of India (NPCI), is a global benchmark in real-time digital payments. It facilitates over 10 billion transactions per month (as of early 2024), making India the leader in cashless transactions by volume. The JAM Trinity—Jan Dhan Yojana (bank accounts), Aadhaar, and Mobile—has been instrumental in driving financial inclusion and targeted benefit transfers.

4 Human Capital and Skilled Workforce

India's demographic dividend, characterized by a young and tech-savvy population, has been another fundamental driver. The country produces over 1.5 million engineering graduates annually, a significant portion of whom enter the IT and digital services sectors. Institutions

such as IITs, NITs, and private technical universities have been central to nurturing digital talent.

Additionally, national skilling programmes like Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and FutureSkills Prime (NASSCOM-MoE initiative) are building capacity in emerging technologies such as artificial intelligence, machine learning, cloud computing, and cybersecurity. India's IT workforce is not only servicing domestic demand but also contributing to the global tech economy through outsourcing and remote services.

5 Private Sector Innovation and Investment

The Indian private sector—comprising both large IT firms and dynamic startups—has been a key player in advancing the digital frontier. Companies like Infosys, TCS, Wipro, and HCL Technologies have been instrumental in integrating global best practices, building robust service delivery models, and creating jobs. On the other hand, the emergence of a thriving startup ecosystem—fuelled by venture capital, incubators, and innovation hubs—has diversified the digital economy.

By 2024, India has over 100 unicorns and thousands of digital startups, many of which operate in deep tech, fintech, agritech, edtech, and healthtech. Startups such as Paytm, Zerodha, Byju's, Ola, and Zomato have redefined customer experience through digital platforms and scalable business models. Government-run startup incubators and policies like the Fund of Funds for Startups (FFS) have supported this surge.

12.5 Growth of the Indian IT-BPM Sector

The Information Technology (IT) and Business Process Management (BPM) sector has emerged as one of the most prominent drivers of India's economic growth, employment generation, and global integration in the 21st century. From modest beginnings in the 1980s and 1990s, the Indian IT-BPM industry has transformed into a globally recognized outsourcing hub, contributing significantly to India's GDP, export earnings, and technological innovation.

1 Sectoral Contribution to GDP and Exports

As of 2023–24, the Indian IT-BPM sector contributes approximately 7.5% to the national GDP, up from a mere 1.2% in 1998–99. The industry's export revenue reached USD 200 billion, accounting for nearly 40% of India's total services exports. This makes India the

world's largest sourcing destination for IT services, commanding around 55–60% of the global outsourcing market. The sector's robust growth is attributed to its cost-effectiveness, availability of skilled talent, regulatory support, and the early adoption of global service delivery models.

The segment is also diverse, encompassing software services, IT consulting, engineering R&D, BPM (BPO/KPO), digital transformation services, cloud solutions, and enterprise application management. In recent years, digital revenue streams—especially in cloud computing, artificial intelligence (AI), machine learning (ML), and cybersecurity—have grown at double-digit rates, reflecting a shift from traditional service delivery models to digital-first models.

2 Employment Generation and Skill Development

The IT-BPM sector is a major employment generator in India, directly employing over 5.4 million professionals as of 2023, with an additional 10–12 million indirectly employed through allied services and sectors. It remains a major source of white-collar employment for India's educated youth, especially engineering and management graduates.

The industry has also played a transformative role in reskilling and upskilling the Indian workforce. Large firms like Infosys, TCS, and Cognizant run in-house training programs that are globally benchmarked. At the same time, sectoral organizations such as NASSCOM and SSC NASSCOM (Sector Skill Council) are actively involved in digital skill certification through platforms like FutureSkills Prime. These initiatives are helping to align India's workforce with emerging demands in data science, blockchain, DevOps, IoT, and other fourth-industrial-revolution technologies.

3 Rise of Indian IT Giants and Global Presence

India's IT journey is closely associated with the rise of its homegrown technology giants. Companies like Tata Consultancy Services (TCS), Infosys, Wipro, HCLTech, and Tech Mahindra have become global service providers, with operations in over 60 countries. TCS, for instance, has crossed a market capitalization of USD 150 billion and services over 1,000 global clients, including multiple Fortune 500 companies.

These firms have pioneered the Global Delivery Model (GDM)—wherein work is distributed across multiple global locations based on efficiency, time zones, and expertise. Indian IT companies are now strategic partners in digital transformation for multinational corporations

(MNCs), offering services such as platform engineering, customer analytics, cloud migration, and enterprise IT infrastructure modernization.

4 Evolution from Outsourcing to Innovation

Initially, India's IT-BPM sector was largely service-based and centered around back-office operations, application development, and maintenance. However, the 2010s saw a shift towards high-value services, including product engineering, automation, AI integration, and digital customer experience management. Indian IT firms are now actively investing in innovation labs, R&D centers, and industry-academia collaborations to build intellectual property (IP), patents, and proprietary software platforms.

Additionally, global digital transformation mandates—particularly post-COVID-19—have catalyzed demand for end-to-end IT solutions. Sectors such as healthcare, fintech, education, and logistics are now leveraging Indian IT expertise to build digital infrastructure, optimize operations, and improve user experience through data-driven strategies.

5 Domestic IT Growth and Tier-II Expansion

While global exports remain dominant, India's domestic IT market has also seen substantial expansion, estimated at USD 50 billion in FY 2023–24, driven by government digital initiatives, Smart Cities, and digital governance platforms. Moreover, the IT-BPM sector is no longer confined to metros like Bengaluru and Hyderabad. Tier-II and Tier-III cities such as Indore, Kochi, Jaipur, Bhubaneswar, and Coimbatore are emerging as new IT destinations, supported by lower operational costs, local talent pools, and government incentives.

The dispersal of IT hubs is contributing to regional development, reducing urban migration pressure, and enabling inclusive growth. Many state governments now operate IT-SEZs (Special Economic Zones) and technology parks to attract domestic and foreign investment in the digital economy.

Overall, the Indian IT-BPM sector represents a successful model of export-led growth, skill-driven employment, and innovation-oriented transformation. It has not only earned global respect but also laid the foundation for India's broader digital revolution. Going forward, the sector is well poised to lead the country's journey into an AI-powered, cloud-native, and innovation-driven digital future.

12.6 Digital India Mission: Objectives and Impact

The **Digital India Mission**, launched on **1st July 2015** by the Government of India, represents a transformative national initiative aimed at bridging the digital divide and making India a digitally empowered society and knowledge economy. Anchored in the belief that technology can be a powerful tool for inclusive development, the programme envisions the provision of digital infrastructure as a core utility to every citizen, the delivery of government services on demand, and the digital empowerment of citizens. It has since evolved into the bedrock of India's digital governance and economic modernization framework.

Vision and Core Pillars

The vision of Digital India is structured around **three key areas**:

1. Digital Infrastructure as a Core Utility to Every Citizen

- Establishing a secure and stable digital identity (Aadhaar)
- Providing high-speed internet access, particularly through **BharatNet**
- Creating mobile banking and public cloud spaces (e.g., DigiLocker)

2. Governance and Services on Demand

- Seamless integration of services across departments
- Online access to government services via e-governance platforms
- Real-time availability of data and electronic delivery of services (e.g., UMANG, e-Hospital)

3. Digital Empowerment of Citizens

- Universal digital literacy through schemes like **PMGDISHA** (Pradhan Mantri Gramin Digital Saksharta Abhiyan)
- Availability of digital resources in Indian languages
- Citizen participation through platforms like **MyGov.in**

These pillars collectively aim to democratize access to information, improve service delivery, enhance transparency, and stimulate economic growth.

Flagship Initiatives and Services

Several flagship programmes have been developed under the Digital India umbrella, including:

- **BharatNet:** The world's largest rural broadband project aiming to connect over **2.5 lakh gram panchayats** with high-speed fiber optic internet.
- **DigiLocker:** A secure platform for storing and sharing government-issued documents digitally.
- **e-Kranti:** Focused on electronic delivery of government services across sectors like health (e-Hospital), education (SWAYAM), and agriculture (e-NAM).
- **UMANG (Unified Mobile App for New-Age Governance):** A single app that integrates over 1,200 government services.
- **CSC (Common Services Centres):** Over **5 lakh CSCs** act as digital access points for rural and underserved populations.
- **Aadhaar Enabled Services:** Over **1.3 billion Aadhaar enrollments** have enabled biometric authentication for subsidy delivery, DBT (Direct Benefit Transfers), and digital IDs.

These initiatives aim not only to enhance service efficiency but also to ensure **inclusivity and accessibility**, especially for marginalized and rural communities.

Economic and Social Impact

The Digital India Mission has had a **multi-dimensional impact** on India's economy, governance, and society:

- **Economic Boost:** The digital economy is estimated to contribute around **20% of India's GDP by 2026**, driven by growth in digital services, e-commerce, and financial inclusion.
- **Job Creation:** It has spurred employment in sectors such as IT services, digital platforms, mobile manufacturing, and rural entrepreneurship (e.g., CSC operators).
- **Financial Inclusion:** Through platforms like **Jan Dhan-Aadhaar-Mobile (JAM)** trinity and **UPI**, millions have been brought into the formal financial system, reducing leakages in welfare distribution.

- **Improved Service Delivery:** Government services are now more efficient, transparent, and less prone to corruption. For instance, **DBT (Direct Benefit Transfer)** schemes have saved over ₹2.2 lakh crore in subsidies by eliminating duplicate and ghost beneficiaries (as per 2023 data from the Ministry of Electronics and IT).

Challenges in Implementation

Despite its ambitious vision, Digital India faces several **implementation challenges**:

- **Digital Divide:** While urban areas enjoy high-speed internet, many rural and remote areas still lack basic connectivity. As of 2023, over **40,000 villages** remain unconnected.
- **Low Digital Literacy:** A significant portion of the population, particularly older adults and rural women, lack the digital skills needed to access services.
- **Cybersecurity and Data Privacy:** The growing volume of digital transactions and citizen data raises concerns about data breaches, surveillance, and misuse of personal information.
- **Language and Accessibility Barriers:** Most digital platforms are still primarily in English or Hindi, limiting access for non-Hindi speakers and differently-abled populations.

Global Recognition and Replicability

India's digital infrastructure and governance platforms have garnered **international acclaim**. The **India Stack** model, especially **Aadhaar and UPI**, is being studied and adopted by other developing countries seeking scalable digital governance frameworks. Institutions like the World Bank and the UN have recognized Digital India as a model for "technology for development," particularly in achieving Sustainable Development Goals (SDGs) such as SDG 9 (Industry, Innovation, and Infrastructure) and SDG 16 (Peace, Justice and Strong Institutions).

In summary, the Digital India Mission is not just a technological programme but a comprehensive governance and development initiative. Its focus on inclusion, transparency, and efficiency has laid the foundation for a robust digital ecosystem. However, the future

success of Digital India will depend on addressing implementation gaps, investing in human capital, and ensuring the ethical use of technology.

12.7 Role of Startups, Innovation Ecosystem, and E-Governance in Public Service Delivery

The evolution of India's digital revolution cannot be fully understood without acknowledging two of its most transformative forces: the rapid rise of a vibrant startup and innovation ecosystem, and the parallel expansion of e-governance in the delivery of public services. Together, these forces have redefined not only how citizens interact with the government, but also how businesses create value, solve socio-economic problems, and scale innovative solutions across diverse sectors. The convergence of digital entrepreneurship with governance reforms reflects India's broader ambition to be a digitally inclusive and innovation-led economy.

12.6.1 Rise of Indian Startups and the Innovation Ecosystem

Over the past decade, India has emerged as the third-largest startup ecosystem in the world, after the United States and China. As of 2024, India is home to over 110,000 registered startups and 110+ unicorns (startups valued at over \$1 billion), according to DPIIT (Department for Promotion of Industry and Internal Trade). The Indian startup ecosystem has witnessed exponential growth across sectors such as FinTech, EdTech, HealthTech, AgriTech, DeepTech, CleanTech, Mobility, and SaaS (Software as a Service).

Several factors have contributed to this surge:

- **Policy and Regulatory Support:** The Startup India Initiative (2016) introduced tax exemptions, self-certification compliance, IP facilitation, and access to the Fund of Funds for Startups (FFS). Additionally, the Atal Innovation Mission, MeitY Startup Hub, and SAMRIDH Scheme support tech-based startups and digital infrastructure development.
- **Access to Capital:** India has seen a rise in venture capital (VC) and private equity investments, as well as increased participation from angel investors, foreign institutional investors, and sovereign funds. Between 2021 and 2023, Indian startups collectively raised over \$85 billion in funding.

- **Digital Infrastructure:** The availability of APIs under **India Stack**, low-cost internet access, cloud-based services, and mobile penetration have significantly lowered the entry barrier for digital startups.
- **Academic and Incubation Ecosystems:** Institutions such as IITs, IIMs, and IIITs now house incubators and accelerators that foster entrepreneurship. **T-Hub (Telangana)**, **Bengaluru's Startup Cell**, and **KSUM (Kerala Startup Mission)** are prominent public-sector-led innovation ecosystems.

Startups are playing a pivotal role in solving India-specific problems—from digitizing rural supply chains (e.g., **DeHaat**, **Ninjacart**) to transforming education access (**Byju's**, **Unacademy**) and disrupting financial inclusion (**Razorpay**, **Zerodha**, **PhonePe**). The ecosystem is not only generating employment but also building intellectual capital, driving research and innovation, and contributing to a **new digital economy**.

12.6.2 E-Governance and Public Service Delivery

E-Governance refers to the application of information and communication technologies (ICTs) for delivering government services, improving internal governance processes, and facilitating greater transparency, accountability, and citizen participation. In India, e-governance has evolved from early computerization efforts in the 1990s to a platform-based, integrated governance model in the 21st century.

National e-Governance Plan (NeGP) and Its Legacy

Launched in 2006, the **National e-Governance Plan (NeGP)** was one of the first comprehensive strategies aimed at digitizing public services. It laid the foundation for **31 Mission Mode Projects (MMPs)**, including:

- **e-District** for local administration services
- **e-Courts** for judicial transparency
- **e-Hospital** for patient registration and records
- **MCA21** for online company registration and compliance
- **eProcurement** for transparent public procurement processes

These projects enabled smoother government-citizen interactions and created backend efficiencies, especially in urban centers.

Digital Platforms Transforming Governance

With the launch of **Digital India**, a new generation of integrated, interoperable digital platforms has emerged:

- **UMANG (Unified Mobile App for New-Age Governance)** integrates 1,200+ services from central and state governments.
- **MyGov** facilitates participatory governance by allowing citizens to share ideas and feedback.
- **DigiLocker** provides citizens with secure digital storage of essential documents like driving licenses, PAN cards, and academic certificates.
- **CoWIN** showcased India's digital capacity during the COVID-19 pandemic, enabling over **2 billion vaccine doses** to be registered and tracked online.
- **e-Shram Portal** enrolled over **28 crore unorganized workers**, linking them with social security schemes via Aadhaar-based registration.

Impact on Service Delivery and Inclusion

E-governance initiatives have significantly enhanced **transparency, efficiency, and accountability** in public service delivery:

- Reduced corruption through automated subsidy disbursements and e-auctions.
- Enhanced speed and accessibility of services such as income certificates, ration cards, and pensions.
- Enabled real-time grievance redressal and feedback mechanisms via digital dashboards and apps.

Moreover, **Common Services Centres (CSCs)**—with over **5 lakh operational outlets**—have brought services like banking, insurance, telemedicine, and education to rural and remote populations, promoting **last-mile digital inclusion**.

Challenges and the Road Ahead

Despite significant progress, challenges persist in scaling and sustaining e-governance outcomes:

- **Digital Literacy Gaps:** Many rural citizens, especially women and older adults, remain digitally excluded.
- **Infrastructure Deficits:** Internet penetration and power reliability remain inadequate in some tribal and remote areas.
- **Data Security and Privacy:** The increasing volume of personal data necessitates robust cyber laws and data protection mechanisms.
- **Inter-departmental Coordination:** Fragmented databases and siloed governance systems often hinder service integration.

Going forward, leveraging AI for predictive governance, blockchain for secure land records, and IoT for smart service delivery could redefine the future of digital governance in India.

Together, India's startup ecosystem and e-governance framework represent the two engines of its digital transformation. Startups are redefining business and innovation, while e-governance is revolutionizing citizen-state interaction. The synergy between these ecosystems—where startups co-create solutions for governance, and government facilitates innovation through open APIs and data—holds the key to building a resilient, inclusive, and digitally empowered India in the coming decades.

12.7 Rural Digital Penetration and the Digital Divide

One of the most critical dimensions of India's digital revolution is the extent to which digital services and infrastructure have reached **rural and marginalized populations**. While urban India has witnessed rapid digital transformation, the **rural digital divide** remains a persistent barrier to inclusive growth. Bridging this divide is essential not only for social equity but also for realizing the full economic potential of a digitally connected India.

1 Status of Digital Penetration in Rural India

India's rural population constitutes approximately 65% of its total population, making rural connectivity and digital empowerment a national imperative. According to the TRAI (Telecom Regulatory Authority of India) 2023 data, internet penetration in rural areas stands at about 37%, compared to 69% in urban areas. This disparity is evident across several parameters—smartphone ownership, access to broadband, digital literacy, and availability of e-governance services.

While mobile phone penetration has improved significantly—thanks to affordable handsets and cheaper data tariffs post-Jio’s market entry in 2016—broadband quality and last-mile internet connectivity remain inconsistent across many rural and tribal regions. The low density of telecom towers, insufficient fiber optic coverage, and power supply interruptions impede uninterrupted digital access in these areas.

2 BharatNet and Infrastructure Push

The flagship BharatNet project, launched in 2011 (and revamped under Digital India), aims to bridge the rural-urban digital divide by providing high-speed broadband connectivity to over 2.5 lakh gram panchayats via optical fiber. As of 2023, around 1.9 lakh gram panchayats have been connected, though challenges in project execution, vendor management, and infrastructure rollout have delayed full coverage.

Complementary efforts include the Public Wi-Fi Access Network Interface (PM-WANI), which seeks to create a decentralized, low-cost Wi-Fi network for rural citizens by empowering local entrepreneurs as Wi-Fi providers. These initiatives, if executed efficiently, could dramatically expand the scope of rural digital participation.

3 Common Services Centres (CSCs): Agents of Inclusion

The Common Services Centres (CSCs) scheme is a vital component of India’s rural digital strategy. These CSCs are digital access points that provide over 300 public and private services, including telemedicine, online education, banking (through banking correspondents), insurance, e-ticketing, and government certificates.

As of 2024, India has over 5.2 lakh operational CSCs, with more than 55% located in rural areas. These centers are run by local entrepreneurs or Village Level Entrepreneurs (VLEs), many of whom are women, thereby contributing to rural employment and gender inclusion. CSCs have become the face of digital governance in rural India, providing a human interface to the digital state.

4 Digital Literacy and Capacity Building

Access to digital tools alone is insufficient without the knowledge to use them effectively. Recognizing this, the government has launched schemes like:

- Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA), which aims to make 6 crore rural households digitally literate.

- Digital Saksharta Abhiyan (DISHA), targeted at marginalized communities and minority groups.

However, as per independent assessments, digital literacy remains uneven—with many users lacking skills in online safety, digital payments, or even basic navigation. The gender gap is also prominent: as per GSMA's Mobile Gender Gap Report (2023), Indian women are 20% less likely to own a mobile phone and 33% less likely to use mobile internet compared to men.

5 Socio-Economic and Developmental Implications

The lack of digital access in rural India has far-reaching consequences:

- **Education:** During the COVID-19 pandemic, rural students struggled with online learning due to poor connectivity and lack of devices.
- **Agriculture:** Farmers miss out on critical advisories, real-time market prices, and online platforms like **e-NAM** (National Agriculture Market).
- **Health:** Telemedicine and e-health services remain underutilized, despite their potential in addressing rural healthcare gaps.
- **Financial Inclusion:** Although Jan Dhan accounts have increased banking coverage, low usage of UPI and mobile banking apps persists in rural segments due to digital illiteracy and trust barriers.

6 Bridging the Digital Divide: Policy Recommendations

Closing the rural digital gap requires a **multi-pronged strategy**:

- **Infrastructure:** Accelerate fiber optic deployment and ensure reliable power supply for digital services.
- **Local Language Interfaces:** Develop applications and e-governance tools in **regional languages** and with voice-based navigation to improve usability.
- **Digital Inclusion for Women:** Launch targeted programs for women's digital literacy and entrepreneurship through SHGs and VLEs.
- **Public-Private Partnerships (PPPs):** Leverage private sector expertise in last-mile connectivity, content creation, and affordable device distribution.

- **Community-Centric Models:** Use local institutions like **panchayats, schools, and NGOs** to build trust and digital awareness at the grassroots.

Rural digital penetration is not merely a technological issue—it is a question of **economic opportunity, democratic participation, and human development**. While initiatives like BharatNet and CSCs represent commendable progress, the persistent rural-urban digital divide calls for sustained investment, innovation, and inclusive policy frameworks. A truly **Digital India** can only emerge when its rural citizens are equally connected, equally empowered, and equally capable of participating in the digital economy.

12.8. Cybersecurity, Data Protection, and Digital Ethics

As India's digital ecosystem expands rapidly across sectors—from banking and healthcare to education and governance—concerns surrounding **cybersecurity, data protection, and digital ethics** have assumed critical importance. The collection, storage, and use of personal and sensitive data by both state and private actors bring immense opportunities for innovation and efficiency, but also raise serious risks of **data breaches, surveillance, identity theft, misinformation, algorithmic bias**, and erosion of individual privacy.

To ensure the integrity of India's digital revolution, safeguarding cyber infrastructure and embedding ethical standards in digital governance are no longer optional but imperative.

12.8.1 The Rising Cybersecurity Threat Landscape

India is among the top five countries most targeted by cyberattacks globally. According to the Indian Computer Emergency Response Team (**CERT-In**), over **13 lakh cybersecurity incidents** were reported in 2022 alone, involving malware attacks, phishing scams, ransomware, data thefts, and Distributed Denial-of-Service (DDoS) attacks. Critical sectors such as:

- **Banking and finance**
- **Energy**
- **Healthcare**
- **Digital payments**
- **Government infrastructure**

have become frequent targets of cybercriminals and state-sponsored hackers.

High-profile breaches, such as the **Aadhaar data leak (2018)**, **AIIMS ransomware attack (2022)**, and multiple phishing attacks during the COVID-19 pandemic, have exposed significant vulnerabilities in India's cyber ecosystem. The proliferation of connected devices and IoT-based services in India's smart cities and e-governance initiatives has further increased the attack surface.

12.8.2 India's Legal and Institutional Cybersecurity Framework

India's current cybersecurity infrastructure is governed by a mix of laws, policies, and institutional mechanisms:

- **Information Technology (IT) Act, 2000:** The foundational legislation for cybercrime regulation, though largely outdated for the post-2010 digital economy.
- **CERT-In:** The nodal agency for incident response and coordination, operating under the Ministry of Electronics and IT (MeitY).
- **National Cyber Security Policy, 2013:** A broad policy document aimed at protecting information infrastructure, building capabilities, and promoting research.

However, the existing legal regime has been criticized for its **fragmented approach, lack of accountability, and insufficient clarity** on issues such as data localization, intermediary liability, and cross-border data flows. A revised **National Cybersecurity Strategy** has been pending approval since 2021, leaving a major policy vacuum.

12.8.3 Data Protection and the DPDP Act, 2023

India made a significant stride with the passage of the **Digital Personal Data Protection (DPDP) Act, 2023**. This law marks India's first comprehensive legislation focused exclusively on protecting individuals' digital data rights. Key features include:

- **Consent-based Data Processing:** Organizations must seek explicit consent for collecting and using personal data.
- **Data Principal Rights:** Individuals (data principals) can access, correct, or delete their data held by data fiduciaries.
- **Data Fiduciary Obligations:** Entities handling data are required to ensure its security, prevent misuse, and notify breaches.

- **Data Protection Board:** An independent authority has been set up to adjudicate grievances and impose penalties.

However, concerns persist about the **exemptions granted to the state**, especially in the name of “national interest,” which critics argue could enable surveillance and weaken citizen rights. The absence of a **strong independent regulator** and broad government discretion have led to debates about the effectiveness of the law in ensuring true data autonomy and accountability.

12.8.4 Ethics in the Digital Age: Emerging Issues

As algorithms, AI, and machine learning become central to public service delivery, decision-making, and surveillance, **digital ethics** is emerging as a crucial discourse. Key ethical challenges include:

- **Surveillance and Privacy:** Use of biometric data (e.g., Aadhaar), facial recognition, and predictive policing tools without sufficient oversight can infringe on civil liberties.
- **Algorithmic Bias and Discrimination:** Machine learning models may reinforce existing social, gender, or caste-based biases, especially when trained on flawed or skewed datasets.
- **Misinformation and Deepfakes:** Social media platforms and generative AI tools can spread disinformation rapidly, influencing public opinion and undermining democratic discourse.
- **Digital Exclusion:** Unequal access to digital technologies can deepen inequalities if marginalized groups are not included in the design and governance of tech systems.

Ethical technology governance requires **transparency, accountability, and inclusion**. There is a growing need for **ethics-by-design frameworks**, which incorporate fairness, privacy, and non-discrimination principles into the development of digital tools.

12.8.5 The Way Forward: Strengthening Digital Trust

India’s aspiration to be a global leader in the digital economy must be rooted in a **secure and trustworthy digital environment**. Recommendations for the path ahead include:

- **Comprehensive Cybersecurity Legislation:** India needs an updated, unified law that addresses emerging threats, protects critical infrastructure, and ensures cooperation with global partners.
- **Capacity Building:** Skilling programs for cybersecurity professionals and awareness campaigns for citizens should be scaled up.
- **Strong Institutional Mechanisms:** The proposed **National Cyber Security Coordinator (NCSC)** and dedicated cyber command within the armed forces should be operationalized with authority and resources.
- **Ethical Governance of AI and Emerging Tech:** A national framework for responsible AI should mandate impact assessments, audits, and stakeholder consultations for algorithms used in governance.
- **Digital Sovereignty and Cross-Border Data:** Clear rules on data localization, international data transfers, and cooperation with global data protection frameworks (like GDPR) must be developed.

Cybersecurity, data protection, and ethical governance are not peripheral concerns—they are foundational to the success, legitimacy, and sustainability of India’s digital revolution. As India increasingly digitizes its economy, governance, and citizen services, ensuring safety, privacy, and fairness in the digital realm will be essential to fostering public trust, innovation, and democratic resilience in the 21st century.

12.9 IT Sector and Global Competitiveness

India’s Information Technology (IT) sector is a cornerstone of its global economic engagement and a defining feature of its rise as a knowledge-based economy. From being a destination for low-cost outsourcing in the 1990s, India has matured into a global hub for digital innovation, IT consulting, software engineering, and business process services. The country’s IT industry is now not only a major contributor to national GDP and employment but also a significant player in the global digital value chain.

12.9.1 India’s Position in the Global IT Landscape

India holds a **leading share (55–60%) in the global outsourcing market**, especially in the domains of software services, IT-enabled services (ITeS), and business process management (BPM). As of FY 2023–24:

- **IT exports** exceeded **USD 200 billion**, accounting for nearly 40% of India's total services exports.
- Indian IT firms serve over 100 countries, with a strong presence in North America (50% share), Europe (25%), and Asia-Pacific.
- India is a preferred global delivery center for Fortune 500 companies, including tech giants like Microsoft, Google, Amazon, IBM, and Oracle, all of which operate R&D and innovation centers in Indian cities.

The global competitiveness of Indian IT lies in its ability to provide cost-effective, high-quality, and scalable digital solutions across domains such as enterprise software, application development, cybersecurity, data analytics, cloud computing, and AI/ML services.

12.9.2 Competitive Strengths of the Indian IT Sector

India's sustained leadership in global IT services is rooted in a number of structural and strategic strengths:

- **Talent Pool:** India has the **world's second-largest pool of STEM graduates**, with over 1.5 million engineering graduates annually. English proficiency and technical training give Indian professionals a global edge.
- **Cost Advantage:** Operating costs in India are **40–50% lower** than in the U.S. or Western Europe, making it attractive for companies seeking high-quality services at competitive rates.
- **Global Delivery Model (GDM):** Pioneered by Indian firms like **TCS, Infosys, and Wipro**, the GDM enables 24/7 project execution across time zones, enhancing speed and efficiency for global clients.
- **Process Excellence:** Indian IT firms are globally recognized for their **process maturity**, with high levels of **CMMI (Capability Maturity Model Integration)** and **ISO certifications**, ensuring quality and compliance.
- **Digital Transition Leadership:** Indian companies have rapidly evolved from legacy IT services to digital solutions. As of 2023, **over 40% of IT revenues** come from digital technologies such as AI, IoT, blockchain, cloud, and platform engineering.

12.9.3 Global Expansion of Indian IT Firms

Indian IT companies have significantly expanded their **geographical footprint** through:

- **Strategic acquisitions** of foreign firms to gain access to local markets and technologies (e.g., Infosys’s acquisition of Simplus in the U.S. and Wipro’s acquisition of Capco in the UK).
- Setting up **delivery centers, R&D hubs, and client engagement offices** in global cities.
- Partnering with multinational corporations (MNCs) on digital transformation initiatives across sectors like healthcare, automotive, retail, and BFSI (Banking, Financial Services, and Insurance).

Additionally, Indian companies are increasingly working on “**Build-Operate-Transfer**” (**BOT**) models and **co-innovation partnerships** to co-create intellectual property with clients.

12.9.4 India vs. Global Competitors: Comparative Analysis

India’s dominance in global IT services is frequently compared with other major players:

Table 1: India vs. Global Competitors: Comparative Analysis

Country	Core Strengths	Key Limitations
India	Cost advantage, talent pool, English fluency, digital shift	Infrastructure gaps, regulatory delays
Philippines	Voice-based BPO, customer service	Smaller talent pool, low in software services
China	Hardware manufacturing, AI R&D	Language barrier, IP concerns
Eastern Europe (e.g., Poland, Ukraine)	Near-shore advantage for Europe, niche tech talent	Smaller scale, geopolitical risks
Vietnam	Growing software services base	Emerging market, skill shortage

India remains well ahead in scale, scope, and service diversity, although it faces growing competition in niche technologies and nearshore delivery.

12.9.5 Challenges to Global Competitiveness

Despite its strengths, India's IT sector faces several challenges in maintaining its global edge:

- **Rising Wage Costs:** Urban salary inflation is narrowing the cost advantage.
- **Geopolitical Risks:** Data sovereignty laws and visa restrictions (e.g., H-1B in the U.S.) impact workforce mobility.
- **Skilling Gaps:** Rapid technological changes create pressure on reskilling and upskilling existing workforce.
- **Infrastructure and Power:** Tier-II and Tier-III cities, key for decentralizing IT growth, need better digital and physical infrastructure.

12.9.6 Opportunities Ahead: India's Digital Diplomacy and AI Leadership

Looking forward, India is well-positioned to lead in the **next phase of digital globalization**, including:

- **AI and Machine Learning Services:** Developing ethical, affordable AI tools for global south.
- **Cybersecurity Solutions:** Exporting affordable, scalable security services to SMEs worldwide.
- **Cross-border Digital Services:** India is negotiating **free trade agreements (FTAs)** that include **cross-border data flows and digital trade norms** (e.g., UK-India FTA, EU digital dialogues).
- **Digital Public Infrastructure (DPI) Export:** India is now offering platforms like **Aadhaar, CoWIN, and UPI** as global public goods under its **Digital Public Infrastructure for Development (DPID)** framework with G20 support.

India's "Techade" vision envisions becoming a trusted global digital partner by leveraging open-source platforms, local talent, and democratic values.

India's IT sector continues to be a flagship of global competitiveness, reflecting the synergy between private sector innovation, government policy, and human capital. Its global

reputation is no longer just that of a low-cost outsourcing destination but that of a strategic innovation and digital transformation partner. Sustaining and enhancing this global edge will depend on deepening investments in R&D, cybersecurity, next-gen skills, and digital diplomacy, thereby ensuring India's rightful place as a global digital leader in the 21st century.

12.10 Future of Digital India – Emerging Trends

As India progresses deeper into the digital age, the contours of its technological landscape are being reshaped by emerging digital trends that will define the nation's future economic trajectory, governance models, and societal transformations. With foundational pillars like Digital India, India Stack, and a robust IT ecosystem already in place, the next phase of growth will be led by frontier technologies and a focus on inclusive, sustainable, and resilient digitization.

This section explores the most impactful trends that are expected to drive the next wave of digital transformation in India.

1 Artificial Intelligence (AI) and Machine Learning (ML)

AI is poised to become a cornerstone of India's digital future. Applications of AI are already being piloted in agriculture (e.g., crop monitoring), healthcare (e.g., diagnostic support), e-commerce (e.g., recommendation engines), and governance (e.g., grievance redressal bots). The **National AI Strategy**—"AI for All"—by NITI Aayog envisions AI as a tool for **inclusive development**.

By 2025, AI is expected to contribute **USD 90 billion** to the Indian economy (Source: Nasscom). Major initiatives like the **IndiaAI Mission**, announced in 2024 with a budget of ₹10,000 crore, aim to foster AI R&D, ethics frameworks, and AI-focused skilling in sectors like fintech, education, and manufacturing.

2 5G and the Internet of Things (IoT)

The commercial rollout of **5G services in India**, beginning in late 2022, is expected to unlock exponential possibilities across sectors. With **ultra-low latency, high bandwidth, and massive device connectivity**, 5G will support innovations such as:

- **Smart factories and Industry 4.0 applications**
- **Autonomous vehicles and telemedicine**

- **Real-time agricultural monitoring using IoT sensors**
- **Smart cities with predictive traffic, water, and energy systems**

The IoT market in India is projected to reach USD 15 billion by 2025, with use cases expanding in logistics, waste management, home automation, and rural development.

3 Blockchain and Digital Identity Infrastructure

Blockchain technology is being explored for secure, transparent, and tamper-proof digital recordkeeping. Its use in land record management, supply chain verification, and digital voting pilots reflects the government's intent to utilize distributed ledger technology for public good.

India is also enhancing its digital identity infrastructure, building on Aadhaar to enable secure e-KYC, digital signatures, and biometric authentication. New frameworks under Modular Open Source Identity Platform (MOSIP) are helping export India's DPI model to other developing countries, making India a leader in digital diplomacy.

4 Green and Sustainable Digitalization

The next phase of digital growth in India is increasingly being shaped by the principle of “sustainable tech.” The rising energy consumption of data centers, electronic waste, and digital carbon footprints have led to policy pushes for:

- Green data centers and renewable energy-powered server infrastructure
- E-waste management rules
- Promotion of energy-efficient hardware and cloud platforms

India's push for green IT aligns with its Net Zero by 2070 commitment and provides scope for innovation in climate-tech startups and environmental data analytics.

5 Digital Skilling and Future Workforce Transformation

To remain competitive, India must equip its workforce with skills in **AI, data science, cloud computing, cybersecurity, robotics, quantum computing, and design thinking**. The **FutureSkills Prime** platform, developed by NASSCOM and MeitY, aims to skill over 1 crore individuals by 2025 in high-demand technologies.

Additionally, the **gig economy**, **remote work culture**, and **freelance platforms** like Upwork and Freelancer.com are reshaping traditional employment patterns. India's youth demographic, if appropriately skilled, can become a **global digital labor force**, working both remotely and on-site across international markets.

6 Rise of the Metaverse and Extended Reality (XR)

Virtual and augmented reality technologies are evolving from gaming into **real-world use cases** such as:

- **Virtual classrooms and medical training**
- **Remote product testing and simulations**
- **Virtual tourism and museums**
- **Government stakeholder consultations via VR platforms**

Indian startups and IT firms are exploring **Metaverse governance models, content development, and hardware solutions**, opening new economic frontiers in immersive experiences.

7 Cybersecurity and Digital Sovereignty

As digital dependence deepens, **cybersecurity** will become a national strategic priority. Future trends include:

- **AI-driven threat detection systems**
- **Quantum-resilient encryption**
- **Data localization policies**
- **Expansion of public-private collaboration in cyber defense**

India's Digital Personal Data Protection Act, 2023, and the proposed National Cybersecurity Strategy signal a shift toward "digital sovereignty", where control over data, infrastructure, and platforms becomes essential to national security and economic autonomy.

India stands on the brink of a tech-powered leap, driven by AI, 5G, blockchain, XR, and sustainable digital innovations. However, to ensure that this future is equitable and empowering, it must be anchored in strong institutions, continuous skilling, and robust regulatory frameworks. The emerging trends will not only influence how India builds its

economy but also how it asserts itself as a moral and technological leader in shaping the global digital order.

12.11 Challenges and Policy Gaps

Despite remarkable progress in digital infrastructure, IT-enabled services, and e-governance, India's digital transformation remains uneven, fragmented, and constrained by a set of persistent challenges and policy limitations. While digital tools have penetrated governance, education, healthcare, and finance, the structural and regulatory underpinnings required for universal, secure, and ethical digital access are still evolving. This section critically examines the key hurdles and policy gaps that India must address to build a truly inclusive and resilient digital future.

1 Infrastructure Deficits and Unequal Access

India's digital infrastructure growth is lopsided—urban centers boast world-class connectivity, while rural and remote areas continue to suffer from poor broadband quality, low bandwidth, and frequent power outages. As of 2023, nearly 35% of rural households still lack access to reliable internet. Moreover, digital public services like telemedicine, online learning, and digital payments are not uniformly accessible due to low device penetration, weak mobile signals, and affordability issues.

The delay in BharatNet rollout, slow fiber optic deployment, and uneven telecom tower density exacerbate regional disparities, especially in hilly, tribal, and border regions. Without urgent investment in **last-mile digital infrastructure**, India's digital revolution risks reinforcing rather than reducing socio-economic inequalities.

2 Digital Literacy and Capacity Gaps

A significant portion of India's population, especially in rural areas and among older adults and women, lacks basic digital skills. Digital literacy is not just about using a smartphone—it involves navigating interfaces, transacting securely online, understanding privacy settings, and identifying misinformation.

Despite schemes like PMGDISHA, India lacks a standardized digital curriculum and robust measurement of outcomes. Further, the absence of multilingual platforms and inclusive design often alienates non-English speakers and people with disabilities. The digital gender

gap—with women 20% less likely to own smartphones or use the internet—remains a major challenge to equitable participation.

3 Cybersecurity Vulnerabilities and Regulatory Lag

With the exponential rise in digital transactions and data generation, **cybersecurity threats** have increased manifold. India faces millions of cyberattacks annually, yet its legal and policy frameworks remain fragmented and reactive. Key issues include:

- Outdated **Information Technology Act, 2000**
- No finalized **National Cybersecurity Strategy**
- Limited forensic and cybercrime response capacity at state levels
- Insufficient **public awareness about digital hygiene and security practices**

While the **Digital Personal Data Protection (DPDP) Act, 2023** is a welcome step, it still lacks provisions for:

- **Children's data protection**
- Strong enforcement mechanisms
- Data localization mandates
- Independent regulatory oversight

Additionally, frequent internet shutdowns by state authorities for law and order concerns raise questions about the **constitutional right to access information and communication technologies**.

4 Fragmented Implementation of E-Governance

Many e-governance initiatives in India suffer from a **lack of interoperability, siloed databases, and absence of real-time integration**. State and central portals often function in isolation, duplicating data collection efforts and increasing the burden on citizens. Several mission mode projects under NeGP still operate in **pilot or limited coverage mode** due to delays in software upgrades, staff training, and lack of maintenance budgets.

Moreover, bureaucratic inertia, resistance to process reengineering, and uneven digital readiness among government staff slow down the actual usage of these platforms. The **digital**

maturity of institutions, especially at the block and district level, remains low, despite the top-down policy focus.

5 Regulatory Gaps in Emerging Technologies

While India has shown leadership in digital public infrastructure, its regulatory ecosystem has not kept pace with **frontier technologies** like AI, blockchain, cloud computing, and quantum tech. Currently:

- There is **no national policy on AI ethics** or algorithmic transparency.
- Blockchain pilots exist in silos without a unified legal framework.
- **Cross-border data flows** are subject to uncertainty due to lack of bilateral or multilateral agreements.
- The **gig economy** and **platform workers** remain outside formal labor protections, leading to precarity and exploitation in the digital workforce.

The absence of anticipatory and adaptive regulation could lead to **unregulated monopolies**, **digital exclusion**, **misuse of AI**, and erosion of public trust.

12.12. Conclusion and Way Forward

India's digital revolution stands as one of the most defining transformations of the 21st century, reshaping not only the structure of its economy but also the dynamics of governance, citizen engagement, and global competitiveness. From a fledgling IT outsourcing hub in the 1990s to a global digital powerhouse today, India has successfully leveraged technology to drive innovation, financial inclusion, job creation, and service delivery. Landmark initiatives such as **Digital India**, **India Stack**, **BharatNet**, and **Startup India** have laid the groundwork for a vibrant digital ecosystem that supports both economic growth and social empowerment.

The IT and BPM sectors have emerged as critical engines of this transformation—contributing nearly 8% to national GDP, employing over 5 million people, and exporting services to more than 100 countries. In parallel, the digital public infrastructure has revolutionized governance through Aadhaar-enabled services, e-governance platforms, and digital payments, ensuring transparency, efficiency, and inclusion. India's startup ecosystem, fueled by innovation and policy support, is solving local problems with global relevance, while emerging technologies such as AI, blockchain, 5G, and IoT are creating new economic frontiers.

However, the promise of a truly digital India remains **unevenly distributed**. A significant digital divide continues to persist along urban-rural, gender, regional, and socio-economic lines. Infrastructural inadequacies, cybersecurity vulnerabilities, weak digital literacy, fragmented regulations, and underdeveloped data protection frameworks represent real and urgent challenges. These gaps, if left unaddressed, could limit the transformative impact of digital technologies and exacerbate existing inequalities.

To realize the vision of a **digitally inclusive, secure, and sustainable India**, the following strategic directions are essential:

1. **Bridging the Digital Divide:** Accelerate last-mile connectivity, enhance device affordability, and develop multilingual, inclusive digital content to reach underserved populations.
2. **Investing in Digital Literacy and Skilling:** Implement nationwide digital literacy programs with a focus on women, rural youth, and informal sector workers. Emphasize skilling in future technologies through public-private-academic partnerships.
3. **Strengthening Cybersecurity and Data Protection:** Finalize a comprehensive cybersecurity strategy, operationalize the Data Protection Board under the DPDP Act, and establish clear rules for AI ethics and algorithmic transparency.
4. **Improving Institutional Capacity and Coordination:** Foster integrated digital governance by ensuring inter-ministerial collaboration, empowering local governments with digital tools, and creating state-level innovation clusters.
5. **Promoting Ethical, Green, and Responsible Innovation:** Encourage ethical design in digital platforms, incentivize green data centers, and regulate AI, surveillance, and data monetization practices to protect democratic values.
6. **Global Digital Leadership:** Leverage India's success in building digital public infrastructure to support other developing nations, strengthen digital diplomacy, and shape global norms on data governance and technology standards.

In conclusion, India's digital revolution is not just a technological journey—it is a social, economic, and political transformation. If guided by inclusive values, ethical principles, and

responsive governance, it holds the potential to empower every citizen, catalyze innovation, and establish India as a **model of digital democracy** in the 21st century.

Check Your Progress

Q1. What are the three key pillars of the Digital India Mission?

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Q2. Explain Artificial Intelligence and Machine Learning?

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12.13 Let us Sum up

India's digital revolution is a transformative movement that has fundamentally altered the economic, administrative, and social fabric of the country. The chapter traced the origins and evolution of India's IT sector, examined the role of policy interventions like the Digital India Mission, and assessed the contributions of startups, public platforms, and technological infrastructure in advancing digital inclusion. Key achievements include exponential growth in IT exports, the creation of digital public goods like Aadhaar and UPI, enhanced e-governance services, and a globally respected startup ecosystem. At the same time, the chapter highlighted pressing challenges such as unequal digital access, weak cybersecurity preparedness, regulatory gaps, and infrastructural deficiencies. Emerging technologies such as AI, 5G, blockchain, and IoT promise to further shape India's future, but their success depends on inclusive policies, ethical frameworks, and resilient institutions. Ultimately, the chapter underscores the need for a digitally empowered India that is equitable, innovative, and globally competitive.

12.14 Keywords

- **Digital India** – A flagship programme launched in 2015 by the Government of India to transform India into a digitally empowered society and knowledge economy.
- **India Stack** – A set of open APIs and digital public goods including Aadhaar, e-KYC, UPI, DigiLocker, and e-Sign that enables presence-less, paperless, and cashless service delivery.
- **BharatNet** – A government project aimed at providing high-speed broadband connectivity to rural India via optical fibre.
- **Unified Payments Interface (UPI)** – A real-time mobile payment system developed by the National Payments Corporation of India (NPCI) that enables peer-to-peer and person-to-merchant transactions.
- **Common Services Centres (CSCs)** – Government-authorized access points providing digital services to rural and remote populations.
- **Start-up India** – A government initiative aimed at promoting entrepreneurship through policy support, funding, and ease of doing business for startups.
- **Cybersecurity** – The practice of protecting systems, networks, and data from digital attacks, unauthorized access, or damage.
- **DPDP Act, 2023** – The Digital Personal Data Protection Act, India's first dedicated legislation regulating the processing of digital personal data.
- **5G** – Fifth-generation mobile network technology offering high-speed, low-latency internet connectivity, enabling next-gen services like autonomous vehicles and smart cities.
- **AI (Artificial Intelligence)** – The simulation of human intelligence processes by machines, especially computer systems, for tasks such as decision-making, language translation, and image recognition.

12.15 Suggestive Readings

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12.16 Hints to Check Your Progress

CYP-I

Q1. Refer to section 12.6

Q2. Refer to section 12.10

12.17 Examination Oriented Questions

Q1. Critically examine the evolution of the Indian IT sector and its contribution to India's global competitiveness.

Q2. Discuss the impact of the Digital India initiative on governance and public service delivery.

Q3. Analyze the digital divide in India with reference to infrastructure, literacy, and access challenges.

Q4. Explain the emerging trends shaping the future of India's digital economy.

Q5. What are the major policy gaps hindering India's digital transformation? Suggest remedial measures.

M.A. Eco. Sem 2	NITI Aayog-Objectives	Unit III
Eco 207	Features and strategic Vision	Lesson 13

13.0 Objectives

13.1 Learning Outcomes

13.2 Introduction

13.3 Establishment of NITI AAYOG

13.3.1 NITI AAYOG: Composition

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13.4 NITI AAYOG: Objectives

13.5 NITI AAYOG: Features

13.6 Strategic Vision of NITI Aayog

13.7 Let us sum up

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13.11 Examination oriented questions

13.0 Objectives

The main objectives of this lesson are to enable you to:

- Deduce the concept, structure, and significance of **NITI Aayog** in India's policy framework.
- Examine the key **initiatives and mechanisms** adopted by NITI Aayog to promote cooperative federalism and inclusive development.

- Analyse the **impact of NITI Aayog's strategies** on India's internal governance and developmental planning at both national and state levels.

13.1 Learning outcomes

After going through this lesson, you will be able to:

- Comprehend the concept and role of NITI Aayog in India's development planning and policy-making.
- Gain insight into the major initiatives and policy frameworks implemented by NITI Aayog to enhance cooperative federalism and sustainable growth.
- Evaluate the influence of NITI Aayog's strategies on national development goals and intergovernmental coordination.

13.1 Introduction

The National Institution for Transforming India (NITI Aayog) was established on 1st January 2015, replacing the erstwhile Planning Commission. It functions as the apex public policy think tank of the Government of India, aimed at fostering cooperative federalism and driving sustainable development. NITI Aayog's objectives include providing strategic and technical support to both Central and State governments. Key features of the institution are its emphasis on bottom-up planning, innovation, and evidence-based policy formulation. It serves as a platform for the convergence of developmental efforts through real-time monitoring and stakeholder collaboration.

13.3 Establishment of NITI AAYOG

On January 1, 2015, the Government of India established NITI Aayog (National Institution for Transforming India) to succeed the Planning Commission. Arvind Panagariya was appointed as its Vice Chairman, while the Prime Minister continues to serve as its chairman, similar to the previous setup. NITI Aayog functions as a policy think-tank for the central government, with the objective of actively involving state governments in the policymaking process. Unlike the top-down model of the Planning Commission, NITI Aayog follows a

bottom-up approach, offering strategic and technical guidance to both central and state governments.

Finance Minister Arun Jaitley emphasized the necessity of establishing NITI Aayog by pointing out that the 65-year-old Planning Commission had become outdated, having been designed for a command-style economy that no longer reflects India's current economic landscape. Given India's diversity and the varying stages of development across its states, each with distinct strengths and challenges, a centralized and uniform planning model is no longer viable for ensuring global competitiveness.

In response, NITI Aayog aims to offer critical strategic and directional input to guide the country's development agenda. Unlike the one-way policy flow from the Centre to the States that characterized the Planning Commission, NITI Aayog promotes an ongoing, collaborative partnership between the Centre and the States. This shift is intended to foster cooperative federalism, underpinned by the belief that empowered States contribute to a stronger nation.

Additionally, NITI Aayog will design mechanisms to create realistic and effective development plans starting from the village level, which will then be integrated progressively into broader government planning. It will also focus on ensuring that marginalized or vulnerable sections of society are not left out of the benefits of economic growth.

The **Vision India@2047** initiative, launched by NITI Aayog, outlines a comprehensive roadmap for India's development over the next 25 years, aiming to position the country as a global leader in various domains. Key objectives include:

1. **Economic Growth:** India strives to become a USD 30 trillion economy with a per capita income of USD 18,000–20,000, backed by robust public finances and a resilient financial sector.
2. **Infrastructure Development:** The vision prioritizes world-class infrastructure in both rural and urban areas, aiming to enhance connectivity and living standards across the nation.
3. **Governance and Digital Economy:** The plan seeks to reduce government interference in citizens' lives while promoting a digital economy and improved governance systems.

4. **Industry and Innovation:** India aims to foster global champions in every sector, supporting strategic mergers, innovation, and the growth of indigenous industries.
5. **Self-Reliance:** Key sectors like **defense** and **space** are targeted for self-reliance, while enhancing India's global presence and influence.
6. **Environmental Sustainability:** The vision focuses on green growth, promoting **renewable energy**, and addressing **carbon emissions** to contribute to a sustainable future.
7. **Youth Empowerment:** Empowering India's youth through skills development, education, and job creation is central to the initiative.
8. **International Collaboration:** The plan emphasizes increased international cooperation in **research and development**, with the goal of establishing world-class labs and elevating Indian institutions to global top rankings.

13.3.1 NITI Aayog: Composition

The **Governing Council** of NITI Aayog consists of the **Prime Minister** (serving as Chairperson), **Chief Ministers** from all States and Union Territories with legislatures, and **Lieutenant Governors** from other Union Territories. Additionally, it includes the **Vice Chairperson** (appointed by the Prime Minister), **full-time members**, **ex-officio members** from the Union Council of Ministers (nominated by the Prime Minister), and special invitees.

- **Chairperson:** The Prime Minister of India leads NITI Aayog.
- **Vice Chairperson:** Selected by the Prime Minister to assist in strategic planning and policy.
- **Ex-Officio Members:** Up to four Union Ministers nominated by the PM are included as part of the leadership team.
- **Governing Council:** Often referred to as "*Team India*", this body includes the Prime Minister, Vice Chairperson, Union Ministers, full-time members, Chief Ministers, and UT Administrators.
- **Special Invitees:** Include administrators of Union Territories such as Chandigarh, Dadra and Nagar Haveli, Daman and Diu, and Lakshadweep.

- **Chief Executive Officer (CEO):** Appointed by the PM for a fixed term, the CEO oversees the day-to-day functioning of NITI Aayog and holds the rank of Secretary to the Government of India.
- **Full-Time Members:** Renowned professionals from fields like economics, science, and social development contribute their expertise.
- **Regional Councils:** These are set up to tackle region-specific issues, consisting of Chief Ministers and UT heads, and are chaired either by the PM or a nominated representative.
- **Specialized Cells and Departments:** Various dedicated units such as the Circular Economy Cell, North East Forum, Communication Cell, Library, and Voluntary Action Cell assist in implementing NITI Aayog's vision of equitable development and improved governance throughout the country.

13.3.2 Difference Between Planning Commission and NITI Aayog

Table 1: Difference Between Planning Commission and NITI Aayog

Aspect	Planning Commission	NITI Aayog
Establishment	Established in 1950 by a Cabinet resolution	Established in 2015 by a Cabinet resolution
Purpose	Centralized planning and resource allocation for five-year plans	Strategic policy formulation, fostering cooperative & competitive federalism
Planning Approach	Top-down centralized planning model	Bottom-up approach encouraging state participation
Structure	Functioned as an executive body ; not constitutionally mandated	Functions as a policy think-tank without financial powers
Chairperson	Prime Minister of India	Prime Minister of India
Members	Full-time members and Deputy Chairman	Vice Chairperson, full-time and part-time members, ex-officio members
Role of States	Limited consultation with states; Centre-dominated	States play an active role via the Governing Council

Aspect	Planning Commission	NITI Aayog
Financial Power	Allocated funds to states for centrally sponsored schemes	No power to allocate funds ; acts as an advisory body
Five-Year Plans	Designed and implemented Five-Year Plans	Discontinued Five-Year Plans; issues long-term visions & strategic papers
Focus Areas	Economic growth through centralized resource control	Holistic, inclusive, and sustainable development
Flexibility and Innovation	Rigid and bureaucratic	Flexible, innovative, and open to collaboration
Global Alignment	Not aligned with international development goals	Actively monitors SDGs (Sustainable Development Goals)

Source: Press Information Bureau (PIB), Government of India. (2015).

13.4 NITI AAYOG: Objectives

- To collaboratively shape a unified vision for national development goals, sectors, and strategies with the meaningful participation of the States.
- To promote cooperative federalism by consistently engaging and supporting States through structured programs and mechanisms, acknowledging that robust States are the foundation of a strong country.
- To establish systems that enable the creation of realistic and actionable plans at the grassroots level, which can be gradually consolidated into broader plans at higher levels of governance.
- To make sure that concerns related to national security are integrated into economic policies and strategies, particularly in areas specifically assigned to NITI Aayog.
- To focus on supporting vulnerable and disadvantaged sections of society who risk being excluded from the benefits of economic development.
- To craft long-term policy and program strategies, track their implementation and effectiveness, and use insights gained to make improvements or adjustments as needed.
- To provide policy direction and encourage partnerships with important stakeholders, both domestically and internationally, including similar think tanks and research institutions focused on policy and education.

- To build a support ecosystem for knowledge-sharing, innovation, and entrepreneurship by connecting with a network of experts, practitioners, and institutions globally.
- To act as a platform that helps resolve conflicts and coordinate between departments and sectors, thereby speeding up the implementation of development plans.
- To run an advanced knowledge center that gathers and disseminates research on effective governance and sustainable development best practices to relevant stakeholders.

To monitor and evaluate the implementation of programs and policies, pinpointing required resources to improve their effectiveness and outcomes.

- To emphasize improving technology and building the skills needed to effectively execute programs and initiatives.
- To carry out any additional tasks required to advance the national development goals and fulfill the purposes outlined above.

13.5 NITI AAYOG: Features

NITI Aayog plays a vital role in shaping India's development path by promoting collaborative governance and formulating strategic, inclusive, and sustainable policies suited to the country's distinct socio-economic realities. It champions a uniquely Indian ("Bhartiya") model of progress that is flexible, people-centric, and future-oriented.

- **Cooperative Federalism:**

NITI Aayog serves as a vital link between the Centre and the States, facilitating constructive engagement to tackle regional issues while aligning with national priorities. This collaborative approach empowers states to effectively manage their specific challenges.

- **Competitive Federalism:**

→ By promoting healthy competition among states, NITI Aayog encourages improved governance. Tools like the SDG Index and performance rankings foster transparency, drive innovation, and enhance state autonomy and accountability.

- **Strategic Policy Formulation:**

Functioning as a key advisory body, NITI Aayog formulates forward-looking strategies in crucial sectors such as health, education, agriculture, and infrastructure. It

incorporates inputs from states, domain experts, and civil society to ensure evidence-based and effective policymaking.

- **SDG Monitoring:**

NITI Aayog is responsible for tracking India's progress on Sustainable Development Goals (SDGs), ensuring that central and state initiatives are aligned with global benchmarks for sustainable growth.

- **Promoting Innovation:**

Through programs like the Atal Innovation Mission, NITI Aayog builds a culture of innovation by supporting startups and incorporating global best practices to strengthen governance and spur economic development.

- **Capacity Building:**

By offering technical assistance and training, NITI Aayog helps states enhance their administrative and implementation capabilities, ensuring that national schemes are effectively adapted to local conditions.

- **Inclusive Growth:**

NITI Aayog prioritizes the needs of disadvantaged groups by crafting policies aimed at reducing socio-economic inequalities and ensuring equitable access to opportunities for all.

- **Transparency:**

Through the promotion of open data and clear reporting systems, NITI Aayog works to make government operations more transparent, thereby increasing accountability and public trust.

- **Inter-Sectoral Coordination:**

NITI Aayog facilitates collaboration across different sectors, enabling smoother implementation of policies and enhancing the country's ability to address multifaceted and global challenges efficiently.

13.6 Strategic Vision of NITI Aayog

The strategic vision of NITI Aayog is grounded in the goal of transforming India into a modern, inclusive, and sustainable economy. As a premier policy think-tank, it seeks to redefine governance through innovation, decentralisation, and evidence-based planning. The institution focuses on aligning national priorities with global standards while promoting equitable development.

- **Transformative Development Approach**

NITI Aayog moves away from rigid, centralized planning and instead emphasizes a flexible and regionally adaptive model that caters to the diverse socio-economic contexts of Indian states and union territories.

- **Strengthening Federalism**

By encouraging both **cooperative federalism** (collaborative decision-making with states) and **competitive federalism** (healthy competition among states to improve governance), NITI Aayog reinforces the role of states in national development.

- **Long-Term Strategic Planning**

The institution formulates long-term policy documents such as *Vision 2030* and *Strategy for New India @75*, which provide comprehensive roadmaps for sustainable growth across sectors like health, agriculture, infrastructure, and education.

- **Inclusive and Sustainable Development**

NITI Aayog's vision emphasizes inclusive growth that prioritizes the welfare of marginalized communities while also integrating sustainability and environmental consciousness into economic policies.

- **Promoting Innovation and Technology**

Through initiatives such as the *Atal Innovation Mission*, NITI Aayog encourages technological advancement and entrepreneurship to build a resilient, knowledge-driven economy.

- **Data-Driven Governance**

It promotes transparency and effectiveness in policymaking by leveraging real-time data, analytics, and digital platforms to monitor and evaluate government initiatives.

- **Global Alignment and SDGs**

NITI Aayog is the nodal agency for coordinating the implementation of the *Sustainable Development Goals (SDGs)* in India, ensuring that development strategies are aligned with international commitments.

- **Bottom-Up Planning and Local Empowerment**

The vision includes empowering local governance bodies by encouraging planning from the grassroots level, progressively integrating these plans at higher administrative levels.

- **Capacity Building and Institutional Strengthening**

It prioritizes human capital development through reforms in education, skill enhancement, and healthcare, alongside efforts to strengthen institutions and policy delivery systems.

Check Your Progress

Based on your understanding of the previous section, answer these questions in your own words:

Q1. Highlight the key features of NITI Aayog?

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Q2. Describe the role of NITI Aayog as a policy think-tank?

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Q3. Highlight the need for establishment of NITI AAYOG?

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13.7 Let us sum up

NITI Aayog serves as a dynamic policy think-tank aimed at transforming India's development model through cooperative and competitive federalism. Its key objectives include fostering inclusive growth, promoting innovation, and aligning state and central policies for sustainable development. Unique features like the bottom-up planning approach, SDG monitoring, and strategic partnerships define its functioning. The institution emphasizes evidence-based policymaking, capacity building, and technological integration. With a forward-looking vision, NITI Aayog strives to build a strong, equitable, and resilient India.

13.8 Keywords

- **NITI Aayog (National Institution for Transforming India)**

A policy think-tank established by the Government of India in 2015 to replace the Planning Commission. It focuses on cooperative federalism, sustainable development, and strategic policy design.

- **Think-Tank**

An organization that performs research and provides advice on policy issues. NITI Aayog functions as a think-tank for the Indian government.

- **Cooperative Federalism**

A system where the Centre and the States work together in harmony to design and implement policies for national development.

- **Competitive Federalism**

An approach where states compete to improve governance and service delivery, often assessed through rankings and indices (e.g., SDG Index).

- **Bottom-Up Approach**

A planning strategy that begins at the grassroots (village or district level) and moves upward to higher levels of government, emphasizing local participation.

- **Top-Down Approach**

A centralized planning method where decisions are made at the national level and passed down to states and local bodies—used under the former Planning Commission.

- **SDG Index (Sustainable Development Goals Index)**

A tool developed by NITI Aayog to track the performance of Indian states in achieving the United Nations' Sustainable Development Goals.

- **Atal Innovation Mission (AIM)**

A flagship initiative by NITI Aayog to promote a culture of innovation and entrepreneurship in India through Atal Tinkering Labs, incubators, and start-up support

13.9 Suggested Readings:

- Puri, V.K., Misra, S.K., & Garg, B. (2023). *Indian Economy* (41st ed.). Himalaya Publishing House.

- <https://niti.gov.in/objectives-and-features>
- <https://vajiramandravi.com/upsc-exam/niti-aayog/>

13.10 Hints to Check your progress

CYP-I

Q1. Refer to section 13.6

Q2. Refer to section 13.5

Q3. Refer to section 13.4

13.11 Examination oriented Questions:

1. What are the main objectives behind the establishment of NITI Aayog? Explain how these differ from the Planning Commission.
2. Discuss how NITI Aayog promotes cooperative and competitive federalism in India.
3. Explain the importance of decentralised planning in the context of NITI Aayog's objectives.
4. In what ways does NITI Aayog align national development with global goals like the SDGs?
5. Explain how NITI Aayog facilitates collaboration between various stakeholders including states, experts, and institutions.
6. How does NITI Aayog contribute to India's long-term policy planning and vision documents?

14.0 Objectives

14.1 Learning Outcomes

14.2 Introduction

14.3 Prologue

14.4 Conceptual Framework

14.4.1 Financial Inclusion: Concept and Dimensions

14.4.2 Infrastructure Development: Typologies and Relevance

14.4.3 Interlinkages: Infrastructure as an Enabler of Financial Inclusion

14.4.4 Stakeholders in the Inclusion-Infrastructure Ecosystem

14.4.5 Theoretical Underpinnings

14.5 Importance of Financial Inclusion

14.6 Role of Infrastructure in Enabling Financial Inclusion

14.7 Challenges and Barriers

14.8. Government and Policy Initiatives

14.9 Monitoring, Impact Assessment, and Sustainability

14.10 Future Outlook and Recommendations

14.11 Conclusion

14.12 Let us sum up

14.13 Keywords

14.14 Suggestive Readings

14.15 Hints to Check Your Progress

14.16 Examination Oriented Questions

14.0 Objectives

The main objectives of this lesson are to enable you to:

- Define the concepts of financial inclusion and infrastructure development in the Indian context.
- Examine the role of infrastructure in enabling access to formal financial services.
- Evaluate government initiatives aimed at improving financial inclusion and rural infrastructure.
- Identify barriers that hinder inclusive financial access across different socio-economic segments.
- Analyze the interdependence between digital infrastructure and financial inclusion outcomes.
- Suggest strategies for building sustainable, climate-resilient, and gender-inclusive financial ecosystems.

14.1 Learning Outcomes

After completing this lesson, the learner will be able to:

- Describe the key elements and significance of financial inclusion and infrastructure development.
- Explain how digital and physical infrastructure act as enablers of inclusive finance.
- Illustrate with examples the impact of schemes like PMJDY, BharatNet, and UPI on financial outreach.
- Compare regional disparities in infrastructure and access to financial services using available data.
- Assess the effectiveness of current financial inclusion models and indices such as the FII and CRISIL Inclusix.

- Propose future strategies for deepening financial access and promoting equitable infrastructure expansion.

14.2 Introduction

Dear Learner, after going through this lesson, you will gain a comprehensive understanding of the synergistic relationship between financial inclusion and infrastructure development, two pillars of inclusive and sustainable economic growth. Financial inclusion ensures that all individuals—regardless of income, location, or social background—have access to useful and affordable financial products and services. Simultaneously, infrastructure development, encompassing both physical and digital systems, plays a critical role in enabling this access and ensuring last-mile delivery. In recent years, India has made commendable progress in expanding its financial ecosystem through digital innovation, targeted policy interventions, and large-scale infrastructure investments. However, challenges such as regional disparities, digital illiteracy, and gender-based exclusion persist. This lesson explores conceptual frameworks, policy measures, success stories, barriers, and forward-looking strategies that together chart the roadmap for building an inclusive financial and infrastructural landscape for the future.

14.3 Prologue

In the contemporary development discourse, financial inclusion and infrastructure development have emerged as two pivotal pillars for achieving sustainable and equitable growth, particularly in developing economies like India. Financial inclusion is defined by the World Bank (2022) as the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner. On the other hand, infrastructure development encompasses the construction and improvement of foundational services—such as transportation, power supply, telecommunications, and digital systems—that facilitate connectivity, mobility, and delivery of essential services.

The synergy between these two domains is profound. Infrastructure—be it roads, electricity, telecommunications, banking networks, or digital platforms—acts as a conduit through which financial services reach the underserved and unbanked populations. According to the Global Findex Database (World Bank, 2021), nearly 76% of adults globally have an account with a financial institution or through a mobile money provider, yet over 1.4 billion people remain unbanked, with the majority concentrated in South Asia and Sub-Saharan Africa. In India

alone, approximately 20% of the adult population is still excluded from the formal financial system (Findex, 2021).

Recognizing this challenge, the Government of India has launched several flagship programmes. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in 2014, led to the opening of over 500 million bank accounts by March 2024 (Ministry of Finance, GoI). Initiatives like Digital India, BharatNet, and the expansion of Unified Payments Interface (UPI) infrastructure have been instrumental in bridging the urban-rural digital divide. UPI alone processed over 14 billion transactions in May 2024, reflecting growing acceptance of digital financial services even in semi-urban and rural regions (NPCI, 2024).

Despite this progress, deep-rooted disparities persist. Physical infrastructure gaps—like poor road connectivity, unreliable electricity, and limited internet access in rural regions—continue to hamper the financial ecosystem. The World Economic Forum’s Global Competitiveness Report (2023) ranks India 70th out of 141 countries in infrastructure quality. These deficiencies restrict last-mile financial service delivery and deter the participation of the poorest in economic activities.

The COVID-19 pandemic further exposed these weaknesses, disrupting both physical and digital service channels, particularly in informal and remote economies. However, it also catalyzed innovation and adoption of digital finance. As per a study by the IMF (2021), digital financial services surged globally during the pandemic, becoming a lifeline for many to receive remittances, social transfers, and make essential purchases.

14.4 Conceptual Framework

Understanding the dynamic relationship between financial inclusion and infrastructure development requires a multidimensional framework that blends economic theory, development policy, and institutional design. This section provides a conceptual foundation by exploring the definitions, types, interlinkages, and key stakeholders that shape both domains.

14.4.1 Financial Inclusion: Concept and Dimensions

Financial inclusion refers to the process of ensuring access to appropriate and affordable financial products and services such as savings, credit, insurance, and remittance facilities to all individuals—especially the poor and marginalized—in a fair and transparent manner (Rangarajan Committee, 2008; World Bank, 2022). Its core dimensions include:

- **Access:** Physical and digital reach of financial services.
- **Usage:** Regularity and volume of financial transactions and services.
- **Quality:** Relevance and reliability of financial products.
- **Affordability:** Cost-effective access to banking and financial services.

The **Mehrotra Framework (2016)** highlights financial inclusion as a prerequisite for poverty reduction and inclusive growth, emphasizing its role in asset creation, entrepreneurship, risk mitigation, and welfare delivery.

14.4.2 Infrastructure Development: Typologies and Relevance

Infrastructure serves as the backbone of economic and human development. It includes both physical infrastructure (transportation, energy, communication networks, irrigation) and social infrastructure (education, health, banking institutions). In the context of financial inclusion, three types of infrastructure are especially critical:

1. **Physical Infrastructure:** Roads, electricity, and telecom towers, which enable banking outreach and logistics for rural banking.
2. **Digital Infrastructure:** Internet access, mobile connectivity, data centers, and platforms like UPI, Aadhaar, BharatNet—vital for FinTech and e-governance.
3. **Institutional Infrastructure:** A robust regulatory environment, credit bureaus, financial literacy networks, grievance redress systems, and microfinance institutions (MFIs).

According to the **Asian Development Bank (2023)**, countries that invest 5–6% of GDP annually in infrastructure show higher inclusion and productivity outcomes compared to those that invest less than 3%.

14.4.3 Interlinkages: Infrastructure as an Enabler of Financial Inclusion

Infrastructure acts as both a **precondition** and a **catalyst** for financial inclusion. The relationship is bidirectional:

- **Access Pathway:** Reliable infrastructure increases the geographical reach of financial institutions, ATMs, mobile vans, and banking correspondents.

- **Digital Pathway:** ICT infrastructure enables low-cost digital banking solutions, mobile money, and biometric authentication.
- **Trust Pathway:** Well-established financial and legal infrastructure builds consumer confidence in formal banking systems.

This relationship is encapsulated in the infrastructure-Inclusion Nexus Model, where infrastructure development reduces transaction costs, improves last-mile delivery, and enhances trust and usability, thereby strengthening inclusion.

14.4.4 Stakeholders in the Inclusion-Infrastructure Ecosystem

The financial inclusion and infrastructure development ecosystem involves multiple stakeholders across public, private, and civil society domains:

Table 1: Stakeholders in the Inclusion-Infrastructure Ecosystem

Stakeholder Category	Key Actors	Role
Government	RBI, Ministry of Finance, NABARD, NITI Aayog	Policy formulation, funding, and regulation
Financial Institutions	Banks, NBFCs, MFIs, Payment Banks	Delivery of financial products and services
Technology Providers	FinTech startups, IT firms, telecom operators	Digital platform development, innovation
Development Agencies	World Bank, ADB, UNDP	Technical assistance, funding, best practices
Civil Society	NGOs, SHGs, Cooperatives	Financial literacy, mobilization, grievance redressal

14.4.5 Theoretical Underpinnings

Several economic theories underpin the conceptual basis of financial inclusion and infrastructure:

- **Schumpeterian Growth Theory:** Emphasizes the role of credit and innovation in economic growth—both facilitated by inclusive finance and infrastructure.
- **Endogenous Growth Models:** Infrastructure investment enhances productivity and enables inclusion by improving access to services and reducing regional disparities.
- **Capability Approach (Amartya Sen):** Views financial access as a means of expanding individual freedoms and capabilities—dependent on both institutional and infrastructural provisions.

The synergy between financial inclusion and infrastructure development is a fundamental driver of inclusive and sustainable development. Infrastructure is not merely a support system but a transformative enabler of financial access, usage, and empowerment. A holistic framework must account for physical assets, digital readiness, institutional strength, and stakeholder coordination to realize the full potential of inclusive growth.

14.5 Importance of Financial Inclusion

Financial inclusion is more than just a tool for economic access; it is a development imperative that fosters economic participation, social inclusion, gender equity, and poverty alleviation. As highlighted by the World Bank (2022), financial inclusion contributes directly to seven of the seventeen Sustainable Development Goals (SDGs), making it central to inclusive and sustainable growth. In the Indian context, it plays a transformative role in empowering marginalized communities, improving livelihoods, and creating pathways for upward social mobility.

1 Enabling Access to Financial Services for All

The most direct and visible benefit of financial inclusion is access to a broad spectrum of financial services—banking, credit, savings, insurance, remittances, and digital payments. Traditionally, rural and low-income populations have been excluded from formal financial channels due to high transaction costs, lack of documentation, or physical distance from banking infrastructure. Initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) have significantly bridged this gap. As of March 2024, more than 50 crore Jan Dhan accounts have been opened, with ₹2.09 lakh crore in total balances (Ministry of Finance, 2024).

These accounts act as an entry point for government-to-person (G2P) transfers, including MNREGA wages, LPG subsidies, and pensions, thus eliminating leakages and reducing

dependency on intermediaries. Financial inclusion therefore facilitates fiscal efficiency, enhances transparency, and expands the social safety net.

2 Promoting Savings and Asset Building

Inclusive financial systems promote regular savings habits and long-term asset creation, especially among the poor who are otherwise vulnerable to economic shocks. Micro-savings accounts, recurring deposit schemes, and group savings models help inculcate financial discipline and support investment in health, education, and micro-enterprises.

A 2021 report by NABARD on rural households showed that 56% of small and marginal farmers who were financially included invested in income-generating assets such as livestock or irrigation equipment, compared to 28% among those excluded from banking services.

3 Facilitating Access to Credit and Entrepreneurship

Credit access is a cornerstone of financial empowerment. Formal credit enables individuals and small businesses to invest in productive assets, manage liquidity, and expand their enterprises. Without access to banks, the poor are often forced to rely on informal lenders who charge exorbitant interest rates.

The expansion of Priority Sector Lending (PSL) by scheduled commercial banks and the growth of microfinance institutions (MFIs) and Self-Help Groups (SHGs) have been instrumental in promoting financial inclusion. As of 2023:

- Over ₹2.5 lakh crore has been disbursed under MUDRA loans to small entrepreneurs.
- Over 13 crore SHG members were linked to bank credit under the National Rural Livelihoods Mission (NRLM).

This has led to a rise in women-led microenterprises, farm-to-market linkages, and rural entrepreneurship.

4 Reducing Poverty and Income Inequality

Financial inclusion is strongly correlated with poverty reduction and inclusive growth. By offering secure savings options, affordable credit, and protection against risks, it reduces vulnerability and builds economic resilience. Research by Burgess and Pande (2005) showed that Indian districts with higher bank branch density between 1977 and 1990 experienced a significant reduction in rural poverty rates.

A World Bank study (Demirgüç-Kunt et al., 2018) found that a 10% increase in financial inclusion could result in up to a 2–3% reduction in income inequality. Financial inclusion thus acts as a redistributive mechanism in economies marked by structural inequality and informality.

5 Empowering Women and Marginalized Groups

Women are disproportionately excluded from the formal financial system, especially in patriarchal and rural contexts. Financial inclusion programs that target women—such as SHG-bank linkages, Joint Liability Groups (JLGs), and the Mahila Coir Yojana—empower them economically, enhance their decision-making capacity, and improve household welfare.

The Digital Financial Services (DFS) revolution has further helped bridge the gender gap. For example, India’s female ownership of bank accounts rose from 26% in 2011 to 78% in 2021 (Global Findex, 2021). Increased participation in digital transactions also enhances women’s mobility and autonomy.

6 Enhancing Financial Literacy and Economic Participation

True inclusion goes beyond access—it entails meaningful usage and understanding. Financially included populations are more likely to engage in formal employment, make informed financial decisions, and invest in long-term planning such as pensions, mutual funds, or health insurance.

Programs like RBI’s Financial Literacy Week, the National Strategy for Financial Education (NSFE) 2020–2025, and NGO-led initiatives have focused on improving financial literacy, particularly among youth, rural populations, and low-income urban dwellers.

7 Stabilizing and Deepening the Financial System

A broader and deeper financial base stabilizes the banking sector by diversifying risks and increasing deposit mobilization. This, in turn, allows banks to expand credit and improve asset quality. Financial inclusion also strengthens monetary policy transmission, increases tax compliance, and enhances fiscal discipline.

According to the Reserve Bank of India (RBI, 2023), financially included households show higher savings-to-income ratios and lower default risks, contributing to the overall health of the financial ecosystem.

In sum, financial inclusion is not merely a banking initiative—it is a development strategy that drives inclusive growth, reduces inequality, empowers individuals, and stabilizes the economy. When supported by enabling infrastructure, financial inclusion becomes a transformative force, turning access into opportunity and vulnerability into empowerment.

14.6 Role of Infrastructure in Enabling Financial Inclusion

Infrastructure plays a foundational role in expanding financial inclusion. It acts as the critical enabler through which financial services can be physically and digitally delivered to underserved populations. In developing countries like India, where large swathes of the population live in rural or semi-urban areas with poor connectivity, infrastructure is the gateway through which access, availability, and affordability of financial services can be ensured.

1 Physical Infrastructure: Bridging the Geographic Divide

Physical infrastructure—roads, transport systems, electricity supply, and banking outlets—forms the most basic requirement for the expansion of financial services.

- **Road and transport connectivity** are essential for facilitating access to bank branches, ATMs, and Business Correspondent (BC) outlets. As per NABARD (2022), over **28% of villages in remote regions** lack all-weather road access, severely hampering financial outreach.
- **Electricity and power supply** are necessary for operating ATMs, point-of-sale (PoS) machines, and mobile banking infrastructure. Without reliable electricity, digital financial services become intermittent or unusable.
- **Bank branches and ATMs** remain vital, particularly for populations that are digitally excluded or have low literacy. The RBI's *Banking Infrastructure Report* (2023) revealed that only **30% of rural sub-districts** have sufficient bank branch penetration as per the population norms.

Efforts such as the Pradhan Mantri Gram Sadak Yojana (PMGSY), rural electrification through Saubhagya Yojana, and the expansion of India Post Payments Bank (IPPB) have been aimed at bridging this physical divide.

2 Digital Infrastructure: Revolutionizing Access and Affordability

Digital infrastructure has revolutionized financial inclusion by **overcoming traditional geographic and institutional barriers**. It includes internet connectivity, mobile networks, servers, data centers, biometric authentication, and digital platforms.

- **Mobile Penetration:** India has over **1.2 billion mobile subscribers**, with over **800 million internet users** as of 2024 (TRAI, 2024). Mobile phones have become the most accessible device for conducting digital financial transactions.
- **Aadhaar-Enabled Infrastructure:** The Aadhaar system (with over **1.3 billion biometric IDs**) facilitates e-KYC, authentication, and direct benefit transfers (DBTs), lowering onboarding costs and improving efficiency.
- **Unified Payments Interface (UPI):** Developed by NPCI, UPI has democratized peer-to-peer and merchant payments. In FY 2023–24, UPI processed over **125 billion transactions**, indicating growing digital acceptance even in Tier 3 and rural areas.

India's **Digital Public Infrastructure (DPI)** model—which combines Aadhaar, Jan Dhan accounts, and mobile banking (the JAM trinity)—is globally recognized for enabling fast, scalable, and inclusive financial access.

3 Financial Infrastructure: Institutions and Intermediaries

Beyond physical and digital assets, **institutional infrastructure** is equally crucial. This includes financial institutions, regulatory frameworks, credit information systems, and market intermediaries.

- **Banking Institutions:** Regional Rural Banks (RRBs), Small Finance Banks, and Cooperative Banks play a key role in reaching rural populations. Scheduled Commercial Banks are mandated to meet Priority Sector Lending norms that facilitate credit access to the underserved.
- **Business Correspondents (BCs):** As per RBI (2023), over **5.8 lakh BC agents** are operational in India. BCs extend branchless banking services, especially in remote areas where opening a full-service branch is not viable.
- **Microfinance Institutions (MFIs)** and **Self-Help Groups (SHGs)** facilitate collective financial empowerment and are especially important for women and low-income households.

These institutions are often supported by financial infrastructure such as core banking systems (CBS), automated credit scoring tools, and credit bureaus (like CIBIL) that support responsible lending.

4 Government Initiatives to Build Enabling Infrastructure

The Government of India and its institutions have launched several flagship programmes to create an enabling infrastructure ecosystem:

Table2: Government Initiatives to Build Enabling Infrastructure

Initiative	Objective	Impact
BharatNet	Connect 2.5 lakh gram panchayats with fiber-optic internet	Over 1.7 lakh GPs connected by 2023
Digital India	Promote digital infrastructure and digital literacy	Boosted fintech adoption and access
PM-WANI (Wi-Fi Access Network Interface)	Enable public Wi-Fi access points across villages	Enhanced rural digital inclusion
Financial Inclusion Fund (FIF)	Support capacity building, literacy, and infrastructure	Funded 1,200+ projects across India

These programs are complemented by **Private Sector participation**, including fintech companies, telecom operators, and technology service providers.

5 Infrastructure Gaps and Constraints

Despite significant progress, several gaps remain:

- **Low internet penetration** in tribal and mountainous areas.
- **Digital illiteracy and cybersecurity concerns** hinder the use of mobile banking.
- **Limited PoS penetration** in small towns and villages.
- **High infrastructure cost** in sparsely populated and geographically challenging regions.

Addressing these issues requires a mix of **targeted public investment, blended finance models, and last-mile connectivity solutions.**

Infrastructure is the backbone of financial inclusion. Without physical access, digital connectivity, and institutional depth, financial services cannot reach the excluded. India's efforts to blend **brick-and-mortar infrastructure** with **digital innovations** have yielded transformative results, but **the last-mile challenge remains critical.** An integrated infrastructure development strategy—spanning roads to routers and regulation to rural outreach—is essential to unlock the full potential of inclusive finance.

14.7 Challenges and Barriers

Despite considerable policy initiatives and technological advancements, financial inclusion and infrastructure development in India continue to face multiple challenges, particularly in rural, remote, and economically disadvantaged regions. These barriers—structural, socio-economic, institutional, and technological—undermine the effectiveness and sustainability of inclusion efforts. Understanding these challenges is critical to formulating responsive strategies and achieving inclusive growth.

1 Geographic and Regional Disparities

India's vast and diverse geography poses significant barriers to financial and infrastructure penetration:

- **Hilly, tribal, and forested areas** (e.g., Northeast India, Jammu & Kashmir, parts of Chhattisgarh) suffer from **low population density, conflict zones, and difficult terrain**, making infrastructure development expensive and logistically difficult.
- As per NABARD (2022), only **60% of rural habitations** have access to all-weather roads, which impairs the reach of banks, ATMs, and Business Correspondents.
- Bank branch density and ATM coverage are disproportionately skewed towards urban and semi-urban areas. According to RBI (2023), only **18% of total bank branches** are located in rural regions, even though rural India accounts for over **65% of the population.**

2 Economic Barriers: Low Incomes and Informality

Low- and irregular-income levels among rural households inhibit their ability to **save, invest, or borrow formally**. The informal nature of employment in agriculture and informal sectors leads to:

- **Lack of documentation** (pay slips, income proof), making formal credit access difficult.
- **Low ticket-size transactions**, which are often unprofitable for banks and financial institutions.
- High credit risk perception from lenders due to limited repayment capacity and absence of collateral.

As per the World Bank (2022), around **50% of Indian adults** who are excluded from the financial system cite "insufficient funds" as the primary reason for not owning a bank account.

3 Social and Cultural Constraints

Deep-rooted socio-cultural issues also restrict financial inclusion:

- **Gender inequality**: Despite improvements, many women in rural India do not have control over their finances or mobile phones. Female account ownership is often nominal or underused.
- **Caste and tribal exclusion**: Scheduled Castes (SCs) and Scheduled Tribes (STs) continue to be among the least financially included communities.
- **Lack of trust in formal institutions** and preference for cash-based, informal systems persist, especially among older and illiterate populations.

A study by Microsave (2021) found that **45% of PMJDY account holders in tribal regions** of Odisha and Madhya Pradesh did not know how to use ATMs or mobile banking apps, reflecting the deep digital and literacy divide.

4 Technological and Digital Challenges

While digital platforms have expanded access, **digital exclusion remains a serious concern**:

- **Digital illiteracy**: Many users, especially the elderly and women, find digital interfaces intimidating or inaccessible due to language and usability issues.

- **Internet connectivity** remains patchy. According to TRAI (2024), **only 37% of rural households** have access to stable internet services.
- **Cybersecurity threats**, identity theft, and digital fraud undermine confidence in digital financial systems.
- Low penetration of smartphones and PoS machines in remote markets restricts digital payments and e-commerce growth.

5 Institutional and Policy Limitations

Institutional and regulatory hurdles often delay or distort implementation:

- **Inadequate staffing and training** in rural branches affect the quality of service and customer support.
- **Overlapping jurisdiction** between various government departments and financial regulators leads to policy delays and duplication.
- The **Business Correspondent (BC) model**, while effective, suffers from **low remuneration, high attrition, and lack of technical training**, especially in underserved areas.
- Delay in project implementation (e.g., BharatNet) and underutilization of public-private partnerships (PPPs) slow down infrastructure progress.

6 Financial Literacy and Behavioral Barriers

True financial inclusion depends on not just access but **meaningful usage**. A large segment of the population remains unaware of the benefits and processes of banking, insurance, and digital finance.

- According to the SEBI Investor Survey (2021), only **27% of adults in India** were classified as financially literate.
- **Cultural habits**, such as saving in cash or relying on informal lenders, persist due to low awareness and convenience.

7 Climate and Disaster Risks

Infrastructure in India is vulnerable to **climate shocks** like floods, cyclones, and heatwaves, which can disrupt banking services and digital connectivity.

- Financial services are often cut off during natural disasters due to power outages and damaged networks.
- Low insurance penetration worsens the impact of such events, leaving poor communities without financial recovery mechanisms.

India's journey toward universal financial inclusion and comprehensive infrastructure development is **impressive but incomplete**. The remaining barriers—economic inequality, geographic isolation, digital illiteracy, gender and social exclusion, and institutional bottlenecks—must be addressed through a **targeted, inclusive, and adaptive strategy**. Bridging these gaps requires not only capital investment but also sustained efforts in **policy coordination, behavioral change, and grassroots empowerment**.

14.8. Government and Policy Initiatives

The Government of India, along with its regulatory bodies and public sector financial institutions, has undertaken a wide range of initiatives to promote **financial inclusion and infrastructure development**. These interventions are driven by the recognition that inclusive finance and robust infrastructure are **foundational for poverty alleviation, employment generation, and economic empowerment**. Over the last two decades, financial inclusion has moved from being a peripheral objective to a **core development strategy**, especially in the wake of the **Digital India movement** and the **Jan Dhan-Aadhaar-Mobile (JAM) trinity**.

1 National Mission for Financial Inclusion: Pradhan Mantri Jan Dhan Yojana (PMJDY)

Launched in **August 2014**, the **PMJDY** is the most ambitious financial inclusion programme globally. Its objectives include:

- Universal access to banking facilities.
- Provision of basic savings accounts.
- Direct Benefit Transfer (DBT) integration.
- Accidental insurance, overdraft, and pension coverage.

As of **March 2024**:

- Over **50 crore beneficiaries** had opened Jan Dhan accounts.
- Over **₹2.09 lakh crore** was held in these accounts.

- **67% of the accounts** were opened in rural and semi-urban areas.
- **56% account holders** were women (Ministry of Finance, 2024).

PMJDY has not only improved access but also **digitized welfare delivery**, thereby reducing leakage and enhancing transparency.

2 Direct Benefit Transfer (DBT) System and JAM Trinity

The **DBT** initiative, built upon the **JAM trinity**—**Jan Dhan accounts**, **Aadhaar numbers**, and **Mobile connectivity**—has revolutionized the delivery of government subsidies and welfare schemes. It allows seamless transfer of benefits such as:

- LPG subsidies (PAHAL scheme)
- MGNREGA wages
- Pensions and scholarships
- Fertilizer and food subsidies

As of FY 2023–24, **over ₹6.95 lakh crore** had been transferred under DBT schemes across **400+ schemes** and **50+ ministries** (DBT Bharat Portal, 2024).

3 Financial Infrastructure Reforms: Digital India and BharatNet

Digital India, launched in 2015, aims to empower the country digitally and ensure last-mile financial service delivery. Its components relevant to financial inclusion include:

- Universal access to mobile phones and broadband.
- Common Service Centres (CSCs) for rural e-governance.
- Digital literacy campaigns and digital locker systems.

BharatNet, the world's largest rural broadband initiative, seeks to connect 2.5 lakh gram panchayats via high-speed internet. By early 2024, more than 1.8 lakh gram panchayats had been connected with fiber-optic cable (Department of Telecommunications, 2024), enabling rural banking, digital payments, and e-commerce.

4 Priority Sector Lending (PSL) and Credit Outreach

To ensure credit flows to the underserved, the **Reserve Bank of India (RBI)** mandates all Scheduled Commercial Banks to lend a specified portion of their adjusted net bank credit (ANBC) to **priority sectors**, including:

- Agriculture
- Micro and small enterprises
- Education
- Housing
- Social infrastructure
- Renewable energy

As of March 2023, the PSL target was **40% of ANBC** for domestic commercial banks and **75%** for Regional Rural Banks (RRBs) and Small Finance Banks (SFBs).

Additionally, Annual Credit Plans (ACPs) are formulated at the district level under the Lead Bank Scheme, ensuring localized planning and financial deepening.

7.5 Development of Microfinance and SHG Models

India has developed one of the world's largest microfinance ecosystems, particularly through:

- **Self-Help Group-Bank Linkage Programme (SHG-BLP)** by NABARD.
- Support through **National Rural Livelihoods Mission (NRLM)**.
- Expansion of **Micro Units Development and Refinance Agency (MUDRA)** loans.

Between 2015 and 2023:

- Over **41 crore MUDRA loans** were sanctioned worth **₹22 lakh crore**.
- Over **80 lakh SHGs** were operational under NRLM, with women comprising over **90% of members**.

These initiatives target **women, rural poor, and micro-entrepreneurs**, enabling productive asset creation and social mobility.

6 Infrastructure Financing and Institutional Support

The government has strengthened institutional infrastructure to support both financial and physical infrastructure growth:

- **NABARD's Rural Infrastructure Development Fund (RIDF)** supports roads, bridges, irrigation, and cold storage in rural areas.
- **India Infrastructure Finance Company Ltd. (IIFCL)** provides long-term finance for PPP-based infrastructure projects.
- **National Infrastructure Pipeline (NIP)** outlines ₹111 lakh crore worth of infrastructure investment by 2025 across sectors like energy, transport, digital, and rural infrastructure.

7 Policy and Regulatory Initiatives by RBI and SEBI

The **Reserve Bank of India** has launched several enabling frameworks:

- **Financial Inclusion Plans (FIPs)** mandated for all banks.
- Licensing of **Payment Banks** and **Small Finance Banks** to cater to niche and underserved segments.
- Launch of **Financial Literacy Centres (FLCs)** and campaigns on financial awareness.

SEBI, through its Investor Protection Fund, has initiated:

- Investor education campaigns.
- Regulation of micro-investment products.
- Expansion of financial advisory services through digital platforms.

8 Collaborative Initiatives: PPPs and Multilateral Partnerships

India has collaborated with **international institutions** (World Bank, IMF, ADB, UNDP) and **private sector players** (FinTech firms, telecom companies, BC agents) to scale inclusion through innovation and investment.

Key initiatives include:

- **Digital Saksharta Abhiyan (DISHA)** with tech partners.

- **G20 Global Partnership for Financial Inclusion (GPFI)** with India's leadership in 2023–24.
- Support from World Bank for Aadhaar seeding and DBT architecture.

India's policy approach to financial inclusion and infrastructure development is multi-pronged, innovative, and increasingly digitized. While schemes like PMJDY, Digital India, and PSL norms have accelerated access, challenges remain in ensuring deep and meaningful usage, especially among vulnerable populations. Strengthening policy convergence, institutional capacity, and monitoring frameworks will be essential in sustaining the momentum toward a more inclusive and connected India

14.9 Monitoring, Impact Assessment, and Sustainability

Effective monitoring and impact assessment are crucial to determine the real-world outcomes of financial inclusion and infrastructure initiatives. These evaluations not only help assess progress toward stated goals but also identify bottlenecks, ensure accountability, and guide future policy interventions. Moreover, sustainability—the long-term viability and equitable functioning of infrastructure and financial systems—is central to ensuring that gains are not reversed and that development benefits reach successive generations.

1 Monitoring Financial Inclusion: Key Indicators and Indices

India and global institutions have developed several **quantitative tools and frameworks** to assess financial inclusion progress:

a) Financial Inclusion Index (FII) – India (RBI)

The **Reserve Bank of India (RBI)** developed a comprehensive **Financial Inclusion Index**, which combines:

- **Access** (bank branches, ATMs, business correspondents)
- **Usage** (number of credit, deposit, insurance accounts)
- **Quality** (financial literacy, grievance redressal)

According to the **RBI FII Report (2023)**, the index improved from **53.9 in 2021** to **60.1 in 2023** (on a scale of 100), showing progress in digital access and usage, particularly due to UPI adoption and DBT penetration.

b) Global Findex Database – World Bank

The **World Bank's Findex 2021** assesses financial inclusion across:

- Account ownership
- Use of digital payments
- Savings behavior
- Credit and risk management

India saw **account ownership rise to 78%** among adults (vs. 53% in 2014), but **usage remains a challenge**, with **only 35% actively transacting monthly**.

c) CRISIL Inclusix Index

This private-sector tool evaluates financial inclusion based on:

- Number of savings accounts
- Branch penetration
- Credit penetration
- Insurance and investment activity

As per CRISIL Inclusix 2022, states like Kerala, Tamil Nadu, and Maharashtra rank high, while Bihar, Uttar Pradesh, and the Northeast still lag due to structural and socio-economic factors.

2 Infrastructure Development Impact Monitoring

Infrastructure projects are monitored using a combination of:

- **Output indicators** (e.g., km of rural roads constructed, % panchayats connected to BharatNet).
- **Outcome indicators** (e.g., reduction in commute time, increase in digital transactions, growth in SHG bank linkages).
- **Impact metrics** (e.g., improvement in household income, access to markets, school/health facility usage).

Government tools like the **Project Monitoring Group (PMG)** portal and **Dashboards by NITI Aayog** are used to track real-time progress of large-scale infrastructure and digital projects.

For example:

- **BharatNet's progress** is mapped via dashboards detailing fiber roll-out, internet speed, and usage metrics.
- **PMGSY** tracks rural road development using GIS-based monitoring and third-party audits.

3 Impact Assessment Studies and Findings

Numerous **evaluation studies** have been conducted to measure impact:

- A **NITI Aayog (2022)** evaluation of PMJDY found that **80% of beneficiaries** used accounts for at least one transaction per quarter, but only **43% used credit/insurance services** regularly.
- A study by the **World Bank (2021)** showed that **DBT adoption via JAM** led to a **15% reduction in leakage** in MNREGA payments.
- **NABARD's SHG-BLP Impact Survey (2021)** revealed that **incomes rose by 30%**, and **women's participation in household decision-making improved by 45%** after accessing SHG loans.

However, many impact assessments also highlight:

- **Gender and digital divide** in usage.
- Over-reliance on Aadhaar authentication causing exclusion in certain cases (e.g., biometric mismatch).
- Dropouts due to **lack of financial education or trust**.

4 Ensuring Sustainability: Key Dimensions

For financial inclusion and infrastructure gains to be sustainable, multiple dimensions must be addressed:

a) Institutional Sustainability

- Strengthening the **Business Correspondent model** through better pay, training, and grievance redress.

- Expanding roles for **Small Finance Banks, SHGs, and Cooperative Banks** in inclusive credit delivery.

b) Technological Sustainability

- Investing in **resilient digital infrastructure** with redundancy to withstand cyberattacks and system downtimes.
- Promoting **open and interoperable digital ecosystems** to avoid platform monopolies.

c) Environmental and Climate Resilience

- Designing **green infrastructure projects** (e.g., solar-powered ATMs, climate-proof roads).
- Ensuring that financial inclusion includes **climate-risk insurance, weather-linked credit** for farmers, etc.

d) Social and Gender Sustainability

- Focusing on **financial literacy campaigns**, especially for women and tribal communities.
- Inclusion of **elderly, differently abled, and informal workers** in formal finance through adaptive service models.

5 Global Best Practices in Monitoring and Sustainability

Countries like **Kenya (M-Pesa)**, **Bangladesh (Grameen model)**, and **Brazil (agent banking)** offer lessons:

- Frequent impact evaluation of financial services ensures **data-driven policy reforms**.
- Community involvement in monitoring improves **transparency and accountability**.
- **Sustainability funds** and **cross-subsidization models** help maintain rural infrastructure.

India has begun incorporating these ideas in schemes like **Digital India**, **PM-WANI**, and **Infrastructure Investment Trusts (InvITs)**.

Monitoring and impact assessment provide critical insights into the effectiveness, equity, and efficiency of financial inclusion and infrastructure programs. Sustainability must now become the focus—not only in terms of physical durability and digital resilience but also in institutional design and user experience. A data-backed, citizen-centric, and climate-resilient approach is essential to ensure that inclusion is not just achieved, but sustained.

14.10 Future Outlook and Recommendations

India's progress in expanding financial inclusion and developing enabling infrastructure over the last two decades is commendable. However, as the nation advances toward its **Vision 2047** of becoming a developed economy, it must transition from **access-centric strategies** to a **deep, usage-driven, inclusive financial ecosystem** supported by **resilient, adaptive, and smart infrastructure**. The future outlook for financial inclusion and infrastructure development is shaped by technological disruption, climate change, rising digital aspirations, and evolving development priorities.

1 Future Outlook: Emerging Trends and Strategic Priorities

a) Digital-First Financial Ecosystems

India is poised to lead globally in **digital financial infrastructure**, leveraging tools like:

- **UPI 2.0 and UPI Lite** for offline and small-value transactions.
- **CBDC (Central Bank Digital Currency)** piloted by RBI to enhance secure digital payments.
- **Open Credit Enablement Network (OCEN)** and **Account Aggregator (AA)** frameworks to democratize credit access and data-driven lending.

Digital platforms will become the **default interface for financial services**, especially among youth and micro-entrepreneurs.

b) Decentralized and Hyperlocal Infrastructure

There is a growing shift toward:

- **Decentralized finance (DeFi)** through blockchain for peer-to-peer lending.
- **Hyperlocal digital infrastructure** such as rural fintech kiosks, Wi-Fi villages (via PM-WANI), and Common Service Centres (CSCs).

- **Geo-tagged monitoring** for real-time infrastructure audits.

c) Green and Climate-Resilient Infrastructure

India's infrastructure roadmap will be shaped by **climate-conscious design**, including:

- Solar-powered rural ATMs and mobile banking units.
- Digital platforms for **weather-based crop insurance** and **climate-risk credit scoring**.
- Green financing mechanisms and sustainable lending standards.

d) Human-Centric Inclusion Models

The focus will shift toward:

- **Customized financial products** for farmers, gig workers, elderly, women, and informal sector workers.
- **AI-based personalization** for savings, credit, and insurance.
- Integration of **vernacular languages** and intuitive user interfaces to enhance digital accessibility.

2 Recommendations for Policy and Practice

To build a robust and inclusive ecosystem, India must adopt a **multi-pronged, cross-sectoral strategy**:

A. Bridging the Digital Divide

- **Expand last-mile internet access** using satellite-based broadband and 5G deployment in rural areas.
- Subsidize **low-cost smartphones** and **public digital devices** in schools, SHGs, and panchayats.
- Create **Digital Literacy Missions** targeting women, tribal youth, and senior citizens.

B. Strengthening Financial Infrastructure

- **Revamp Business Correspondent models** with better training, incentives, and mobile PoS devices.

- Expand the reach of **Small Finance Banks, SHGs, and Cooperative Banks** in backward districts.
- Set up **Financial Access Incubation Zones (FAIZ)** to test innovative delivery models.

C. Making Inclusion Gender-Responsive

- Mandate **gender-disaggregated data** collection and use it to guide targeted interventions.
- Promote **women-led digital banking agents**, community savings groups, and fintech enterprises.
- Create **gender-sensitive financial products** (e.g., maternity-linked insurance, group pensions).

D. Institutional and Regulatory Strengthening

- Ensure **real-time interoperability** across platforms like Aadhaar, UPI, and Account Aggregators.
- Develop **data protection and cybersecurity protocols** tailored for rural users.
- Encourage **regulatory sandboxes** for innovations in micro-credit, insurance, and blockchain in finance.

E. Infrastructure Financing Innovations

- Promote **blended finance models** combining government capital with private and CSR funds.
- Leverage **Infrastructure Investment Trusts (InvITs)** and **Municipal Bonds** for urban-rural infrastructure integration.
- Encourage **State Infrastructure Funds** to tailor investments for regional needs.

3 Role of Stakeholders in the Future Landscape

Table 3: Role of Stakeholders in the Future Landscape

Stakeholder	Future Role

Stakeholder	Future Role
Government	Policy coherence, targeted subsidies, infrastructure financing
RBI & Regulators	Innovation-enabling regulation, risk oversight, financial literacy promotion
Banks and MFIs	Digital transformation, personalized outreach, grievance redress
Fintech Companies	Design and scale of affordable financial products, integration with government platforms
NGOs and SHGs	Last-mile trust building, digital education, capacity development
Academia and Think Tanks	Impact evaluation, policy recommendations, data analytics

4 Global Alignment and India's Leadership Role

India is increasingly seen as a global thought leader in digital public infrastructure (DPI). The success of the JAM trinity and UPI architecture is being replicated in countries like Sri Lanka, Singapore, and Mauritius. India's leadership in the G20 Global Partnership for Financial Inclusion (GPFI) offers a platform to:

- Share models on **low-cost digital ecosystems**.
- Promote **South-South cooperation** in infrastructure finance and FinTech innovation.
- Collaborate on **cross-border digital payments** and financial literacy programs.

The future of financial inclusion and infrastructure development lies in creating systems that are resilient, inclusive, and forward-looking. India's digital momentum must now be matched by deeper inclusion, enhanced human capacity, and a renewed focus on infrastructure equity and environmental sustainability. With the right policies, stakeholder collaboration, and innovation ecosystem, India can serve as a global benchmark in inclusive development for the 21st century.

14.11 Conclusion

Financial inclusion and infrastructure development are no longer peripheral components of India's development discourse—they are central to its ambition of becoming an inclusive, resilient, and equitable economy. Over the past two decades, India has made remarkable strides in expanding banking access, enabling digital finance, and investing in rural and digital infrastructure. Programmes like Pradhan Mantri Jan Dhan Yojana, Digital India, BharatNet, and the Unified Payments Interface (UPI) have created a robust foundation for financial empowerment, especially for those who were historically excluded.

However, as this lesson has shown, access alone is not inclusion. A significant portion of bank account holders remain inactive. Credit, insurance, and pension penetration are still low in large parts of rural and informal India. Infrastructure—both physical and digital—continues to face deficits in remote, tribal, and underserved regions, hampering the full realization of financial inclusion goals. Moreover, gender, caste, and income-based disparities persist despite policy efforts, requiring a deeper and more equitable approach.

The linkage between infrastructure and financial inclusion is undeniable and mutually reinforcing. Without infrastructure, financial services cannot reach the last mile; without financial access, infrastructure investments may fail to deliver inclusive outcomes. Bridging this gap requires an integrated strategy that combines technological innovation, institutional reform, financial literacy, community participation, and climate resilience.

Looking ahead, India must shift from input-based targets (number of accounts opened, kilometers of roads built) to impact-oriented metrics (usage of services, income improvements, reduction in exclusion). The emphasis must move toward deep inclusion, where financial services are used frequently, meaningfully, and for productive purposes.

This necessitates continued investment in smart, green, and inclusive infrastructure, expansion of human-centric digital financial services, and strengthening of governance systems to ensure accountability and sustainability. Collaboration across government agencies, financial institutions, private sector players, and civil society will be essential to ensure that inclusion is not just a policy mandate, but a lived reality for every citizen.

In conclusion, financial inclusion and infrastructure development represent two sides of the same coin in India's development journey. Their convergence offers a transformative opportunity—not just to alleviate poverty—but to empower individuals, boost productivity, and build a New India that is economically vibrant, socially just, and digitally empowered.

Check your progress

Q1. What is meant by financial inclusion?

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Q2. Explain Financial Inclusion Index?

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Q3. Mention two challenges that hinder the deepening of financial inclusion in India.

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14.12 Let Us Sum Up

Financial inclusion plays a crucial role in ensuring that all individuals, particularly the poor and marginalized, have access to affordable and appropriate financial services. At the same time, infrastructure—whether physical like roads and electricity, or digital like internet connectivity and mobile platforms—serves as the foundational enabler of such access. India has made significant strides through schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY), Digital India, BharatNet, and the Unified Payments Interface (UPI), which have expanded financial outreach and efficiency. Despite this progress, challenges remain in the form of regional disparities, low usage of financial services, digital illiteracy, and social exclusion. Tools like RBI's Financial Inclusion Index and the World Bank's Global Findex are helping measure and guide progress. For long-term success, inclusion efforts must be supported by climate-resilient infrastructure, gender-sensitive service models, and tailored digital innovations. Going forward, the focus should shift from access to meaningful usage of financial services. Enhanced coordination among stakeholders—government, regulators,

financial institutions, fintechs, and communities—is essential. Ultimately, financial inclusion and infrastructure development together form the cornerstone of India’s journey toward inclusive, sustainable growth.

14.13 Keywords

- **Financial Inclusion:** Ensuring access to affordable and appropriate financial products and services for all individuals, especially vulnerable and low-income groups.
- **Infrastructure Development:** Building and improving physical (roads, electricity), digital (internet, telecom), and institutional (banks, regulations) systems to support economic activities.
- **PMJDY (Pradhan Mantri Jan Dhan Yojana):** A government scheme launched in 2014 to provide universal banking access with zero-balance accounts, insurance, and pension schemes.
- **JAM Trinity:** A digital governance framework integrating Jan Dhan bank accounts, Aadhaar biometric identity, and mobile phones to deliver government subsidies and financial services.
- **UPI (Unified Payments Interface):** A real-time digital payment system developed by NPCI that facilitates instant fund transfers between bank accounts through mobile apps.
- **Digital Public Infrastructure (DPI):** Foundational digital systems like Aadhaar, UPI, Digilocker, and Account Aggregator that enable scalable and inclusive public service delivery.
- **Business Correspondent (BC):** A banking agent appointed by financial institutions to provide banking services in remote, rural, or unbanked areas.
- **CRISIL Inclusix:** A financial inclusion index developed by CRISIL to assess access, usage, and penetration of banking services across Indian states.
- **Account Aggregator (AA):** A framework enabling individuals to securely share financial data with lenders and service providers to access customized financial products.
- **Blended Finance:** A financing approach that combines public, philanthropic, and private capital to fund projects with social or developmental goals.
- **Financial Literacy:** The knowledge and skills needed to understand and effectively use various financial tools and services, such as saving, credit, and budgeting.

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- <https://www.trai.gov.in> – Reports on rural telecom and internet access.

14.15 Hints to Check Your Progress

CYP-I

Q1. Refer to section 14.3

Q2. Refer to section 14.9

Q3. Refer to section 14.7

14.16 Examination oriented questions

Q1. Critically analyze the role of government initiatives like PMJDY, Digital India, and BharatNet in promoting financial inclusion in India.

Q2. Discuss the major challenges to achieving deep and meaningful financial inclusion in India. Suggest appropriate measures to address them.

Q3. Examine the linkage between infrastructure development and financial inclusion. How do they complement each other in promoting inclusive growth?

Q4. Evaluate the effectiveness of the JAM Trinity in improving public service delivery and reducing financial exclusion.

Q5. How can financial literacy and digital infrastructure together strengthen the impact of financial inclusion schemes in India?

Q6. Discuss the role of FinTech and digital innovation in transforming the future of financial inclusion.

Q7. What is meant by sustainable financial inclusion? How can climate-resilient infrastructure contribute to it?

Q8. Assess the significance of monitoring tools such as RBI's Financial Inclusion Index and the Global Findex Database in evaluating financial inclusion outcomes.

Structure

15.0 Objectives

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15.3 New Education Policy (NEP) 2020: Overview

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15.0 Objectives

The main objectives of this lesson are to enable you to:

- Identify the core principles and vision of the National Education Policy (NEP) 2020.
- Analyze how NEP 2020 addresses issues of access, equity, and quality in Indian education.
- Evaluate the significance of global and national developments (e.g., SDG 4, RTE Act 2009) in shaping educational reforms.

- Discuss the integration of traditional Indian knowledge systems with contemporary educational needs.
- Examine the role of teachers and multidisciplinary education in achieving national development goals.

15.1 Learning Outcomes

After going through this lesson, the learner will be able to:

- Explain the key goals and focus areas of the NEP 2020.
- Describe how NEP 2020 builds on previous policies like NPE 1986/92 and the RTE Act, 2009.
- Illustrate the shift from rote learning to holistic, skill-based, and learner-centric education.
- Interpret the relevance of multidisciplinary and value-based learning in the 21st-century context.
- Justify the importance of equity, inclusion, and teacher empowerment in educational reforms.

15.2 Introduction

Dear learner, after going through this lesson, you will understand how the National Education Policy 2020 seeks to transform the Indian education system to meet the evolving needs of the nation and the world. Building upon the foundations laid by earlier policies and the Right to Education Act, NEP 2020 reimagines education as a holistic, inclusive, and learner-centered process. It emphasizes critical thinking, creativity, equity, cultural rootedness, and global relevance, aiming to prepare learners for the challenges of the 21st century while preserving India's rich educational heritage.

15.3 New Education Policy (NEP) 2020: Overview

The National Education Policy (NEP) 2020 aims to transform India's education system by unlocking the potential of every individual and fostering an equitable, just, and progressive society. It emphasizes universal access to high-quality education as essential for India's development and global leadership. Aligning with Sustainable Development Goal 4 (SDG4), the policy advocates for inclusive and equitable quality education and lifelong learning for all by 2030. To achieve this, the policy calls for a comprehensive overhaul of the education system to make it more inclusive, student-centered, and future-oriented.

In response to the **rapid technological and environmental changes**—such as automation, artificial intelligence, climate change, and pandemics—the NEP highlights the need for

education that develops **critical thinking, creativity, adaptability, and multidisciplinary knowledge**. Fields like data science, climate science, and humanities will be increasingly important. The policy proposes a shift from **rote learning to experiential and inquiry-based education**, encouraging holistic development. The curriculum will integrate not only science and mathematics but also **arts, culture, ethics, physical education, and life skills** to make learning more well-rounded and meaningful.

Drawing inspiration from India's **ancient educational traditions**, including institutions like **Nalanda and Takshashila**, the NEP encourages the preservation and modernization of India's rich intellectual heritage. It promotes values such as the pursuit of knowledge (*Jnan*), wisdom (*Pragyaa*), and truth (*Satya*). **Teachers** are placed at the center of educational reform. The policy emphasizes improving teacher training, recruitment, and professional development, aiming to restore their status as the pillars of society. Importantly, the NEP focuses on **equity and inclusion**, ensuring quality education for all, especially **disadvantaged and marginalized communities**. Special initiatives will support students from underrepresented backgrounds to access and succeed in the education system. Overall, the NEP aims to establish an education system by **2040** that is **second to none globally**, blending India's cultural values with the skills and knowledge needed in the 21st century.

The earlier education policies, especially the National Policy on Education 1986/92, primarily focused on improving access and equity in education. The Right to Education Act (2009) marked a significant advancement by providing a legal framework for universal elementary education. The NEP 2020 addresses the unfinished goals of these earlier policies and builds on them for further reform.

15.3.1 New Education Policy 2020: Principles

The fundamental principles that will guide both the education system at large, as well as the individual institutions within it are:

- **Recognizing Individual Potential**

Encourage the growth of every student's unique strength by making teachers and parents aware of the importance of holistic development—academically and beyond.

- **Foundational Literacy and Numeracy by Grade 3**

Prioritize ensuring that every child attains essential reading, writing, and math skills by the end of Grade 3.

- **Learning Flexibility**
Provide students with choices in their learning paths and programs, allowing them to follow their interests and talents.
- **No Rigid Subject Divisions**
Remove strict boundaries between academic disciplines (like arts and sciences), and between academic and extracurricular or vocational learning, to reduce unnecessary hierarchies and divisions.
- **Multidisciplinary and Holistic Learning**
Promote a broad-based education that integrates sciences, arts, humanities, social sciences, and sports, supporting a unified understanding of knowledge.
- **Conceptual Over Rote Learning**
Focus on deep understanding of concepts rather than memorization or learning only to pass exams.
- **Fostering Creativity and Critical Thinking**
Encourage innovation and informed decision-making by developing students' creative and analytical abilities.
- **Ethics and Constitutional Values**
Instil values such as empathy, cleanliness, courtesy, democratic principles, scientific thinking, equality, and justice.
- **Multilingualism and Language Empowerment**
Promote the use of multiple languages in education to enhance learning and communication.
- **Life Skills Development**
Teach essential life skills including communication, collaboration, resilience, and teamwork.
- **Formative Assessment Focus**
Shift towards ongoing assessments that support learning, instead of relying primarily on final exams and promoting a test-prep culture.
- **Technology Integration**
Use technology to improve teaching and learning, overcome language barriers, enhance accessibility, and support educational planning and inclusion.
- **Diversity and Local Relevance**
Emphasize the importance of cultural and local context in shaping educational content

and practices, recognizing education as a joint responsibility of central and state governments.

- **Equity and Inclusion**

Make fairness and inclusivity the foundation of educational policies and decisions to help every student succeed.

- **Curriculum Alignment Across Levels**

Ensure curriculum continuity from early childhood through higher education to provide a seamless learning experience.

- **Teachers as Central to Learning**

Value teachers by focusing on their hiring, ongoing training, supportive work conditions, and well-being.

- **Balanced Regulation**

Implement a regulatory system that is minimal yet effective, ensuring transparency and efficiency while promoting autonomy and innovation.

- **Research-Driven Education**

Make high-quality research a key component of educational excellence and national development.

- **Continuous Improvement Through Evaluation**

Regularly assess and refine educational policies and practices based on expert research and ongoing reviews.

- **Cultural Roots and Pride in India**

Build a sense of national pride by integrating India's rich heritage—both ancient and modern—into education.

- **Education as a Right and Public Service**

View education as a fundamental right and a public responsibility, ensuring every child has access to quality learning.

- **Investment and Community Participation**

Commit to funding strong public education while also encouraging genuine philanthropic and community involvement in the education system.

15.4.2 National Education Policy (NEP) 2020: Vision

The National Education Policy envisions a future where India's education system is not only world-class but also deeply rooted in Indian culture, heritage, and values. It sees education as

a transformative force—one that can shape the nation’s future by creating a just, inclusive, and dynamic knowledge-based society. The ultimate aim is to establish India, or Bharat, as a global leader in knowledge and innovation, while staying grounded in its unique civilizational ethos.

Core Aspirations of the Vision:

- **Rooted in Indian Ethos**

The policy emphasizes that India’s education system should reflect its **diverse traditions, languages, philosophies, and values**. Education must celebrate India’s ancient wisdom while also embracing modern advancements to create a well-rounded, future-ready citizen.

- **Nation-Building and Global Contribution**

The NEP seeks to empower individuals through education so that they can contribute meaningfully not only to the nation’s progress but also to **global welfare and sustainability**. In doing so, India will emerge as a **global knowledge superpower**, offering leadership in thought, innovation, and ethical development.

- **High-Quality Education for All**

A central goal is to ensure **universal access to high-quality education**, leaving no one behind. This includes addressing disparities in access, promoting inclusivity, and strengthening both public and private education systems to deliver equitable learning opportunities.

- **Deep Respect for Constitutional Values**

The NEP underlines the importance of fostering **respect for the Constitution**, especially its **Fundamental Duties and core principles** like liberty, equality, secularism, and justice. Education should cultivate **ethical awareness and civic responsibility** among learners.

- **Patriotism with Global Consciousness**

The policy aspires to create learners who possess a **deep pride in being Indian**, not merely as a formality or sentiment, but as a lived reality—evident in their **actions, thinking, problem-solving approaches, and interpersonal conduct**. Simultaneously, students should develop a **global outlook**, respecting diversity, human rights, and shared environmental and developmental responsibilities.

- **Holistic Development**

Education should go beyond academics and aim to build **knowledge, practical skills, emotional intelligence, moral values, and attitudes** that prepare individuals for real-life challenges. Learners should be capable of **critical thinking, creativity, and collaboration**, making them agents of positive change in a complex, interconnected world.

- **Sustainability and Human Well-being**

The policy envisions education as a means to promote **sustainable living**—a lifestyle in harmony with nature and community—and to nurture a sense of responsibility toward **social equity, environmental preservation, and intergenerational justice**.

- **True Global Citizens**

Ultimately, the NEP seeks to shape individuals who are not only rooted in their identity as Indians but are also **open-minded, compassionate, and engaged global citizens**. They should be able to contribute meaningfully to the progress of humanity while upholding the spirit of **Vasudhaiva Kutumbakam** (the world is one family)

15.4 New Education Policy (NEP) 2020: Major Reforms:

The National Education Policy (NEP) 2020 introduces a range of significant reforms designed to transform India's education system. Here are the key reforms:

1. Restructuring the Education System

- **5+3+3+4 Curriculum Structure:** The policy introduces a new structure for school education, dividing it into four stages:
 - **Foundational Stage (3-8 years):** Emphasis on early childhood education and the development of foundational literacy and numeracy.
 - **Preparatory Stage (8-11 years):** Introduction to subject-based learning.
 - **Middle Stage (11-14 years):** More rigorous learning with a focus on critical thinking and problem-solving.
 - **Secondary Stage (14-18 years):** Flexibility for students to choose courses that match their interests.

2. Focus on Early Childhood Education

- **Universalization of Early Childhood Care and Education (ECCE):** Ensures that children between 3-6 years get access to quality preschool education. This focuses on foundational literacy and numeracy to build a strong educational base.
- **Integrated Approach:** ECCE will be integrated with formal education, ensuring a smooth transition from preschool to primary school.

3. Multilingual Education and Language Policy

- **Mother Tongue as the Medium of Instruction:** The policy advocates for the use of the mother tongue or regional languages as the medium of instruction until at least Grade 5.
- **Three-Language Formula:** Students will learn three languages, with flexibility based on regional languages, ensuring proficiency in multiple languages.
- **Promotion of Sanskrit and Other Indian Languages:** The policy advocates the study of classical languages like Sanskrit and modern Indian languages to preserve cultural heritage.

4. Holistic and Multidisciplinary Education

- **Interdisciplinary Approach:** The policy encourages a multidisciplinary approach in education, allowing students to choose courses across streams such as arts, science, and sports.
- **Flexibility in Curriculum:** Students will have the freedom to choose subjects and courses across various disciplines based on their interests and career aspirations.

5. Vocational Education

- **Inclusion of Vocational Courses:** Vocational education will be incorporated into the mainstream education system starting from Grade 6, equipping students with job-ready skills at an earlier stage.
- **Internship Opportunities:** Students will have opportunities for internships to gain practical experience in their chosen fields.
- **Collaboration with Industry:** Schools and colleges will collaborate with industries to offer skill development and industry-specific courses.

6. Higher Education Reforms

- **Multiple Entry/Exit Options:** The introduction of flexibility in higher education allows students to exit after 1, 2, or 3 years, earning a certificate, diploma, or degree, respectively.
- **Multidisciplinary Universities:** Higher education institutions will offer multidisciplinary programs, allowing students to combine courses from different streams like arts, science, engineering, and social sciences.
- **Regulation of Higher Education Institutions:** The creation of a National Higher Education Regulatory Authority (NHERA) to oversee the higher education sector, ensuring both autonomy and accountability.

7. Teacher Education and Professional Development

- **National Professional Standards for Teachers (NPST):** A framework for the professional development of teachers will be created.
- **Continuous Teacher Training:** Teachers will undergo regular training to enhance teaching quality, pedagogical skills, and subject expertise.
- **Introduction of Four-Year Integrated B.Ed.:** To improve the quality of teacher preparation, a four-year integrated B.Ed. degree will be introduced, replacing the existing system of separate undergraduate degrees and teacher training programs.

8. Technology Integration in Education

- **Digital Learning Platforms:** Platforms like SWAYAM and DIKSHA will be used to provide online courses and learning resources for students and teachers.
- **National Educational Technology Forum (NETF):** A forum will be established to promote the use of technology in education, especially for remote learning.
- **Focus on Digital Literacy:** The policy emphasizes the need for improving digital literacy among students and teachers.

9. Focus on Equity and Inclusion

- **Special Focus on Marginalized Groups:** The policy ensures equitable access to quality education for children from disadvantaged backgrounds, including girls, children with disabilities, and economically weaker sections.

- **Gender-Inclusive Education:** Gender equality is emphasized through curriculum design, scholarships, and facilities for girls, ensuring their equal participation in education.
- **Inclusive Education:** Special provisions for children with disabilities, ensuring accessibility in education and support for their learning needs.

10. Regulatory and Institutional Reforms

- **Creation of the National Higher Education Regulatory Authority (NHERA):** To supervise the higher education sector and uphold quality standards.
- **Strengthening the National Council for Teacher Education (NCTE):** Enhancing NCTE's role in regulating teacher education and maintaining professional standards.
- **Formation of the Higher Education Commission of India (HECI):** To manage the accreditation, funding, and quality control of higher education institutions.

11. Assessment and Examination Reforms

- **Shift from Rote Learning to Critical Thinking:** The policy advocates for assessments that focus on the understanding and application of knowledge, rather than rote memorization.
- **Reduction in Board Exam Pressure:** The NEP emphasizes reducing the pressure associated with board exams, with exams being more competency-based and focused on the holistic development of students.
- **Formative Assessments:** Continuous and comprehensive assessments will be conducted throughout the year to assess student progress and learning outcomes.

12. National Mission for Mentoring

- **Mentorship for Students and Teachers:** A national mentorship framework will be developed to provide guidance and support for students and teachers to improve learning outcomes and professional development.

15.5 Status of the Skill Gap in India

India, with its rapidly growing economy and young demographic, stands at the cusp of becoming a global economic leader. However, one of the primary challenges hindering this

growth is the significant skill gap in its workforce. The **skill gap** refers to the mismatch between the skills that employees possess and those that employers need, which is a critical issue for India's economic development and competitiveness in the global market. Despite substantial progress in expanding access to education, the skills acquired by graduates often do not align with the demands of industries. This misalignment is a major roadblock in India's ability to capitalize on its young and expanding workforce.

15.5.1 Factors Contributing to the Skill Gap

There are several key factors that contribute to the widening skill gap in India, including outdated curricula, limited access to quality education, lack of industry-relevant training, inadequate infrastructure, and a failure to address emerging technologies.

Outdated Curricula and Traditional Education Systems

Traditional educational systems in India, particularly at the school and undergraduate levels, are heavily centered on theoretical knowledge, leaving little room for hands-on experience or practical application of skills. Curricula are often rigid and fail to evolve at the pace of the rapidly changing job market. While students are taught fundamental concepts, they often lack exposure to real-world applications and industry-specific skills. This makes them less equipped to meet the challenges posed by the modern workplace.

Many academic programs prioritize academic excellence over soft skills like communication, teamwork, and problem-solving, which are essential for career success. Additionally, graduate and postgraduate programs are often slow to incorporate emerging technologies like AI, machine learning, and data analytics, which are in high demand across industries.

Limited Access to Quality Education

Access to quality education is another contributing factor to the skill gap in India. Although the country has made significant strides in expanding its education system, a substantial proportion of the population, especially in rural areas, still lacks access to quality education and vocational training programs. Students from lower-income backgrounds often do not have the financial means to attend high-quality educational institutions, which limits their career prospects and contributes to the skill disparity in the workforce.

Moreover, while India has a large number of educational institutions, many of them lack the resources to provide state-of-the-art infrastructure and modern teaching methods, further

deepening the divide between the skills learned in the classroom and the skills needed in the workplace.

Lack of Industry-Relevant Training

A crucial factor in the skill gap is the absence of industry-relevant training programs. In many cases, educational institutions fail to update their curricula in collaboration with industry stakeholders, resulting in graduates who are underprepared for the demands of the job market. The lack of collaboration between academic institutions and industries creates a void where employers are often forced to train new hires in basic skills that should ideally have been taught during the educational phase.

Vocational education and training (VET) programs, although abundant, are often not aligned with the skills required by industries. There is a clear disconnect between the training provided by these programs and the practical skills that industries need in fields such as manufacturing, information technology, and healthcare. For instance, there is a growing demand for skills in fields like AI, data science, cloud computing, and cybersecurity, but these are not adequately addressed in many vocational programs.

Inadequate Training Infrastructure

Inadequate training infrastructure is another major obstacle to closing the skill gap. Many educational institutions, particularly in rural and semi-urban areas, lack the physical and technological infrastructure needed to provide practical, hands-on learning experiences. This is particularly crucial in fields that require technical expertise and familiarity with modern equipment and machinery. While theoretical knowledge can be acquired in a classroom, practical experience requires well-equipped laboratories, workshops, and simulation tools.

The lack of access to modern training facilities and industry-standard tools means that students graduate without the practical skills required to excel in their respective fields. Additionally, as the job market becomes increasingly digital, the lack of access to digital infrastructure and online learning platforms further exacerbates the skills divide.

Focus on Emerging Technologies

Emerging technologies such as artificial intelligence, machine learning, blockchain, robotics, and data analytics have become integral to many industries in India and around the world. However, India's education system has been slow to adopt curricula that incorporate these cutting-edge technologies. This has created a situation where graduates from mainstream

educational programs often lack the necessary technical skills to succeed in the digital economy.

While some higher education institutions have started incorporating courses related to these technologies, the pace of change is not fast enough to keep up with the rapidly evolving demands of the job market. Industry demand for professionals with expertise in data analytics, cloud computing, and AI continues to outpace the supply of qualified candidates, thus widening the skill gap further.

Social Stigma and Career Pathways

In India, there is a strong social bias against vocational education and technical skills. Many students and their families view traditional academic education, particularly in subjects like engineering, medicine, and law, as the preferred pathways to success, while vocational training is often seen as a fallback option. This social stigma not only deters students from pursuing vocational education but also affects the skill sets of the workforce.

As a result, while the demand for skilled professionals in sectors like manufacturing, logistics, and healthcare is high, there is a reluctance among students to pursue these careers, which contributes to the mismatch between the skills acquired and those required by employers.

Poor Collaboration & Coordination Between Educational Institutions and Industries

One of the most critical reasons behind the skill gap in India is the insufficient collaboration between educational institutions and the industries they are meant to serve. Industry input is crucial in designing curricula that are both relevant and up to date with current market needs. Without collaboration, educational programs may become disconnected from the realities of the job market, leading to a generation of graduates whose skills are outdated by the time they enter the workforce.

Furthermore, industries are not always involved in providing hands-on training opportunities, internships, and job placements, which further limits students' exposure to real-world work environments. This lack of collaboration also means that students may not have the opportunity to learn from experienced professionals or gain practical insights into industry practices.

15.6 Overview of Skill Development System of India:

India, with its demographic dividend and aspirations to become a knowledge-based economy, must focus on skill development to align its workforce with the emerging economic landscape. However, despite investments in skill training, a significant number of individuals struggle to secure employment. This disconnect highlights the need to shift the policy approach from being supply-driven to addressing demand-side factors.

The term 'skill' refers to any marketable expertise, whether acquired formally or informally, and whether or not it is marketed. Skills can be categorized into three types: **academic skills**, which are foundational abilities like reading and writing; **transversal skills**, such as communication and problem-solving; and **technical/vocational skills**, which are job-specific and based on the previous two categories.

In India, while the government has introduced various policies and funding mechanisms for skill development, challenges remain in bridging the gap between training and actual employability. A reliance on over-regulation and insufficient structuring of the skill development system limits the effectiveness of these initiatives. Moreover, the private sector needs to take a more active role in skill development, as government-led efforts have not fully met the demand for trained workers.

Key issues include the lack of effective training mechanisms and a disconnect between education and employment. The goal should be to create a system that ensures vocational education equips individuals with the skills needed to be employable. Proposals to improve the system, such as the introduction of a Labor Market Information System (LMIS), alignment with the National Skills Qualification Framework (NSQF), and the improvement of instructor qualifications, are promising but face feasibility challenges in the near term.

Rather than overhauling the education system, a more practical approach would involve making the existing system more flexible and work-oriented, ensuring stronger links between education and the job market. Developing a comprehensive, long-term skill development strategy for educated students will help address the global demand for skilled workers, ultimately placing skill development as a national and global priority

15.7 Government's efforts to promote Skill Development through NEP 2020:

1. Integration of Vocational Education:

- a. Under **NEP 2020**, vocational education is integrated into the secondary and higher education systems, offering courses from **Class 6** onward. Students can now select vocational courses alongside traditional academic subjects.

2. Ensuring Quality Assurance:

- a. The government is responsible for maintaining the quality of vocational education programs by setting appropriate standards, guidelines, and monitoring mechanisms to evaluate their effectiveness.

3. Curriculum Development:

- a. Collaborating with industry experts, the government continuously updates and develops vocational education curricula to ensure they remain relevant and aligned with the demands of the job market.

4. Teacher Training:

- a. The government is committed to providing vocational educators with training and professional development opportunities to ensure that they can deliver high-quality vocational education effectively.

5. Financial Assistance:

- a. To improve accessibility, the government offers financial support in the form of scholarships, grants, and low-interest loans to students pursuing vocational education, particularly targeting those from economically disadvantaged backgrounds.

6. Certification and Accreditation:

- a. The government ensures that vocational education programs are certified and accredited, providing students with qualifications that are recognized by employers and enhancing their career prospects.

7. Industry Partnerships:

- a. By fostering collaborations between vocational education institutions and industries, the government enables students to gain practical experience through internships, apprenticeships, and on-the-job training, thus improving their skills and employability.

8. Promotion and Awareness:

- a. The government plays a pivotal role in raising awareness about vocational education, promoting its benefits, career opportunities, and the potential for financial success through targeted campaigns.

9. Flexible Learning:

- a. Encouraging the adoption of flexible learning options, such as online courses and part-time programs, the government accommodates individuals with work or other commitments, making vocational education more accessible to a diverse population.

10. Research and Innovation:

The government promotes research and innovation in vocational education to keep pace with technological advancements and changing industry needs, ensuring that educational offerings remain relevant and forward-looking.

Check Your Progress

Based on your understanding of the previous section, answer these questions in your own words:

Q1. What are the main Principles of the National Education Policy (NEP) 2020?

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Q2. Discuss the aims of the ‘Early Childhood Care and Education (ECCE)’ framework in NEP 2020 and its impact on children’s development.

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Q3. Explain the factors contributing towards the skill gap in India.

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15.8 Let us sum up:

The NEP 2020 focuses on transforming India's education system by integrating vocational education, promoting multidisciplinary learning, and enhancing technology use. It aims to improve foundational literacy and provide inclusive, quality education. Simultaneously, skill development programs like the Skill India Mission and PMKVY aim to bridge the gap between education and employment by improving employability and entrepreneurship. Despite progress, challenges such as outdated curriculums and industry collaboration need attention. Overall, the NEP 2020 and skill development efforts are essential for creating a skilled workforce, fostering economic growth, and addressing current gaps in education and skills.

15.9 Keywords:

- **Early Childhood Care and Education (ECCE):**

A framework for the education and care of children from **birth to 6 years**, which focuses on developing cognitive, social, emotional, and physical skills. NEP 2020 highlights the need for universal access to quality ECCE.

- **Higher Education Commission of India (HECI):**

A new body proposed in NEP 2020 to regulate, assess, and accredit higher education institutions, replacing existing bodies such as the University Grants Commission (UGC) and the All India Council for Technical Education (AICTE).

- **National Educational Technology Forum (NETF):**

A platform proposed under NEP 2020 to facilitate the exchange of ideas and research related to the use of technology in education, supporting innovation, and integration of digital tools.

- **National Mission on Foundational Literacy and Numeracy:**

A dedicated initiative to achieve universal foundational literacy and numeracy for all children by the end of Grade 3, as outlined in NEP 2020.

- **National Skills Qualification Framework (NSQF):**

A framework that standardizes and aligns skills and qualifications in India with global standards, facilitating recognition of skills across the country and internationally. NEP 2020 encourages its integration into school and higher education.

- **Vocational Education:**

Education focused on developing specific trade skills required for various jobs in industries. NEP 2020 promotes the integration of vocational education into the mainstream education system from Class 6 onwards.

- **Multidisciplinary Education:**

An educational approach where students can choose courses from different disciplines, encouraging broader learning rather than focusing on a single field. NEP 2020 advocates for multidisciplinary flexibility in higher education.

15.10 Suggested readings:

- <https://www.education.gov.in/nep/about-nep>
- **Government of India. (2020). *National Education Policy 2020*. Ministry of Human Resource Development.**
https://www.education.gov.in/sites/upload_files/mhrd/files/NEP_Final_English_0.pdf

15. 11 Hints to Check Your Progress

CYP-I

Q1. Refer to section 15.3.1

Q2. Refer to section 15.4

Q3. Refer to section 15.5.1

15.12 Examination Oriented Questions

Q1. How does the National Education Policy (NEP) 2020 promote skill development in India? Discuss the integration of vocational education into mainstream education and its expected impact.

Q2. Critically assess the challenges faced by the skill development sector in India, and explain how NEP 2020 intends to address these challenges to ensure effective skill training.

Q3. Discuss the key objectives of the National Education Policy (NEP) 2020 and explain how they aim to transform the Indian education system.

Q4. How does NEP 2020 address the issue of equity and inclusion in education? Explain the measures proposed to ensure access to quality education for all.

Q5. Evaluate the impact of NEP 2020's emphasis on integrating vocational education into the mainstream school curriculum. What benefits can this integration bring to students?

Q6. Critically analyse the shift from rote learning to competency-based education as proposed in NEP 2020. How will this change benefit students' overall development?

Structure

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16.0 Objectives

The main objectives of this lesson are to enable you to:

- Identify the background and rationale behind the launch of PM-JAY.
- Describe the structure, features, and benefits of the Pradhan Mantri Jan Arogya Yojana.
- Explain the eligibility criteria for rural and urban beneficiaries under PM-JAY.

- Analyze the role of PM-JAY in reducing out-of-pocket health expenditures in India.
- Evaluate the impact of PM-JAY on public and private healthcare infrastructure.
- Interpret how PM-JAY aligns with Universal Health Coverage and Sustainable Development Goals.
- Discuss the integration of PM-JAY with State-level health schemes and earlier insurance programs like RSBY.

16.1 Learning Outcomes

Upon successful completion of this lesson, learners will be able to:

- List the key features and components of PM-JAY.
- Compare PM-JAY with earlier government-funded health insurance schemes.
- Discuss the dual strategy of Ayushman Bharat in strengthening primary and tertiary healthcare.
- Identify eligibility criteria based on SECC data for rural and urban beneficiaries.
- Assess the challenges and opportunities in implementing PM-JAY across states.
- Explain the financial protection provided to vulnerable populations under the scheme.

16.2 Introduction

Dear learner, after going through this lesson, you will gain a comprehensive understanding of the Pradhan Mantri Jan Arogya Yojana (PM-JAY), a revolutionary step in India's journey toward Universal Health Coverage (UHC). Introduced as part of the Ayushman Bharat initiative, PM-JAY aims to protect over 12 crore poor and vulnerable families from catastrophic health expenses by offering ₹5 lakh per family per year for secondary and tertiary care hospitalization. This lesson explores the background, structure, beneficiary identification, and broader policy implications of PM-JAY while highlighting its convergence with state-level schemes and its role in reforming India's healthcare system.

16.3 Public Health Management

Public health management involves coordinated efforts and informed decision-making by individuals, organizations, and society to prevent illness, extend life expectancy, and promote overall health. This is achieved through strategic planning, effective use of resources, policy development, and evidence-based actions. It includes overseeing health programs, managing

health systems, and delivering healthcare services, with a strong focus on equity, disease prevention, and improving outcomes at the population level. In India, public health management has progressed notably over the years, driven by government initiatives like the National Rural Health Mission (now part of the National Health Mission), Ayushman Bharat for achieving universal health coverage, and various disease control strategies. These efforts have led to significant gains in maternal and child health, expanded immunization coverage, and better control of infectious diseases. However, the Indian public health system continues to grapple with structural and operational challenges, including limited public spending on health (approximately 2% of GDP), shortages of trained public health professionals, urban-rural disparities in access to care, and inefficiencies in health governance. Despite these constraints, the country's large-scale handling of public health emergencies—such as polio eradication efforts and the COVID-19 vaccination drive—demonstrates the growing capacity of public health management when supported by strong political will, intersectoral coordination, and community engagement. Strengthening public health education, data systems, and infrastructure remains necessary for ensuring a resilient and equal healthcare system in India.

Ayushman Bharat, launched in 2018, represents a transformative approach to management of public health by aiming to achieve Universal Health Coverage (UHC) through two key components: **Health and Wellness Centres (HWCs)** and the **Pradhan Mantri Jan Arogya Yojana (PM-JAY)**. Public health management plays a important role in the planning, execution, and monitoring of these components to ensure effective service delivery and population-level impact.

Through **HWCs**, public health management principles are applied to shift the focus from illness to wellness, emphasizing preventive and promotive healthcare. This requires systematic workforce training, efficient supply chain management for medicines and diagnostics, and data-driven planning based on local health needs. Public health managers play a key role in ensuring that these centers are well-equipped to deliver a variety of services, such as maternal and child healthcare, screening for non-communicable diseases, and essential diagnostic tests, thereby reinforcing the foundation of the primary healthcare system.

The **PM-JAY** scheme, which provides financial protection for secondary and tertiary hospitalization to over 50 crore people, illustrates public health management in action at a

national scale. Effective management is essential for identifying beneficiaries, empaneling hospitals, fraud prevention, claim processing, and quality assurance. Public health professionals contribute to ensuring equity, transparency, and accountability in the system, as well as analyzing health data to guide policy decisions.

In essence, Ayushman Bharat exemplifies how robust public health management can operationalize large-scale health reforms, integrate preventive and curative services, and move toward achieving equitable and accessible healthcare for all in India.

16.4 Ayushmaan Bharat

Ayushman Bharat is a flagship program introduced by the Government of India, inspired by the National Health Policy 2017, with the objective of attaining Universal Health Coverage (UHC). It aligns with the Sustainable Development Goals (SDGs) and upholds the principle of "leaving no one behind."

The initiative represents a significant shift from a fragmented, sector-specific model to a more unified, needs-based approach to healthcare delivery. It focuses on implementing comprehensive reforms to strengthen the health system as a whole, emphasizing prevention, health promotion, and outpatient services across all levels of care—primary, secondary, and tertiary.

Ayushman Bharat follows a continuum of care approach and consists of two key, interconnected components:

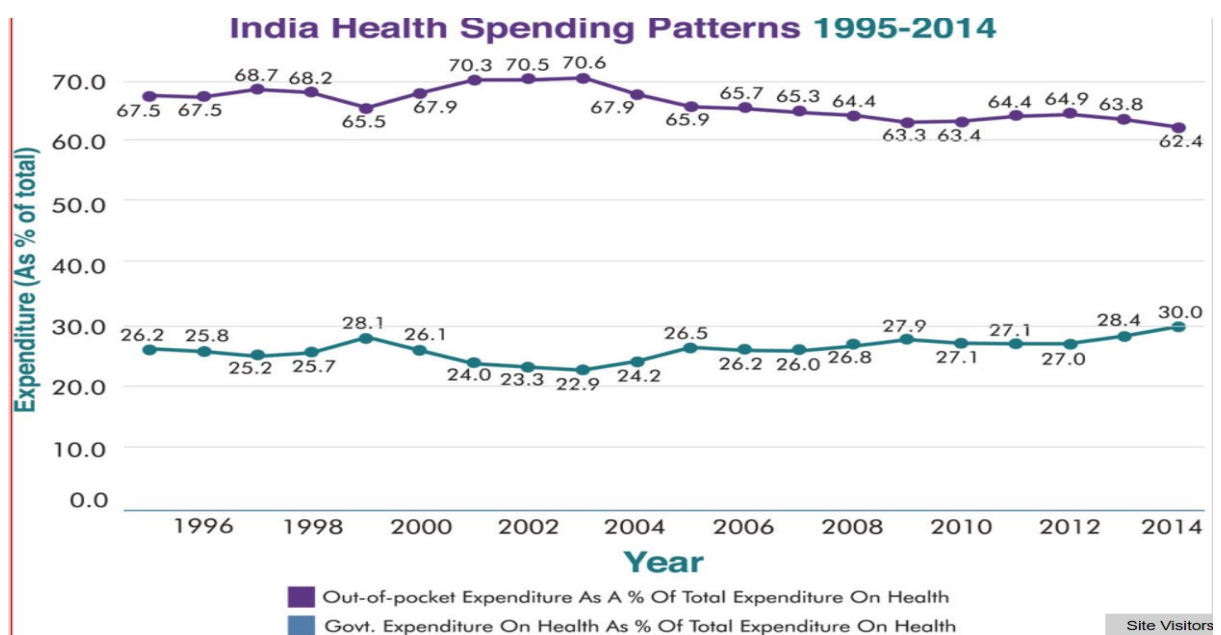
- Health and Wellness Centres (HWCs)
- Pradhan Mantri Jan Arogya Yojana (PM-JAY)

16.4.1 Ayushman Bharat: Rationale

India has emerged as one of the fastest-growing economies globally. However, it still falls under the category of a Lower Middle-Income Country (LMIC) due to ongoing socio-economic and health inequalities. Over 20% of the population lives on less than \$1.90 per day, and while the country benefits from a large youth demographic (ages 15–35), this advantage is threatened by the “triple burden of disease”—the simultaneous prevalence of communicable diseases, non-communicable diseases (NCDs), and injuries. This complex health challenge significantly increases long-term demand for healthcare services.

India's healthcare delivery system is under strain in trying to meet this growing demand. Approximately 70% of healthcare visits occur in the private sector, which is often fragmented, poorly regulated, and concentrated in urban areas. On the other hand, public hospitals are overstretched and underfunded, grappling with shortages of medical personnel, essential drugs, and adequate financial resources.

A major root of the crisis is chronic underfunding—with public health spending stagnant at 1.2% of GDP, and 62% of health expenses coming from out-of-pocket (OOP) payments. This high OOP spending is a major driver of poverty, pushing nearly 6 crore people into poverty annually due to healthcare costs.



In the past, Government in India introduced several government-funded insurance schemes related to health sector which provided a modest annual health cover of ₹30,000 per family, mainly for secondary care. However, these schemes often operated in isolation, lacked integration with the broader healthcare system, and did not include primary healthcare services, leading to fragmented risk pools and inefficiencies.

To address these issues, the Government of India launched Ayushman Bharat, adopting a two-fold strategy:

1. Health and Wellness Centres (HWCs)
2. Pradhan Mantri Jan Arogya Yojana (PM-JAY)

With coverage extending to over 12 crore families (about 55 crore individuals or 40% of the population), PM-JAY is the world's largest government-funded health insurance scheme. It offers protection for a broad range of secondary and tertiary care treatments, aiming to reduce out-of-pocket expenses and enhance equity in access to quality healthcare

16.4.2. Health and Wellness Centres (HWCs)

In February 2018, the Government of India launched an initiative to establish 1,50,000 Health and Wellness Centres (HWCs) by upgrading existing Sub Centres and Primary Health Centres. These centres aim to provide Comprehensive Primary Health Care (CPHC), bringing essential healthcare services closer to people's homes. HWCs offer a broad range of services, including maternal and child healthcare, management of non-communicable diseases, and access to free essential medicines and diagnostic services. The vision behind HWCs is to meet the primary healthcare needs of the entire local population by ensuring wider access, inclusivity, and equity at the community level. A strong focus is placed on health promotion and disease prevention, aiming to keep people healthy by encouraging individuals and communities to adopt healthier lifestyles and reduce their risk of chronic illnesses and other health conditions.

16.4.3. Pradhan Mantri Jan Arogya Yojana (PM-JAY)

The second major pillar of Ayushman Bharat is the **Pradhan Mantri Jan Arogya Yojana (PM-JAY)**, which was officially launched on **23rd September 2018** in **Ranchi, Jharkhand**, by the Hon'ble Prime Minister of India, Shri **Narendra Modi**.

Recognized as the **world's largest health assurance scheme**, PM-JAY offers annual health insurance coverage of up to ₹5 lakh per family for hospitalization related to secondary and tertiary care. It targets over **12 crore economically vulnerable families**, covering approximately **55 crore individuals**, which constitutes about **40% of India's population**. Beneficiaries are selected using data from the Socio-Economic Caste Census (SECC) 2011, applying deprivation-based criteria in rural areas and occupation-based criteria in urban areas.

Originally introduced as the National Health Protection Scheme (NHPS), the initiative was later renamed PM-JAY. It also incorporates the earlier Rashtriya Swasthya Bima Yojana (RSBY), launched in 2008, and continues to provide coverage to families previously enrolled under RSBY, even if they are not included in the SECC 2011 database. The scheme is fully

funded by the Government, with financial responsibility shared between the Central and State Governments for its implementation.

Key Features of PM-JAY

- PM-JAY is the largest health insurance/assurance scheme in the world that is fully funded by the government.
- It provides up to ₹5 lakh per family annually for hospitalisation expenses related to secondary and tertiary care, valid at both public and private hospitals that are part of the scheme.
- The scheme benefits over 12 crore underprivileged families, reaching nearly 55 crore people across the country.
- Beneficiaries can avail of cashless treatment at hospitals, eliminating any need for out-of-pocket payments at the time of service.
- PM-JAY is designed to ease the financial burden of serious health issues, which push around 6 crore Indians into poverty every year due to high medical expenses.
- It also includes pre- and post-hospitalisation coverage—up to 3 days before admission and 15 days after discharge—covering diagnostics and prescribed medicines.
- There are no restrictions on the number of family members, their age, or gender, making the scheme universally inclusive within eligible households.
- All existing medical conditions are automatically covered from the moment a person is enrolled in the scheme.
- The scheme has nationwide portability, allowing beneficiaries to access treatment at any empanelled hospital anywhere in India.
- It encompasses about 1,929 treatment packages, covering costs such as medications, diagnostic tests, doctor's consultation fees, hospital stays, surgical procedures, ICU care, and more.
- Government hospitals are reimbursed at the same standard rates as private hospitals for the services they deliver under PM-JAY.

Benefit Cover Under PM-JAY

Previously, government-funded health insurance schemes in India had varying coverage limits, typically ranging from ₹30,000 to ₹3,00,000 per family annually, depending on the state. This led to a fragmented healthcare coverage system. In contrast, PM-JAY offers a uniform, cashless coverage of up to ₹5,00,000 per eligible family per year, specifically for listed secondary and tertiary care treatments.

The scheme covers a wide range of medical expenses, including:

- Medical consultations, examinations, and treatment
- Pre-hospitalization expenses
- Medicines and medical consumables
- Services in both intensive and non-intensive care units
- Diagnostic tests and laboratory services
- Medical implants, if needed
- Hospital accommodation
- Nutritional support during hospital stay
- Management of complications during treatment
- Post-hospitalization follow-up for up to 15 days

The ₹5 lakh coverage is provided on a family floater basis, meaning it can be utilized by any or all family members as needed. Unlike the earlier RSBY scheme, which limited benefits to five family members, PM-JAY has no restrictions on the number of family members or their age. Additionally, all pre-existing medical conditions are covered from day one, allowing beneficiaries to receive treatment for any ongoing illnesses immediately upon enrollment.

Coverage under PM-JAY

Including the poorest and most vulnerable populations in health insurance programs is often the most difficult task, as they cannot afford premiums and are the hardest to reach. Many of them are also illiterate, requiring a unique approach for raising awareness. This challenge is common across most Lower and Middle-Income Countries (LMIC), and India is no exception.

Therefore, PM-JAY has been implemented to cover the bottom 40% of the poor and vulnerable population, which amounts to nearly 12 crore households. Eligibility is determined using the deprivation and occupation-based criteria from the **Socio-Economic Caste Census 2011 (SECC 2011)**, which is applied to rural and urban areas, respectively. This includes families that were previously covered under the **Rashtriya Swasthya Bima Yojana (RSBY)** but are not part of the SECC 2011 database.

The SECC ranks households based on their socio-economic conditions, applying specific inclusion and exclusion criteria to identify those automatically eligible and ineligible. In rural areas, households are ranked according to seven deprivation criteria (D1 to D7). In urban areas, households are categorized based on their occupation.

As part of the Government's broader approach to using the SECC database for social welfare programs, PM-JAY also identifies eligible beneficiary families based on this data.

Eligibility Criteria for PM-JAY

Rural Beneficiaries:

In rural areas, PM-JAY covers households that meet at least one of six specific deprivation criteria (D1–D5 and D7) or fall under automatic inclusion categories such as destitute individuals, manual scavengers, members of primitive tribal groups, and legally freed bonded laborers.

The eligible deprivation criteria include:

- D1: Households living in a single room with unplastered (kucha) walls and roof
- D2: Families without any adult aged 16–59
- D3: No adult male member between ages 16–59
- D4: Presence of a disabled member with no able-bodied adult to support
- D5: Households belonging to Scheduled Castes or Scheduled Tribes
- D7: Landless families primarily dependent on manual, casual labor for livelihood

Urban Beneficiaries:

In urban settings, eligibility is determined based on occupation. PM-JAY includes workers from 11 occupational categories, such as:

- Ragpickers and beggars
- Domestic help
- Street vendors, hawkers, cobblers, and other street-based service providers
- Construction workers, plumbers, masons, painters, welders, security guards, porters
- Sweepers, sanitation workers, and gardeners
- Home-based artisans, handicraft workers, and tailors
- Transport workers including drivers, conductors, helpers, rickshaw/cart pullers
- Shop assistants, delivery staff, waiters, and support staff in small establishments
- Electricians, mechanics, assemblers, and repair workers
- Washers and watchmen (chowkidars)

Though the Socio-Economic Caste Census (SECC) 2011 forms the core basis for identifying eligible households, States already running their own health insurance schemes may use their existing beneficiary databases. However, they are required to ensure full coverage of all SECC-eligible families under PM-JAY

Broadening the scope of coverage by states under PM-JAY and fostering integration:

Over the past few decades, various states have been running their own health insurance or assurance schemes, mostly covering tertiary care conditions. These schemes typically provide benefits within the state's boundaries, although some smaller states have included a few hospitals outside their borders. Only a few states integrated their schemes with the former RSBY program, while most operated independently. This lack of convergence was due to the limited flexibility of the RSBY design, which, although helpful for rapid expansion initially, became a challenge over time and offered little room for adaptation by states.

While these state schemes were aimed at the poor and vulnerable populations, there were significant differences in eligibility criteria and the databases used across states. Some states relied on the food subsidy database, while others created separate databases for their welfare programs.

The main objectives behind launching PM-JAY were to provide comprehensive coverage for catastrophic health conditions, reduce catastrophic out-of-pocket expenses, improve access to

hospitalization, address unmet healthcare needs, and integrate various state-level health insurance schemes. PM-JAY also aims to set national standards for health assurance and ensure the portability of care across the country. At the implementation level, states have the option to use their existing databases if they were already running health insurance/assurance schemes covering more families than those identified in the SECC 2011 database. However, these states must ensure that all families eligible under the SECC data are covered and not excluded from benefits.

16.4.4 Implementation Model

Different states in India adopt various models for implementing their health insurance/assurance schemes. Some states work with insurance companies, while others manage the schemes directly within the state. Given the varying levels of preparedness and capacity across states, PM-JAY allows flexibility in choosing the implementation model. States can opt for the assurance/trust model, insurance model, or a mixed model.

A. Assurance/Trust Model

This model is the most commonly used by states. In this approach, the scheme is directly managed by the State Health Agency (SHA) without the involvement of an insurance company. The government bears the financial risk of implementing the scheme. The SHA directly reimburses healthcare providers. While there is no insurance company involved, the SHA hires an Implementation Support Agency (ISA) to handle tasks like claim management. In this model, the SHA is responsible for managing and administering the scheme, including specialized activities like hospital empanelment, beneficiary identification, claims management, audits, and other related tasks.

B. Insurance Model

In the insurance model, the SHA selects an insurance company through a competitive tender process to manage PM-JAY in the state. The SHA pays a premium to the insurance company based on the market-determined rate for each eligible family during the policy period. The insurance company handles claim settlements and payments to service providers. The financial risk in this model is borne by the insurance company. However, there is a mechanism in place to prevent the insurance company from making excessive profits. The scheme limits the insurer's share of the premium for their profit and administrative costs.

After covering management expenses (excluding service tax and any applicable cess), any remaining surplus must be refunded to the SHA within 30 days. The refund percentage depends on the claim ratio:

- **Category A States (where administrative costs cannot exceed 20%):**
 - 10% administrative cost if the claim ratio is less than 60%.
 - 15% administrative cost if the claim ratio is between 60% and 70%.
 - 20% administrative cost if the claim ratio is between 70% and 80%.
- **Category B States (where administrative costs cannot exceed 15%):**
 - 10% administrative cost if the claim ratio is less than 60%.
 - 12% administrative cost if the claim ratio is between 60% and 70%.
 - 15% administrative cost if the claim ratio is between 70% and 85%.

If the claim settlement ratio exceeds 120% (115% for Category B States), the excess amount is shared equally between the insurance company and the state government/Union Territory. The excess burden borne by the state government/Union Territory will be shared with the Central Government according to the established sharing ratio. However, the total contribution from both the Central and State Governments, including the premium and excess burden, will not exceed the maximum limit set for the respective states/UTs. Any amount exceeding this limit will be borne by the insurance company.

C. Mixed Model

The mixed model combines both the assurance/trust and insurance models, allowing the state to leverage both approaches to improve efficiency, flexibility, and economic benefits while enabling convergence with existing state schemes. This model is typically used by states that already have well-established schemes covering a large number of beneficiaries.

16.4.5 Financing of the Scheme

PM-JAY is entirely funded by the Government, with costs shared between the Central and State Governments. The Government of India sets a national ceiling amount per family, which determines the maximum limit for the central share of the contribution. The actual premium, determined through an open tendering process, or the ceiling amount estimated by the Government for PM-JAY implementation (whichever is lower), is shared between the

Central Government and States/UTs according to the guidelines provided by the Ministry of Finance. Additionally, administrative costs for implementing the scheme at the state level are also shared between the Centre and State using the same sharing pattern.

The current sharing ratio is 60:40 between the Central Government and the States (excluding North-Eastern and three Himalayan States, which have a 90:10 ratio). For Union Territories without legislatures, the Central Government may provide up to 100% funding, depending on the situation.

Payment of Central Share

- **Insurance Model:** A flat premium is paid per family to the State Government, which then pays the insurer based on the number of eligible families, regardless of family size.
- **Assurance Model:** The Central share is paid based on the actual claims cost or the ceiling amount, whichever is lower. If a state is using an Implementation Support Agency (ISA), the cost of the ISA, determined through tender, is also shared between the Centre and State.

16.5 Challenges of AB-PMJAY

1. Limited Awareness:

One major obstacle is the low level of awareness among eligible beneficiaries, particularly in rural and underserved areas. Many people who qualify for the scheme are unaware of the benefits or the process to access them. Expanding communication efforts and outreach campaigns is crucial to increasing public knowledge and encouraging participation.

2. Insufficient Healthcare Infrastructure:

A key limitation lies on the supply side, where healthcare facilities and professionals are unevenly distributed across the country. Remote and tribal regions often lack an adequate number of empanelled hospitals, making it difficult for beneficiaries to access care.

3. Payment and Reimbursement Delays:

Many healthcare providers, especially in the private sector, have raised concerns about delayed reimbursements, low treatment package rates, high claim rejection

rates, and complicated claim procedures. Streamlining the claims process and regularly updating reimbursement rates are essential to maintain provider participation and financial sustainability.

4. Fraudulent Practices:

The scheme also faces challenges in curbing misuse and fraudulent activities. Instances of abuse, such as linking thousands of beneficiaries to a single mobile number, have been reported. Strengthening anti-fraud systems and enforcing strict penalties for malpractice are vital to protect the scheme's integrity.

5. Errors in Beneficiary Data

The lack of robust validation mechanisms led to multiple inaccuracies in the beneficiary database. These included invalid or fictitious names, implausible dates of birth, duplicate PMJAY identification numbers, and households with an unrealistically large number of members.

Example: In Tamil Nadu, 4,761 enrolments were traced to just seven Aadhaar numbers.

6. Inadequate Infrastructure

Several Empanelled Health Care Providers (EHCPs) failed to meet the essential infrastructure and support service criteria. Many of them did not comply with the quality benchmarks prescribed under the scheme.

7. Financial Irregularities

Weak validation systems contributed to financial inconsistencies such as hospital admissions recorded before preauthorization, services logged before the scheme officially began, surgeries performed after the patient was discharged, payments issued before claims were submitted, and incomplete or erroneous data entries. Additionally, funds received under PMJAY by public hospitals were often not used for the designated purposes outlined in the scheme.

8. Implementation Delays

There were significant delays in various stages of implementation, including the submission of hospital claims, approval of pre-authorizations, and the handling of complaints and grievances.

9. Absence of Unified Master Data

A standardized format for maintaining records was lacking, leading to inconsistencies and difficulties in managing and validating data across states.

16.6 Prospects of AB-PMJAY

1. **Healthcare Transformation:**

AB-PMJAY holds the potential to revolutionize India's healthcare system by offering health insurance coverage to a significant portion of the population. It aligns with Sustainable Development Goal 3.8, which advocates for universal health coverage by 2030.

2. **System Integration:**

By connecting primary, secondary, and tertiary healthcare services, the scheme can help build a more cohesive health infrastructure. The use of digital tools and health technologies can further enhance the quality, accessibility, and affordability of care.

3. **Socio-Economic Advancement:**

The program can drive broader social and economic benefits by lowering out-of-pocket expenses, reducing poverty, and improving overall productivity. In addition, it can boost employment in the healthcare sector and support economic development through improved public health.

Check your progress

Based on your understanding of the previous section, answer these questions in your own words:

Q1. What are the two main components of the Ayushman Bharat scheme?

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Q2. How does Ayushman Bharat help reduce out-of-pocket expenditure for the poor?

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Q3. Who are the primary beneficiaries of the Pradhan Mantri Jan Arogya Yojana (PM-JAY)?

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16.7 Let us sum up

Public health management plays a pivotal role in ensuring equitable and efficient healthcare delivery across India. The Ayushman Bharat initiative, particularly through its twin pillars—Health and Wellness Centres (HWCs) and the Pradhan Mantri Jan Arogya Yojana (PM-JAY)—marks a transformative step toward achieving Universal Health Coverage (UHC). By strengthening primary care and providing financial protection for secondary and tertiary treatments, Ayushman Bharat addresses both prevention and cure. However, to sustain its impact, continuous investment in infrastructure, workforce, digital health, and awareness is essential. In sum, Ayushman Bharat exemplifies a shift toward a more inclusive, affordable, and accessible public health system in India.

16.8 Keyword

- **Ayushman Bharat**
A flagship health scheme launched by the Government of India in 2018 aimed at achieving Universal Health Coverage.
- **PM-JAY (Pradhan Mantri Jan Arogya Yojana)**
The insurance component of Ayushman Bharat that provides free health coverage up to ₹5 lakh per family per year for secondary and tertiary care hospitalization.
- **Health and Wellness Centres (HWCs)**
The primary healthcare component of Ayushman Bharat that transforms existing sub-centres and primary health centres into comprehensive care facilities offering preventive, promotive, and basic curative services.
- **Universal Health Coverage (UHC)**
A health care system that ensures all individuals receive the health services they need without suffering financial hardship.

- **Secondary and Tertiary Care**

Higher levels of health care beyond primary care, including hospitalization, surgery, and specialized treatments.

- **Beneficiary**

A person or family eligible to receive health services under the Ayushman Bharat scheme.

- **Empanelled Hospitals**

Public and private hospitals that are authorized to provide free treatment under PM-JAY.

- **National Health Authority (NHA)**

The apex body responsible for implementing PM-JAY across India.

16.9 Suggested readings

- <https://nha.gov.in/PM-JAY>
- Basu, R. (2024). The Ayushman Bharat Programme in India. *Indian Journal of Public Administration*, 70(2), 413–418. <https://doi.org/10.1177/00195561241236127>
- Tabish, Syed. (2019). Public Health Management.

16.10 Hints to Check Your Progress

CYP-I

Q1. Refer to section 16.4

Q2. Refer to section 16.4.3

Q3. Refer to section 16.4.3

16.11 Examination oriented questions

Q1. Discuss the role of Ayushman Bharat in strengthening the public health infrastructure in India. How does it contribute to Universal Health Coverage (UHC)?

Q2. Compare and contrast the two major components of Ayushman Bharat—Health and Wellness Centres (HWCs) and Pradhan Mantri Jan Arogya Yojana (PM-JAY). How do they complement each other?

Q3. Evaluate the impact of the Ayushman Bharat scheme on rural and economically weaker sections of society. Support your answer with examples.

Q4. Critically analyse the implementation of the Ayushman Bharat scheme. What are the major bottlenecks, and how can they be addressed through policy reforms and improved governance?

Q5. Explain the objectives, components, and significance of the Ayushman Bharat scheme. Discuss the challenges faced in its implementation and suggest measures to improve its effectiveness.

Structure

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17.16 Examination Oriented Quest

17.0 Objectives

The main objectives of this lesson are to enable you to:

- Explain the conceptual and theoretical linkages between gender equity and economic development.
- Analyze empirical data to understand how gender disparities impact growth outcomes globally and in India.
- Assess the sector-wise participation of women and the barriers they face in the Indian economy.
- Evaluate the role of public policy, legislation, and government initiatives in promoting gender equity.
- Suggest strategic and policy-oriented interventions to enhance women's economic empowerment.
- Encourage critical thinking on gender-sensitive budgeting, institutional accountability, and inclusive planning.

17.1 Learning Outcomes

After studying this lesson, learners will be able to:

- Define gender equity and understand its economic significance.
- Identify the theoretical models that explain the relationship between gender equality and economic growth.
- Interpret gender-based data on labor force participation, wage gaps, sectoral representation, and digital inclusion.
- Critically examine India's institutional framework and policy efforts related to women's economic empowerment.
- Propose evidence-based strategies to improve gender equity in the economy.

- Appreciate the role of gender-sensitive governance in achieving inclusive and sustainable development.

17.2 Introduction

Dear Learner, after going through the lesson you will deduce that Gender equity is not just a social imperative—it is also an economic necessity. Around the world, societies that invest in empowering women see gains not only in individual well-being but also in national income, productivity, and stability. This lesson explores how gender equity contributes to economic growth, both theoretically and empirically. It contextualizes the global discourse within India's socio-economic landscape, tracing key trends in female labor participation, wage inequality, sectoral distribution, and access to financial and digital resources. You will also explore the government's role—through legislation, budgeting, and social programs—in advancing women's economic inclusion. Finally, the lesson proposes future strategies that India can adopt to foster gender-responsive, inclusive, and sustainable economic growth.

17.3 Prologue

Gender equity and economic growth are increasingly recognized as mutually reinforcing elements of a nation's development strategy. Gender equity, defined as the fair treatment of individuals regardless of gender, especially in terms of access to resources, opportunities, and rights, plays a critical role in shaping economic and social progress. On the other hand, economic growth refers to the sustained increase in a country's output of goods and services, measured by metrics like GDP and per capita income. In recent years, economists and policymakers have acknowledged that persistent gender gaps limit economic performance and social well-being (Duflo, 2012).

Evidence from international research institutions underscores the economic rationale for investing in gender equality. According to a landmark report by the McKinsey Global Institute (2015), advancing gender equity could add \$12 trillion to global GDP by 2025, if countries match the progress of their best-performing peers in bridging gender gaps. The report also emphasizes that full gender parity could push this number as high as \$28 trillion, equivalent to 26% of the global GDP. Similarly, the International Monetary Fund (IMF) argues that gender inclusion improves productivity, boosts growth, and enhances economic resilience (IMF, 2018).

In India, the significance of gender equity is particularly salient. Despite notable improvements in female education and health indicators over the past decades, gender disparities in economic participation remain stark. As per the Periodic Labour Force Survey (PLFS) 2022–23, the Female Labour Force Participation Rate (FLFPR) in India stands at 25.4%, which is among the lowest globally (MoSPI, 2023). This low participation reflects systemic challenges including social norms, lack of child care facilities, unsafe public spaces, occupational segregation, and gender discrimination in the workplace. These factors result in a significant underutilization of female human capital, which in turn undermines India's potential for inclusive and sustained economic growth.

Moreover, the gender gap is not just a labor market issue but a multidimensional concern. The United Nations Development Programme's (UNDP) Gender Inequality Index (GII) for 2023 ranked India 122nd out of 191 countries, citing challenges related to reproductive health, educational attainment, and political participation (UNDP, 2023). Inequalities in access to land, credit, and digital technology further widen the socio-economic divide. The World Bank's Women, Business and the Law Report (2022) also highlights legal and institutional constraints that restrict Indian women's economic empowerment.

India's development journey cannot be delinked from the role of its women—who constitute nearly half of its population—yet remain disproportionately excluded from the formal economy. With India aspiring to become a \$5 trillion economy and achieve the Sustainable Development Goals (SDGs) by 2030, gender-responsive policies and equitable economic structures become not only a moral imperative but also a strategic necessity.

17.4 Theoretical Linkages between Gender Equity and Economic Growth

The nexus between **gender equity** and **economic growth** has been explored through various theoretical frameworks in development economics, labour studies, and feminist economics. While early economic models often treated gender as exogenous or overlooked its influence altogether, contemporary literature increasingly acknowledges that gender equity is not only a social goal but also an economic catalyst. This section unpacks the principal theoretical linkages between gender equity and economic growth by drawing from classical economic theories, human capital models, and feminist critiques.

17.4.1 Human Capital Theory and Productivity Gains

Human capital theory, championed by economists such as Becker (1964), posits that investments in education, health, and skills development improve worker productivity, which in turn stimulates economic growth. When women are provided equal access to education and skill development, they contribute more effectively to the labor force, enhancing aggregate productivity and innovation (Psacharopoulos & Patrinos, 2018). Gender disparities in literacy, school enrolment, and vocational training reduce the effective supply of skilled labor, thereby constraining long-term growth.

Empirical evidence supports this linkage. A study by Klasen and Lamanna (2009) found that gender gaps in education and employment significantly reduce economic growth in developing countries, estimating that gender inequality in employment alone cost Middle East and North Africa (MENA) countries up to **30% of GDP per capita growth** over two decades.

17.4.2 Gender-Responsive Growth Models

Modern economic growth models increasingly incorporate demographic variables and labour force heterogeneity. The inclusion of gender-specific labor force participation in these models reveals a strong positive correlation between women's economic engagement and GDP growth (Cuberes & Teignier, 2016). These models argue that gender inequality in access to jobs, entrepreneurship, and credit limits the economy's productive capacity.

In particular, **exclusion of women from entrepreneurship** reduces the diversity and resilience of economic systems. Studies show that closing gender gaps in entrepreneurship could lead to a significant increase in total factor productivity and innovation-driven growth (World Bank, 2022).

17.4.3 Feminist Economics: A Structural Critique

Feminist economics challenges the gender-neutral assumptions of mainstream economic theory and emphasizes that unpaid care work, gendered division of labor, and institutional biases must be accounted for in growth analysis (Elson, 1999). By ignoring the economic contribution of unpaid domestic and care work—most of which is performed by women—traditional GDP estimates underrepresent actual economic output.

Feminist theory also introduces the concept of **“social reproduction”**, which refers to the unpaid labor required to sustain the workforce, such as childcare, eldercare, and household management. These are essential to the functioning of capitalist economies but are rarely

acknowledged in national accounting systems (Folbre, 2006). Gender equity, from this lens, is not just about market inclusion but also about restructuring societal value systems and economic institutions.

17.4.4 Gender Equity as a Demographic and Macroeconomic Lever

Gender equity also plays a role in altering demographic transitions. Improved educational and economic status of women leads to delayed marriage, lower fertility rates, and better health outcomes, all of which contribute to a higher demographic dividend. Countries like South Korea and Thailand leveraged these transitions effectively by investing in women's education and employment (Bloom et al., 2009).

Additionally, macroeconomic stability is influenced by gender equality. Countries with higher gender parity tend to experience better governance, less corruption, and more inclusive decision-making, contributing to a stable economic environment (World Economic Forum, 2023).

The theoretical linkages between gender equity and economic growth are well-established in diverse strands of economic literature. From enhancing productivity and skill utilization to improving demographic dynamics and governance, gender inclusion serves as both a moral and economic imperative. Modern economic thinking, particularly feminist economics, urges a transformation not just in policy but in the structure of economic systems themselves.

17.5 Global Trends and Empirical Evidence

Over the past few decades, an extensive body of empirical research and global data has established that gender equity and economic growth are deeply interlinked. Countries that have prioritized the economic empowerment of women tend to achieve higher rates of inclusive and sustainable growth. This section presents comparative global data, key international indices, and real-world country examples to highlight the empirical relationship between gender equity and economic development.

1 Gender Equity and Economic Outcomes: Cross-Country Evidence

International data sets from the World Bank, International Monetary Fund (IMF), UNDP, and World Economic Forum (WEF) consistently show that gender disparities in labor force participation, wages, education, and health significantly hinder national economic output. According to IMF estimates, closing the gender gap in labor force participation could

increase GDP by up to 35% in some countries. For instance, the IMF's country-specific assessments suggest that gender-inclusive policies could raise India's GDP by up to 27%.

Similarly, the World Bank's *Women, Business and the Law* (2022) report shows that countries with more equitable legal frameworks for women—such as equal pay laws, parental leave, and non-discrimination in hiring—tend to perform better in terms of GDP per capita, innovation, and labor productivity. Countries scoring above 90 in the *Women, Business and the Law* Index often correspond with higher-income economies and better gender-related outcomes.

2 Global Gender Gap Index and Development Patterns

The Global Gender Gap Index, published annually by the World Economic Forum, provides a comprehensive measure of gender disparities across four key dimensions: economic participation, educational attainment, health and survival, and political empowerment. The 2023 Global Gender Gap Report reveals that while progress is being made globally, the pace remains slow. On average, it will take 131 years to close the global gender gap at the current rate of progress.

Countries like Iceland, Norway, Finland, and New Zealand consistently rank at the top of the index due to their strong welfare states, inclusive labor markets, and political representation of women. These nations also rank high in the Human Development Index (HDI) and show better resilience to economic crises. In contrast, countries with large gender gaps in education, labor, and politics often suffer from lower growth rates, reduced innovation capacity, and higher poverty levels.

Klasen and Lamanna (2009), using panel data for over 90 countries, found that gender inequality in labor force participation and education significantly lowered per capita GDP growth. Similarly, Cuberes and Teignier (2016) quantified the global economic costs of gender gaps in entrepreneurship and labor markets, estimating income losses of up to 15% in developing countries.

A World Bank policy brief (2022) further emphasized that female entrepreneurship, when supported by access to finance, training, and networks, improves household welfare and accelerates national productivity. In India, interventions like Self-Help Groups (SHGs) and Digital Sakhi have empowered rural women and demonstrated positive spillovers for local economies.

17.6 Gender Inequality in India – Status and Trends

India, home to over 1.4 billion people, has witnessed considerable progress in closing gender gaps in areas such as education, maternal health, and political representation over the past few decades. However, persistent disparities continue to exist across various socio-economic indicators. Gender inequality in India manifests in multiple domains including labor force participation, income and wages, access to health and education, property rights, and representation in leadership roles. This section highlights the major dimensions and trends of gender inequality in India using data from national surveys, global indices, and government sources.

1 Labor Force Participation and Employment

One of the most pressing dimensions of gender inequality in India is the low and declining female labor force participation rate (FLFPR). According to the Periodic Labour Force Survey (PLFS) 2022–23, the FLFPR (usual status, age 15+) stood at 25.4% for women, compared to 76.0% for men (MoSPI, 2023). Although there has been a slight increase from the 2017–18 rate of around 23%, it still remains among the lowest globally.

Most women who do work are concentrated in the informal sector, often in agriculture, domestic work, and low-wage manual labor. A significant portion of female labor remains unpaid and invisible, particularly in family-based enterprises and subsistence farming. This invisibility not only undervalues women's economic contribution but also restricts their access to social protection and legal safeguards.

2 Wage Gaps and Occupational Segregation

Wage disparities between men and women remain stark. As per the India Wage Report (ILO, 2018), women earn approximately 20–30% less than men for the same work in both rural and urban areas. The gender pay gap is even wider in the private and unorganized sectors, where regulatory oversight is minimal. Moreover, women are underrepresented in high-paying and skilled occupations such as STEM (science, technology, engineering, and mathematics) and managerial positions.

Occupational segregation also reinforces wage inequality. A large number of women are concentrated in low-paying sectors such as care services, textile manufacturing, and retail. Structural constraints, social norms, and limited access to skill development opportunities restrict their mobility into higher-value sectors.

3 Education and Skill Development

India has made commendable progress in closing the gender gap in primary and secondary education. As per the Unified District Information System for Education (UDISE+) 2021–22, the Gross Enrolment Ratio (GER) for girls in secondary education is 79.4%, slightly higher than that for boys at 77.6%. Female literacy has also improved significantly, reaching 70.3% (NFHS-5, 2019–21), up from 53.7% in 2001.

However, gaps emerge at higher levels of education and in technical and vocational training. Girls are underrepresented in science and engineering programs and overrepresented in traditional disciplines like arts and humanities. Moreover, access to digital literacy and online learning platforms remains limited, especially in rural areas, contributing to a gendered digital divide.

4 Health and Nutrition Disparities

Gender disparities in health have narrowed but not disappeared. Maternal health indicators have improved: the Maternal Mortality Ratio (MMR) dropped to 97 per 100,000 live births (SRS Bulletin, 2023), and institutional deliveries now account for over 88.6% of births (NFHS-5). However, women still face challenges in accessing quality healthcare, especially in remote and tribal regions.

Malnutrition among women remains a concern. According to NFHS-5, 57% of women aged 15–49 are anaemic, compared to 25% of men, reflecting underlying nutritional imbalances and intra-household discrimination in food distribution.

5 Ownership, Inheritance, and Financial Inclusion

Women's ownership of assets, especially land and property, remains low. Despite legislative reforms such as the Hindu Succession (Amendment) Act, 2005, cultural practices and lack of legal awareness prevent women from claiming their inheritance rights. According to the Agricultural Census (2015–16), women accounted for just 13.9% of operational landholders in India.

In terms of financial inclusion, the Pradhan Mantri Jan Dhan Yojana (PMJDY) has significantly improved women's access to banking services. As of 2023, women hold over 55% of Jan Dhan accounts. However, access to credit, insurance, and entrepreneurial capital remains constrained due to lack of collateral, limited mobility, and patriarchal mindsets.

6 Political Representation and Leadership

India has seen improvement in women's representation at the grassroots level. The 73rd and 74th Constitutional Amendments have mandated 33% reservation for women in Panchayati Raj Institutions (PRIs). Some states like Bihar and Rajasthan have even extended this to 50%. However, in higher political and corporate leadership, women remain underrepresented.

In the 17th Lok Sabha (2019–present), women comprise 14.3% of elected representatives—an all-time high but still below the global average of 26.5%. In corporate India, women hold less than 18% of board seats among NSE-listed companies (MCA, 2023), indicating a need for proactive inclusion in leadership pipelines.

India has made visible strides in reducing gender disparities in education and health, yet significant inequality persists in labor participation, wages, property rights, and leadership. These inequalities not only limit women's agency and well-being but also act as structural bottlenecks to inclusive and sustainable economic growth. Addressing these gaps through targeted policy measures and social transformation is imperative for achieving gender-responsive development.

17.7 Barriers to Gender Equity in the Economy

Despite legal reforms and policy initiatives aimed at empowering women, India continues to experience deeply entrenched gender disparities in economic participation and outcomes. These inequalities are not merely statistical aberrations but arise from a complex interplay of structural, socio-cultural, institutional, and market-based barriers. Understanding these barriers is crucial to formulating effective interventions that promote gender equity and enhance inclusive growth.

1 Structural Constraints: Informality and Unpaid Work

A major structural barrier is the overrepresentation of women in informal employment. According to the PLFS 2022–23, over 90% of working women in India are engaged in the informal sector—typically in low-paying, unregulated, and precarious jobs such as domestic work, agricultural labor, or home-based manufacturing. These jobs lack legal and social protections such as maternity benefits, paid leave, or pension coverage.

Another significant issue is the burden of unpaid care and domestic work. Time-use surveys show that Indian women spend nearly 5 hours per day on unpaid care work, compared to just

1.5 hours by men (MoSPI, 2019). This not only limits their availability for paid employment but also constrains their participation in education, skills training, and entrepreneurship. The invisibility of this labor in national accounting systems further reinforces their economic marginalization.

2 Socio-Cultural Norms and Gender Roles

Deep-rooted patriarchal norms and traditional gender roles continue to shape attitudes toward women's work. In many regions, women's employment is discouraged due to perceptions of honor, safety, or the belief that their primary role lies within the household. Mobility restrictions, concerns over public safety, and the expectation to prioritize family responsibilities prevent women from seeking work or accepting jobs that require commuting or relocation.

Marriage and motherhood often lead to career discontinuities, with many women withdrawing from the labor force permanently. The lack of supportive ecosystems—such as access to affordable childcare and safe transportation—exacerbates these constraints. Cultural expectations also discourage women from entering non-traditional sectors like manufacturing, transport, and technology.

3 Limited Access to Assets, Finance, and Markets

Women entrepreneurs face formidable challenges in accessing credit, property, collateral, and markets. Although initiatives like MUDRA loans and Stand-Up India aim to promote women-led enterprises, gender bias in lending practices, lack of financial literacy, and restrictive collateral norms often limit their effectiveness.

Only 13.9% of operational landholdings in India are held by women (Agricultural Census 2015–16), severely restricting their ability to obtain institutional credit. Without formal land titles or business ownership documents, women are often excluded from microfinance institutions, bank loans, and government procurement programs.

4 Education, Skill Gaps, and Digital Divide

Despite rising school enrolments, women face barriers in accessing quality education, technical skills, and employability training—especially in rural and marginal communities. Women are underrepresented in vocational training programs and STEM (Science,

Technology, Engineering, Mathematics) education, limiting their opportunities in higher-paying and future-ready sectors.

The digital gender divide is another emerging barrier. As per GSMA (2023), women in India are less likely to own mobile phones or use the internet compared to men, limiting their access to online learning, e-commerce, digital banking, and gig work opportunities.

5 Gender Bias in Legal and Institutional Frameworks

While India has enacted several laws to protect women's economic rights—including the Equal Remuneration Act (1976) and the Maternity Benefit (Amendment) Act (2017)—implementation remains weak. Informal sector workers, who comprise the bulk of women's employment, often fall outside the ambit of these protections. Moreover, lack of awareness, poor legal literacy, and limited institutional support further inhibit the effectiveness of these measures.

Gender budgeting, though introduced in India in 2005, remains largely procedural and fragmented across ministries and states. Without robust monitoring and outcome evaluation, many gender-targeted schemes fail to achieve transformational impact.

6 Workplace Discrimination and Harassment

Workplace environments in India are often not conducive to women's retention and advancement. Sexual harassment, wage discrimination, glass ceilings, and a lack of mentoring or flexible work arrangements discourage women's sustained participation in the formal economy. Despite the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, compliance remains low, especially in small enterprises and educational institutions.

Gender inequality in India is perpetuated by a web of interrelated barriers—spanning unpaid domestic responsibilities, cultural norms, legal loopholes, and unequal access to resources. These barriers not only undermine individual potential but also result in macroeconomic inefficiencies. Addressing them requires an integrated strategy involving legislative reform, institutional accountability, social awareness, and gender-sensitive economic planning.

17.8 Economic Costs of Gender Inequality

Gender inequality is not merely a matter of social injustice; it imposes substantial economic costs on individuals, households, and nations. When half of a country's human capital

remains underutilized or misallocated due to gender-based barriers, the economy suffers in terms of lost output, reduced productivity, and inefficiencies in labor allocation. This section outlines the **macro- and microeconomic costs** associated with gender inequality in India and globally, supported by research and data.

1 Loss in GDP and Economic Output

Global institutions such as the International Monetary Fund (IMF) and McKinsey Global Institute (MGI) have highlighted that gender inequality in labor markets directly reduces GDP. The MGI (2015) estimates that if women were to participate in the economy identically to men, it could add \$28 trillion (or 26%) to global annual GDP by 2025. For India alone, this potential gain is estimated at \$0.7 trillion to \$2.9 trillion, depending on the scale of policy interventions.

The IMF (2018) notes that closing gender gaps in employment could increase India's GDP by up to 27%. These losses stem from the exclusion of women from the workforce, their concentration in low-productivity sectors, and barriers to entrepreneurship.

2 Underutilization of Human Capital

Women constitute 48% of India's population, but their contribution to measured economic activity is disproportionately low due to low labor force participation, high levels of unpaid domestic work, and limited representation in leadership roles. This underutilization translates into a sub-optimal deployment of skills, reducing potential innovation, output diversification, and economic dynamism.

India ranks 127th out of 146 countries in the WEF Global Gender Gap Report 2023, primarily due to economic participation gaps. This indicates a mismatch between the demographic potential and economic realization.

3 Impact on Household Welfare and Intergenerational Poverty

Gender inequality also leads to adverse household-level outcomes. When women are denied access to income-generating activities or assets, household income remains lower, and families are more vulnerable to economic shocks. Conversely, evidence shows that women's earnings are more likely to be invested in children's education, nutrition, and health, producing long-term human capital benefits (Duflo, 2012).

Limited access to land, credit, and inheritance rights further reinforces intergenerational poverty, especially among marginalized communities. Poor female labor participation restricts income diversification strategies for rural households, making them more reliant on volatile agricultural incomes.

4 Costs of Gender-Based Violence and Workplace Harassment

Gender-based violence (GBV) and harassment, both at home and in the workplace, incur direct and indirect costs. These include healthcare expenditures, productivity losses, and absenteeism, along with lower female workforce retention. A study by the World Bank (2014) estimated that intimate partner violence costs countries between 1% and 2% of GDP due to lost productivity and social services burdens.

In India, incidents of harassment and unsafe workplaces contribute significantly to women's withdrawal from or reluctance to enter the labor force. The absence of gender-sensitive infrastructure, including safe transport and child care facilities, also restricts their economic mobility.

5 Missed Opportunities in Innovation and Entrepreneurship

Women entrepreneurs tend to reinvest a larger share of their earnings in their families and communities. However, their potential remains untapped due to credit constraints, lack of networks, and policy blind spots. The World Bank (2022) highlights that women's enterprises in India are smaller, less formalized, and more vulnerable to economic shocks.

Missing out on this entrepreneurial potential reduces economic diversification, employment creation, and grassroots innovation, particularly in rural and semi-urban areas.

Gender inequality is not only a violation of rights but a drag on economic growth. The costs manifest in terms of lost GDP, inefficient labor markets, weakened household resilience, and forgone innovation. For India to realize its goal of becoming a \$5 trillion economy and achieve inclusive growth, gender-responsive economic policies must be central—not peripheral—to its development strategy.

17.9 Sectoral Insights – Women in Agriculture, Industry, and Services

This section leverages official government data—primarily from **Press Information Bureau (PIB)** and **PLFS**—to analyze women's participation across key sectors, highlighting trends, challenges, and policy implications.

Agriculture

- According to the **Annual PLFS Report 2021–22 (PIB, Mar 2023)**, **62.9%** of female workers are employed in agriculture, compared to just **38.1%** of men
- The **Economic Survey 2024–25** notes that women’s share in agricultural employment rose from **57% in 2017–18** to **64.4% in 2023–24**
- However, agriculture contributes only **18% of India’s GDP** despite employing about **46% of the workforce**, suggesting widespread underemployment and low productivity

While women continue to dominate agriculture, this sector remains low in productivity and income opportunities, sustaining rural poverty and limiting economic advancement.

Industry (Manufacturing, Construction, Mining)

- In 2021–22, **11.2%** of female employment was in manufacturing, roughly matching men’s **11.8%**
- However, **industry as a whole** (including mining, construction, utilities) remains less accessible to women—e.g., only **5.0%** female participation in construction, compared to **15.6%** for men .
- A PIB note from 2024–25 reports that **61%** of women in non-agricultural sectors are engaged in the **informal economy**—lacking social protections and legal entitlements .

Industry offers more formal work, but women’s access is limited by mobility issues, lack of skills, and poor job quality.

3 Services Sector

- “Other services” (e.g., health, education, retail, transport) accounted for **13.6%** of female employment in PLFS 2021–22
- The **Economic Survey 2024–25** indicates a decline in female employment in services (urban) from **44.4% to 40.1%** between 2017–18 and 2023–24
- Conversely, a recent **PIB feature (Nov 2024)** highlights a rising **Female Work Participation Rate (WPR)**—from **22% (2017–18)** to **40.3% (2023–24)**—reflecting broader gains across sectors

Despite growth in women's participation overall, services are failing to absorb them proportionally, implying bottlenecks in urban job creation.

Employment Composition & Trends

- **PLFS April 2023** data reveals that among working women (32.8%), **19.7% are self-employed, 6.8% engage in casual labor**, and only **5.3% hold regular salaried jobs**
- Rural women's self-employment rose from **13.6% (2017–18)** to **24.2% (2021–22)**, while urban women are more likely to hold regular jobs (11% in urban vs. 2.9% in rural)

A bulk of female employment is informal (socially and legally precarious), particularly in rural areas where self-employment is a necessity rather than choice.

Government Initiatives & Sectoral Policy

- The government has enacted several workplace protections: **extended maternity leave (26 weeks)**, **mandatory crèche facilities** for firms with 50+ employees, and permission for **night shifts with safety measures**
- Skill development programs targeted at women—through **Women Industrial Training Institutes**, **PMKVY**, and **Skill India mission**—seek to enhance employability across high-value sectors

17.10 Government Policies and Institutional Framework in India

India has institutionalized a range of **laws, schemes, and structural frameworks** to improve gender equity and support women's participation in economic life. From expanding parental leave to setting up community-based crèches and skill training centres, the government has adopted a **multi-pronged strategy** to overcome barriers to gender inclusion. However, the effectiveness of these policies depends on their implementation at ground level, especially in rural and informal sectors.

1 Legislative Safeguards and Maternity Entitlements

A cornerstone of gender-focused labour reform in India is the Maternity Benefit (Amendment) Act, 2017, which extended paid maternity leave from 12 to 26 weeks for the first two children and mandated on-site crèche facilities for establishments with 50 or more employees. This policy is further institutionalized under the Code on Social Security, 2020,

which consolidates maternity and childcare provisions across various employment categories (PIB, 2023).

Additionally, women employed in Central Government services are entitled to 730 days of child care leave for two children up to 18 years of age. These provisions aim to reduce the attrition of skilled women professionals due to family responsibilities.

2 Palna Scheme and Anganwadi-cum-Crèches

Under the restructured “Palna” Scheme, part of Mission Shakti, the Ministry of Women and Child Development has initiated the establishment of 17,000 Anganwadi-cum-crèches (AWCCs). According to PIB data (2025), 11,395 AWCCs have already been sanctioned and 1,761 are operational, catering to over 28,700 children, especially in underserved and rural regions. An additional 1,284 standalone crèches were also made functional in 2023–24 (PIB, 2025).

These crèches not only support working mothers but also contribute to early childhood care, reducing the unpaid caregiving burden that disproportionately falls on women.

3 Rise in Female Labour Force Participation

The **Periodic Labour Force Survey (2023–24)** reported a significant increase in female labour indicators:

- **Female Labour Force Participation Rate (LFPR)** rose from **23.3% in 2017–18 to 41.7% in 2023–24**
- **Worker Population Ratio (WPR)** for women increased from **22.0% to 40.3%**
- **Rural female LFPR** surged from **24.6% to 47.6%**, suggesting improved rural employment engagement

These trends were highlighted in PIB’s 2024 press releases and are attributed to skill-building programs, income diversification, and greater digital and financial access.

4 Skilling, Employment and Entrepreneurship Initiatives

The government has launched several initiatives to improve women’s access to education, skills, and entrepreneurship:

- **Women Industrial Training Institutes (WITIs)** now operate in multiple states, offering technical courses.

- **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)** includes gender-targeted components, training women in areas like apparel, healthcare, and beauty & wellness.
- **Stand-Up India** and **MUDRA Yojana** schemes promote women entrepreneurship by offering low-collateral loans for MSMEs.

As of 2024, **over 70 central and 400+ state-level schemes** cater to women in sectors such as rural enterprises, agri-business, textiles, and retail (MWCD, 2024).

5 Institutional Mechanisms and Gender Budgeting

India was one of the first countries to implement Gender Responsive Budgeting (GRB) in 2005. Ministries are now required to prepare Gender Budget Statements, reporting allocations and outcomes specific to women beneficiaries.

Despite this, PIB notes that implementation remains fragmented—only a few ministries and states effectively track outcomes or align expenditures with measurable gender goals. Greater inter-ministerial coordination and data-driven accountability are needed.

India has built a strong institutional and legal foundation for enhancing gender equity in the economy. With advancements in maternity protection, childcare infrastructure, skill development, and financial inclusion, the state has made notable progress. However, for these initiatives to produce lasting impact, they must be integrated with monitoring mechanisms, grassroots delivery systems, and gender-sensitive governance.

17.11: Way Forward – Strategies for Inclusive and Gender-Responsive Growth

India's aspiration for sustained, inclusive, and equitable economic growth requires that **gender equity** is not treated as a peripheral concern but is positioned at the **core of economic policy frameworks**. Drawing from empirical studies, global best practices, and national policy assessments, this section outlines key strategic priorities to foster gender-responsive growth in India.

1 Expand Affordable Childcare and Unpaid Work Recognition

One of the biggest barriers to women's economic participation is the burden of unpaid care work, disproportionately shouldered by women. The Time Use Survey (2019) revealed that Indian women spend 4.5 hours per day on unpaid domestic work, compared to 1 hour by men (MoSPI, 2020).

Experimental evidence from J-PAL (Desai et al., 2019) suggests that provision of community-based childcare services in urban India increased female workforce participation by up to 13 percentage points. Strategic Intervention must focus on Universalize crèche facilities under schemes like Palna (Mission Shakti) and expand support for community-based care services, especially in low-income and rural areas. Implement policy reforms to integrate unpaid care into national accounting and social protection frameworks.

2 Strengthen Digital and Financial Inclusion

The Global Findex Database (2021) reports that 78% of Indian women now own a bank account, up from 53% in 2014. However, usage remains a concern—only 32% actively use these accounts, and the gender gap in digital payments is 11 percentage points (Demirgüç-Kunt et al., 2022).

Furthermore, women's access to smartphones and digital skills remains limited in many rural areas, inhibiting their participation in the digital economy. Strategic Intervention focus on Scale up digital literacy and mobile banking programs tailored for women, such as Digital Sakhi, and integrate them into skilling schemes. Promote fintech platforms focused on microcredit and entrepreneurship for women (e.g., Mahila Money, SHG-bank linkage)

3 Gender-Sensitive Skilling and Sectoral Mobility

While skilling initiatives like **PMKVY**, **Stand-Up India**, and **Women Industrial Training Institutes (WITIs)** have improved outreach, **gendered occupational segregation** persists. Women remain underrepresented in high-growth sectors like STEM, logistics, and construction.

According to the **ILO (2023)**, only **20% of women in India** are employed in formal non-agricultural sectors, and many remain confined to informal or low-paying work. **Strategic Intervention** must focus on Launch targeted **sector-specific skilling programs** for women in non-traditional sectors (green energy, manufacturing, tech). Provide post-training placement support, apprenticeships, and safe transport facilities to enhance sectoral mobility.

4 Ensure Workplace Equity and Legal Protection

Legal reforms such as the Maternity Benefit (Amendment) Act, 2017 and the Sexual Harassment of Women at Workplace Act, 2013 have expanded formal protections. However, PLFS 2022–23 data shows that only 19% of women in India work in regular salaried

positions, most lacking access to benefits, maternity leave, or safety protections. Strategic Intervention must focus on Enforce legal compliance among employers, particularly in SMEs and the informal sector. Introduce fiscal incentives for gender-equitable workplaces (e.g., tax deductions for crèche facilities, gender audits). Expand access to grievance redressal mechanisms.

5 Deepen Gender Budgeting and Institutional Accountability

India pioneered Gender Budgeting in 2005, but it remains largely input-focused rather than outcome-oriented. Less than 30% of gender budget allocations are linked to performance targets or gender-disaggregated data (UN Women, 2023). Strategic Intervention: Shift to outcome-based gender budgeting, linked to measurable indicators like women's employment, leadership, credit access, and safety. Enhance monitoring capacity within ministries and ensure annual audits are publicly disclosed.

6 Public–Private Partnerships and Community Engagement

Evidence from programs like BC Sakhi in Uttar Pradesh and SEWA's decentralized entrepreneurship models highlight the effectiveness of community-led and public-private initiatives. BC Sakhis enabled over ₹35,000 crore in digital transactions across rural India in 2023–24 (PIB, 2024). Strategic Intervention must focus on Expand such models by incentivizing private-sector collaboration in skilling, childcare, safety infrastructure, and microfinance delivery. Foster grassroots leadership among women to co-create locally responsive solutions.

Realizing the full economic potential of women in India demands a paradigm shift—from short-term welfare to long-term structural transformation. The strategies outlined—ranging from affordable care and digital equity to workplace safety and institutional accountability—must work in concert. With gender equity embedded in economic planning, India can foster not just higher growth, but more inclusive, resilient, and just development.

17.11 Conclusion

Gender equity is both a foundational value of democratic societies and a pragmatic economic strategy. This lesson has demonstrated that eliminating gender disparities is essential not only for the realization of fundamental rights but also for unlocking the full potential of economic growth. The theoretical insights drawn from human capital theory, feminist economics, and

endogenous growth models clearly illustrate how gender equality enhances productivity, institutional resilience, and innovation.

Empirical evidence affirms that countries with higher levels of gender inclusion tend to experience stronger, more stable, and equitable growth trajectories. In the Indian context, while progress has been made in expanding access to education, financial services, and legal protections for women, significant gaps persist in labor force participation, wage equity, representation in leadership roles, and access to childcare and digital tools.

The sectoral analysis revealed a concentration of women in informal and low-productivity jobs—especially in agriculture—while underrepresentation continues in high-growth sectors such as manufacturing and digital services. Structural constraints like unpaid care responsibilities, poor access to skilling, and unsafe public infrastructure further inhibit women’s economic engagement.

Government efforts—through legislation, financial inclusion schemes, skilling programs, and childcare infrastructure—represent important steps forward. However, the lesson also identifies gaps in implementation, lack of cross-sectoral integration, and limited accountability mechanisms as persistent challenges.

To truly leverage gender equity as a growth multiplier, India must adopt a holistic, evidence-based strategy that includes:

- Comprehensive childcare and unpaid work recognition
- Digital and financial empowerment tailored for women
- Sector-specific skill-building and safe workplace environments
- Strong enforcement of labor laws and legal protections
- Gender-responsive budgeting with measurable outcomes
- Public–private partnerships and community-driven innovation

As India strives to become a \$5 trillion economy and beyond, embedding gender equity into the heart of its economic and development strategy is not optional—it is indispensable. Only through inclusive, participatory, and gender-responsive growth can the nation ensure sustainable prosperity and social justice for all.

Check Your Progress

Q1. Define Labor force participation and employment.

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Q2. Define the interconnectedness between gender equity and economic growth?

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Q3. State two key barriers to Gender Equity.

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17.12 Let us sum up

This lesson examined the intricate and mutually reinforcing relationship between gender equity and economic growth, drawing upon theoretical frameworks, global empirical insights, and the Indian policy experience. It established that gender equity significantly enhances human capital efficiency, fosters innovation, and contributes to macroeconomic stability. Despite noteworthy advancements in education and healthcare, India continues to grapple with persistent gender gaps in labour force participation, wage equality, and leadership representation. A large proportion of working women remain concentrated in informal, low-paid sectors—particularly in agriculture—where their contributions often go unrecognized and unprotected. Structural barriers, including the burden of unpaid care work, entrenched socio-cultural norms, limited access to digital tools, and restricted asset ownership, continue to hinder women's full economic engagement. While government interventions—such as maternity benefits, skill development schemes, financial inclusion programs, and gender-responsive budgeting—have demonstrated positive intent, their implementation and outcome monitoring require significant strengthening. Moving forward, a comprehensive strategy that prioritizes universal childcare services, digital and financial inclusion, gender-sensitive skill

training, legal safeguards, and performance-based gender budgeting will be essential. Realizing the untapped economic potential of India's women is not only a matter of social justice but also a strategic imperative for achieving inclusive, resilient, and sustainable growth.

17.13 Keywords

- **Gender Equity:** Fair treatment for women and men according to their respective needs and rights.
- **Labour Force Participation Rate (LFPR):** The proportion of the working-age population that is either employed or actively looking for work.
- **Human Capital:** The economic value of a worker's experience and skills, including education, training, and health.
- **Social Reproduction:** Unpaid work (e.g., caregiving, household labor) necessary to sustain the labor force.
- **Informal Sector:** Economic activities not regulated or protected by the state, often lacking contracts, benefits, or legal protection.
- **Gender Budgeting:** A fiscal strategy that allocates and tracks public expenditure to address gender-specific needs.
- **Maternity Benefit Act:** Indian legislation mandating paid maternity leave and workplace crèche facilities.
- **Digital Gender Divide:** The gap in access to digital technologies and internet use between men and women.
- **Public-Private Partnership (PPP):** Collaboration between government and private entities to deliver public services or infrastructure.
- **Stand-Up India Scheme:** A government initiative to promote entrepreneurship among women and SC/ST communities.

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17.15 Hints to check your Progress

CYP-I

Q1. Refer to section 17.6

Q2. Refer to section 17.4

Q3. Refer to section 17.7

17.16 Examination Oriented Questions

1. Discuss how gender inequality impacts India's economic growth using theoretical and empirical arguments.

2. Evaluate the role of government schemes like PMKVY, Stand-Up India, and MUDRA in promoting women's economic empowerment.
3. Explain how unpaid care work affects women's participation in the formal economy. Suggest policy measures to address this.
4. Analyze the effectiveness of Gender Budgeting in India. What reforms are necessary to make it outcome-driven?
5. Compare the sectoral participation of women in agriculture, industry, and services in India. What policy interventions are required to promote sectoral mobility?

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18.0 Objectives

18.1 Learning Outcomes

18.2 Introduction

18.3 Balanced Regional Development: Meaning and Concept

18.5 Balanced Regional Development: Rationale

18.5.1 Balanced Regional Development: Objectives

18.5.2 Regional Planning in India: Gaps Between Policy and Practice

18.6 Northeast India: A Regional Profile in Context

18.7 Concerns and Challenges: Hindering Development in the Northeast Region

18.8 North East Region: Policy Initiatives for the Integration and Holistic Development

18.9 Let us sum up

18.10 Glossary

18.11 Suggested readings

18.12 Examination oriented questions

18.0 Objectives

The main objectives of this lesson are to enable you to:

- Comprehend the concept and significance of balanced regional development
- Learn about the initiatives and policies aimed at promoting equitable growth in the North East Region
- Examine the impact of balanced regional development on national progress and the empowerment of local communities across the North East Region

18.1 Learning Outcomes

After going through this lesson, you will be able to:

- Deduce the concept and importance of balanced regional development in national growth and cohesion
- Gain insight into the policies and initiatives aimed at promoting inclusive development in the North East Region
- Discuss the role of balanced regional development in driving sustainable economic growth and ensuring equitable progress across diverse regions of the country

18.2 Introduction

Dear learner, after going through this chapter, you will gain a comprehensive understanding of the concept of balanced regional development, with a special focus on the North East Region (NER) of India. Despite its rich cultural diversity, strategic location, and abundant natural resources, the NER has historically lagged behind in economic growth due to colonial neglect, geographical isolation, and limited infrastructure. Regional planning was envisioned to correct such disparities, yet its outcomes have often fallen short of expectations. In this chapter, we will critically explore the successes and shortcomings of regional planning in the Indian context, particularly in the North East. You will also examine how regional disparities relate to broader questions of national integration, equity, and governance. This exploration is essential for understanding inclusive development in a diverse, federal polity like India.

18.3 Balanced Regional Development: Meaning and Concept

Regional disparity is a widespread issue commonly seen in developing nations like India. Achieving balanced regional development continues to pose a significant challenge for the

government. Addressing regional inequalities remains a complex political and administrative task. Both inter-state and intra-state disparities hinder efforts towards rapid and inclusive national development.

Development differs across geographical areas and changes over time. In every country, some regions are more developed than others, and growth does not occur uniformly. While some areas experience faster progress, others lag behind.

Since the 1950s, the central government has made efforts to support economically backward regions. However, a notable aspect of India's development journey is the increasing regional disparity over the years, rather than its reduction. Several scholars have analyzed the reasons behind these growing imbalances.

This issue gained greater attention after the economic liberalization of the 1990s, which saw poorer states falling further behind more affluent ones. This unit explores various dimensions of regional imbalance, including its definition, characteristics, underlying causes, and the necessity for addressing it. It also examines the ways to measure regional disparities, the key contributing factors, and the broader implications of such imbalances. Lastly, it discusses the Government initiatives to promote balanced regional development and the challenges associated with implementing them.

18.4 Balanced Regional Development: Rationale

The Fifth Five Year Plan was the first to acknowledge that despite the overall economic growth achieved during the earlier four five-year plans and three annual plans, large parts of the country had either not benefited or had benefited only slightly from this progress. As a result, the Plan placed significant focus on addressing regional imbalances, which gave rise to the current emphasis on regional planning. It is important to clarify at the outset that regional planning should not be seen merely as a strategy for eliminating economic disparities between regions. In a developing country, it is common for early development efforts to be concentrated in areas that had already developed some growth infrastructure during the colonial era. Therefore, regional imbalance arises both from how scarce resources are allocated and from the historical impact of colonialism.

Balanced regional development does not imply identical growth across all regions, but rather the optimal utilization of each region's unique potential so that the benefits of economic growth are fairly distributed among its people. The goal is to build a more equitable society alongside balanced regional progress. Despite efforts by the government, significant disparities in development persist both across states and within individual states.

Since independence, several regions have demanded statehood due to perceived neglect and underdevelopment. This has led to the creation of new states like Andhra Pradesh, Gujarat, Punjab, Haryana, Himachal Pradesh, Chhattisgarh, Jharkhand, Uttarakhand, and more recently, Telangana. These movements were largely driven by regional economic imbalances. According to the Planning Commission (2008), economic growth in India has not benefited all regions or communities equally. Increasing income gaps between richer and poorer states are a cause for concern. Achieving balanced regional growth is essential for national competitiveness and sustainable development.

Some regions, though lacking natural resources, have progressed through technology and innovation, highlighting the need for inclusive development strategies across the country. Balanced regional development is critical for:

- Enhancing economic efficiency and overall GDP growth,
- Reducing wealth drain from poorer to richer areas (backwash effects),
- Uplifting underdeveloped regions to meet national standards,
- Ensuring a minimum standard of living in backward areas,
- Promoting political stability and reducing extremism, which supports national unity and social harmony.

18.4.1 Regional Planning Policy: Objectives

Regional planning has been recognized as a crucial instrument of socio-economic policy, with the following key objectives:

1. Establishing a rational geographic distribution of production activities, aligned with the broader economic and social objectives of the nation.
2. Promoting the development of each region based on its unique natural, economic, and social characteristics.
3. Ensuring a harmonious territorial balance between various sectors and regional development, all integrated within a unified national economy.

These broad goals are further broken down into specific objectives, such as the creation of industrial and agro-industrial zones, urban development, and planned settlement patterns that correspond with production activities in each area. Other targets include enhancing inter-regional trade, addressing employment and migration issues, and prioritizing the development of backward regions.

During colonial rule, economic growth in India was limited and heavily concentrated in major port cities (the presidency towns), with the rest of the country serving primarily as a supporting hinterland. This led to severe regional disparities, both between and within

regions, which remain a legacy of British economic policies. Under the colonial economic framework, which made India a part of Britain's international division of labor, large areas of the country experienced deep-seated underdevelopment. Peripheral regions, such as the North East, were especially affected due to difficult terrain and inhospitable environments, which led to isolation, although sectors like tea and petroleum did attract some investment from outside.

In a post-colonial setting, when an underdeveloped nation begins economic planning, it often starts by selectively focusing on regions with existing growth potential. However, if this uneven focus persists for too long, it may lead to an imbalance in regional input and output, which can undermine national development in the long run. Apart from these economic concerns, there are also strong political imperatives for addressing regional disparities to maintain national unity and stability.

18.4.2 Regional Planning in India: Gaps Between Policy and Practice

Regional planning, while a vital instrument for achieving balanced development, does not guarantee success on its own. Its primary goal is to reduce regional disparities by enhancing the productive potential of regions, driven by principles of equity. However, if regional planning only promotes specific economic sectors to benefit metropolitan areas—without addressing local needs—it risks replicating colonial patterns of exploitation. In such cases, development in one sector may hinder growth in others, and regions may end up producing goods for markets they do not control, leading to economic dependency. This has been seen in places like Latin America and India's tea plantation economy in the North East.

Although self-sufficiency (autarchy) in regional economies is unrealistic in today's interconnected world, producing surpluses for export is acceptable if it supports the region's development. However, if the benefits of these exports are not reinvested in the producing region, and the sacrifices of one region are not shared by others, it may lead to instability and resentment. Historical examples, such as East Pakistan's economic exploitation by West Pakistan, illustrate the risks of unequal development.

Moreover, many underdeveloped regions, especially in developing countries, lack sufficient surplus-generating economic activities. These regions often face a mismatch between the desire for modern lifestyles and the capacity to sustain them. Planning for such regions requires financial support (subvention), but central governments themselves face resource constraints, limiting the scope of support.

A major technical challenge in regional planning is regionalization—the process of defining what constitutes a “region.” In the West, planning often focused on selected backward areas.

In India's context, especially in the North East, regionalization must involve both integration with the national framework and recognition of local uniqueness. Regions can be defined based on:

1. **Homogeneity** in physical, economic, or social features,
2. **Nodality**—centered around a core urban hub,
3. **Administrative boundaries** for effective policy execution.

In practice, regions are usually defined through a mix of these approaches. Alongside this is the question of industrial location, which should consider more than just transportation costs. Modern factors include access to infrastructure, skilled labor, technological support, and environmental compatibility.

Regional planning becomes politically sensitive when ethnic diversity and economic planning do not align. In North East India, the legacy of colonial neglect has fostered a sense of exclusion, making nation-building particularly challenging. Ethnic tensions often stem from economic underdevelopment, and proper regionalization can help reduce such divisions by encouraging both unity and growth.

Effective regional planning must balance inter-regional and intra-regional interests—through federal funding and cooperation among neighboring states. In **a multi-ethnic country** like India, where state boundaries often include multiple minority groups, boundary changes are frequent and politically contentious. While these boundaries may help maintain law and order, they rarely support economic cooperation. Presently, Indian states are far from being ideal economic units, and older multi-state economic zones have yet to realize their full potential.

18.5 Northeast India: A Regional Profile in Context

Northeast India is divided into three main physiographic regions: the Eastern Himalayas, the Northeast Hills (including the Patkai-Naga and Lushai Hills), and the plains of the Brahmaputra and Barak Valleys. This region, located at the crossroads of the Indo-Malayan, Indo-Chinese, and Indian biogeographical zones, experiences a predominantly humid sub-tropical climate with hot, humid summers, heavy monsoons, and mild winters. Along with the western coast, it houses some of the last remaining rainforests in the subcontinent, supporting a wide variety of plant and animal species, as well as numerous crop varieties. The region is also rich in natural resources, including significant reserves of petroleum and natural gas, accounting for about 20% of India's total potential (C Joshua Thomas & Gurudas Das et al., 2002).

The geography is dominated by the Brahmaputra-Barak river systems and their tributaries. While valleys like Brahmaputra, Barak, and Imphal, along with flatlands in Meghalaya and Tripura, provide low-lying areas, about two-thirds of the region consists of hilly terrain, with valleys and plains scattered throughout. The elevation spans from sea level to over 7,000 meters (23,000 feet) above sea level. The region experiences high rainfall, often exceeding 10,000 millimeters (390 inches) annually, leading to ecological challenges such as flooding and high seismic activity. States like Arunachal Pradesh and Sikkim experience a montane climate, with cold, snowy winters and mild summers.

The economy of the region is largely agrarian, though permanent agricultural land is limited. Shifting cultivation (jhum) is still practiced by some indigenous communities, although its prevalence is declining (N. Srivastav et al., 2000). Industrial development has been hindered by the region's difficult terrain and internal conflicts. However, recent recognition of Northeast India's geographic isolation has led policymakers and economists to view this as a major barrier to growth. With globalization reducing territorial boundaries and encouraging greater economic integration, the region—bordering China, Myanmar, Bhutan, Bangladesh, and Nepal—is seen as strategically positioned to benefit from broader Asian integration (Gurudas Das et al., 2004).

This shift in thinking has resulted in a focus not only on integration with the rest of India but also on strengthening ties with East and Southeast Asia. The Indian government has included the region in its "Look East" policy, and in 2001, the Ministry of Development of North Eastern Region (MDONER) was created to coordinate socio-economic development across the eight Northeastern states: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, and Sikkim.

MDONER acts as a vital link between the central government and the states, addressing infrastructure bottlenecks, improving services, encouraging private investment, and promoting long-term peace and security. Key initiatives include the Non-Lapsable Central Pool of Resources (NLCPR), the North Eastern Council (NEC), collaborations with central ministries and state governments, capacity building, international partnerships, and entrepreneurship promotion (Indad Hussain et al., 2005). The NEC, North Eastern Development Finance Corporation Ltd. (NEDFi), North Eastern Regional Agricultural Marketing Corporation (NERAMAC), Sikkim Mining Corporation (SMC), and the North Eastern Handlooms and Handicrafts Development Corporation (NEHHDC) are among the associated bodies.

Since the Eighth Five-Year Plan, the central government has focused on accelerating the region's development (J.P. Singh et al., 1998). A major initiative launched in October 1996, "New Initiatives for the North Eastern Region," aimed to improve the region's development through policy reforms, area-specific projects, and sectoral development (C. Khonglah et al., 2008). Additionally, a policy was introduced mandating that at least 10% of the plan budgets from all central ministries and departments be allocated to Northeast India.

Despite these efforts, the region remains significantly underdeveloped, facing persistent challenges such as difficult geography, poor infrastructure, and political instability. The region's hilly terrain makes it difficult to establish strong transport and communication networks, limiting trade, economic activities, and connectivity both within Northeast India and with the rest of India. The lack of attention from the central government in the past, along with internal conflicts and ethnic tensions, has slowed development. Though initiatives like the Look East Policy and MDONER's establishment aim to promote growth, their impact has been limited due to ineffective implementation, inadequate funding, and poor coordination between the central and state governments. As a result, the region continues to lag in key development indicators, including education, healthcare, infrastructure, and industrial growth, exacerbating its socio-economic challenges.

18.6 Concerns and Challenges: Hindering Development in the Northeast Region

1. Geographical and Connectivity Barriers:

- Rugged terrain and heavy monsoons make infrastructure development challenging.
- Limited rail and road networks restrict trade and mobility.

2. Political and Ethnic Tensions:

- Insurgency and ethnic conflicts have historically disrupted stability.
- Demand for autonomy and special status leads to governance challenges.
- Naga and Mizo separatist movements were prominent until the 1980s.
- ULFA and NDFB in Assam have called for autonomy and sovereignty.
- Infiltration from Bangladesh resulted in large-scale protests, leading to the Assam Accord of 1985.

3. Economic Underdevelopment:

- The region contributes only 2.8% to India's GDP, with Assam as the primary contributor.
- Limited industrialization and reliance on agriculture slow economic growth.

4. Environmental Issues:

- Deforestation, floods, and landslides affect agriculture and infrastructure.
- Climate change threatens biodiversity and traditional livelihoods.

5. Policy and Governance Challenges:

- Delayed implementation of key policies like the Inner Line Permit (ILP) in Meghalaya.
- Need for better coordination between central and state governments.

18.7 North East Region: Policy Initiatives for the Integration and Holistic Development

Northeast India, due to its unique geographical and socio-political challenges, has historically lagged in terms of development. However, in recent years, several government initiatives have been introduced to bridge the developmental gap. These initiatives focus on improving infrastructure, enhancing connectivity, boosting tourism, and promoting sustainable economic activities. Below are some key initiatives aimed at the growth and progress of the region.

1. Infrastructure Initiatives:

- **Bharatmala Pariyojana:**

Bharatmala Pariyojana is a national highways development project launched by the Government of India to improve the road connectivity across the country. Under this initiative, the focus is on enhancing the road infrastructure in remote and strategically significant regions like Northeast India. By improving national highways, this project aims to connect the northeastern states to other parts of India, easing the movement of goods and people. The development of road infrastructure also plays a crucial role in fostering economic activities, providing better access to markets, and improving overall accessibility.

- **Regional Connectivity Scheme (RCS)-UDAN:**

The UDAN (Ude Desh ka Aam Naagrik) scheme under the RCS initiative is aimed at improving air connectivity to underserved regions, including the Northeastern states of India. The primary goal of this initiative is to make air travel affordable and accessible to a larger population. It promotes regional connectivity, stimulates tourism, and enhances trade by making it easier for people and goods to travel between the northeastern states and the rest of India. With increased air connectivity,

the region is expected to witness economic growth, improved tourism, and better integration with the national economy.

2. Connectivity Enhancements:

- **Kaladan Multi-Modal Transit Project:**

The Kaladan Multi-Modal Transit Project is a key initiative to connect Northeast India with Myanmar's Sittwe Port. This project will facilitate the transportation of goods via sea, road, and river routes, creating a seamless flow of trade between the northeastern region and Southeast Asia. The Kaladan Project is not only a trade route enhancement but also a strategic geopolitical initiative, reinforcing India's ties with its neighboring countries. The completion of this project will significantly enhance the region's access to global markets, boost trade, and foster economic cooperation between India, Myanmar, and beyond.

- **India-Myanmar-Thailand Trilateral Highway:**

The India-Myanmar-Thailand Trilateral Highway is another critical project aimed at enhancing road connectivity between India, Myanmar, and Thailand. This highway will link Northeast India with Southeast Asia, opening new avenues for trade, economic collaboration, and cultural exchange. The improved connectivity will support the movement of goods, people, and services across the borders, thus benefiting the northeastern states by promoting regional integration with the broader Asian economy. It will also foster closer diplomatic ties between the countries involved and help boost the region's economic profile.

3. Tourism Development Initiatives:

- **Swadesh Darshan Scheme:**

Tourism is an important sector for Northeast India, with its rich cultural heritage, diverse ethnic groups, and scenic landscapes. The Swadesh Darshan Scheme is designed to promote integrated development of tourism infrastructure in theme-based circuits, including popular destinations in Northeast India. This initiative aims to develop tourism routes that focus on showcasing the unique natural beauty, cultural diversity, and heritage of the northeastern states. The development of world-class infrastructure under the

Swadesh Darshan Scheme will attract domestic and international tourists, create new employment opportunities, and boost the local economy.

4. Other Key Initiatives:

- **Digital North East Vision 2022:**

The Digital North East Vision 2022 is an ambitious initiative aimed at digitally empowering Northeast India. This project focuses on improving internet connectivity, providing access to digital services, and fostering innovation and entrepreneurship in the region. By improving digital infrastructure and internet penetration, the initiative aims to enhance educational opportunities, increase government service accessibility, and foster the growth of e-commerce and digital startups in the region. The vision of a digitally connected Northeast will not only help bridge the urban-rural divide but also open new avenues for the region's growth in the 21st century.

- **National Bamboo Mission:**

Northeast India is home to a significant portion of India's bamboo resources, which are an essential part of the region's culture and economy. The National Bamboo Mission is a government initiative aimed at promoting bamboo cultivation, processing, and utilization in the region. Bamboo is a versatile resource that can be used for various purposes such as construction, handicrafts, furniture, and paper products. The mission focuses on enhancing livelihoods and economic growth in the region by improving the bamboo value chain, promoting sustainable cultivation practices, and creating market linkages. By tapping into the potential of bamboo, the region can create sustainable livelihoods for local communities and contribute to environmental conservation.

India's current neighbourhood policy has often lacked a cohesive strategy that aligns national interests with the unique concerns of its border regions, such as Northeast India. The traditional security-driven approach has hindered the formation of cooperative ties with neighbouring countries. A more meaningful and sustained engagement with these nations could have addressed several challenges faced by the Northeast. However, the introduction of the **Act East Policy** marks a shift with significant potential. By fostering deeper relationships with eastern neighbours, this policy could make India's neighbourhood strategy more

inclusive and responsive to the developmental needs of the Northeast. For the policy to yield tangible benefits, it is essential that the Northeast itself takes a lead role in shaping its developmental trajectory. A relevant example can be found in China's Yunnan province, which, despite being landlocked, was empowered to engage diplomatically and economically with its surrounding countries, bringing prosperity to the region. A similar model of **sub-national diplomacy** would be particularly suitable for the Northeast, given its historical and cultural ties with neighbouring nations.

This approach is reflected in initiatives like the **Agartala Doctrine** introduced by the Government of Tripura, which highlights the state's longstanding role in India–Bangladesh relations. Consequently, India's neighbourhood policy should be reoriented to prioritize the Northeast's integration with Bangladesh and Southeast Asia. This must be done with respect for local ethnic identities, ensuring that development efforts are people-centric and inclusive, and that local communities are actively involved in policy-making processes. As such the Government of India has consistently demonstrated its commitment to the holistic development of the North Eastern Region through a range of targeted initiatives, enhanced connectivity projects, and sustained policy focus, thereby fostering greater integration and inclusive growth in the region therefore aiming extensively towards balanced regional development.

Check Your Progress

Based on your understanding of the previous section, answer these questions in your own words:

Q1. Define balanced regional development as an important aspect of Planning in India?

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Q2. Explain the role of the government in addressing regional imbalances in India?

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Q3. Mention two key challenges faced by the North East Region in achieving development?

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18.8 Let us sum up

The North East Region holds immense potential for contributing to India's overall growth through its rich natural resources, strategic location, and vibrant cultural heritage. However, persistent regional imbalances and infrastructural constraints have hindered its full integration into the national mainstream. Achieving balanced regional development in the NER is not only essential for reducing disparities but also for fostering social cohesion, national security, and inclusive growth. Targeted investments in connectivity, education, health, and sustainable industries, along with sensitive policymaking that respects the region's unique identity, are key to unlocking its development. A focused and inclusive approach will ensure that the NER progresses on par with other regions, making India's growth more equitable and holistic.

18.9 Keywords

- **Balanced Regional Development**

Equitable distribution of economic growth and development across all regions to reduce disparities and promote uniform progress.

- **North East Region (NER)**

A region in India comprising eight states—Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, and Sikkim—known for its ethnic diversity, natural resources, and strategic location.

- **Regional Disparities**

Uneven levels of development and economic opportunity across different regions, often resulting in socio-economic imbalances.

- **Inclusive Growth**

Economic growth that ensures benefits are shared across all sections of society and regions, leaving no group or area behind.

- **Special Category Status**

A classification used by the Indian government to provide financial and administrative support to underdeveloped states, including most of the NER states.

- **Infrastructure Deficit**

A lack of basic physical and organizational facilities (like roads, power, and communication) that hampers economic growth, especially in remote areas like the NER.

- **Act East Policy**

India's diplomatic initiative to strengthen economic and strategic ties with Southeast Asian countries, positioning the NER as a gateway to these nations.

- **Backward Region Grant Fund (BRGF)**

A government scheme aimed at bridging regional development gaps by providing financial resources to underdeveloped districts.

- **Sustainable Development**

Development that meets present needs without compromising the ability of future generations to meet theirs, particularly crucial in ecologically sensitive regions like the NER.

18.10 Suggested Readings

- Puri, V. K., Misra, S. K., & Garg, B. (2023). *Indian Economy* (41st ed.). Himalaya Publishing House.
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- Patgiri, R., & Hazarika, O. B. (2016). Locating Northeast in India's Neighbourhood Policy. *India Quarterly*, 72(3), 235–249. <https://doi.org/10.1187/0974928416657962>

18.11 Hints to Check Your Progress

CYP-I

Q1. Refer to section 18.4

Q2. Refer to section 18.7

Q3. Refer to section 18.5

18.12 Examination Oriented Questions

Q1. Critically examine the challenges and opportunities for balanced regional development in the North East Region.

Q2. Analyse the role of central government policies in promoting inclusive growth in the NER.

Q3. Explain how balanced regional development can contribute to sustainable and equitable national growth, with reference to the North East Region.

Q4. Evaluate the effectiveness of major schemes and institutions in promoting regional development in the NER.

Q5. "Since gaining independence, North East India has long yearned for meaningful care and attention to address its deep-rooted issues. Elaborate.

Q6 Briefly explain the development initiatives taken by the government for the North East Region.

M.A. Eco. Sem 2

Economic Reforms

Unit IV

Eco 207

India's Path to Economic Transformation

Lesson 19

Structure

19.0 Objectives

19.1 Learning Outcomes

19.2 Introduction

19.3 Economic Crisis in the Early 1990s

19.4 Rationale of Economic Reforms

19.5 Key Features of Economic Reforms

19.6 Economic Reforms in India

19.6.1 Liberalisation

19.6.2 Privatisation

19.6.3 Globalisation

19.7 An Appraisal of Economic Reforms

19.8 Let us sum up

19.9 Keywords

19.10 Suggested readings

19.11 Hints to Check Your Progress

19.12 Examination oriented questions

19.0 Objectives

The main objectives of this lesson are to enable you to:

- The reasons for economic crisis in the early 1990s
- Macroeconomic stabilisation measures introduced in the post-reform period
- Measures introduced for structural reforms in the economy
- An appraisal of economic reforms.

19.1 Learning Outcomes

After going through the lesson, you will be able to:

- After going through this lesson, you will be able to:
 - Factors that led to the economic downturn in the early 1990s
 - Policies implemented to stabilise the economy after the introduction of reforms
 - Steps taken to restructure and modernise the economic framework
- An evaluation of the impact and effectiveness of the economic reforms

19.2 Introduction

Dear learner, after going through this lesson, you will gain a comprehensive understanding of the nature, scope, and impact of economic reforms in India. The lesson outlines how the 1991 reforms initiated a paradigm shift from a regulated and protectionist framework to a liberalized and globally integrated economy. You will learn about the key components of reforms—liberalization, privatization, and globalization (LPG)—and their influence on macroeconomic stability, fiscal management, and external sector growth. The text also evaluates the socio-economic outcomes of these reforms, including their effects on employment, poverty, and inequality. Overall, this lesson equips you with the analytical tools to assess India's economic transformation in the post-reform era.

19.3 ECONOMIC CRISIS IN THE EARLY 1990s

The economic crisis that India faced in 1991 did not emerge suddenly, but was the result of poor macroeconomic management during the 1980s, which led to significant imbalances. The government's fiscal deficit widened due to a growing gap between its revenue and expenditure, forcing it to borrow domestically. At the same time, the economy's increasing income-expenditure gap resulted in large current account deficits, which were financed by foreign borrowing. According to Deepak Nayyar, these imbalances were closely linked due to imprudent economic management. During the 1980s, this link was not adequately recognized, and the economy's reckless borrowing and spending habits pushed it toward a deep crisis. The Gulf crisis in the late 1980s exacerbated these macroeconomic problems, along with political instability, eroding international confidence in India's economy. As a result, India's credit rating in the international capital markets declined sharply. It is crucial to understand that these issues had been building up for years and had weakened the economy's ability to absorb internal and external shocks. In the 1970s, the Indian economy had been robust enough to endure even major oil price shocks, but by 1990, it was too fragile to cope with even a minor one, triggering a macroeconomic crisis. The crisis was reflected in three main areas: an unsustainable fiscal deficit, an unsustainable current account deficit, and rising inflation.

The Fiscal Imbalance

The fiscal crisis that India faced in 1990 was not an isolated or sudden event; it was a consequence of the macroeconomic mismanagement that had been accumulating throughout the 1980s. During this period, the fiscal situation of the country progressively worsened due to the growing burden of non-developmental expenditure. The government's fiscal deficit, which is the difference between its revenue and expenditure, expanded significantly, reaching 7.8% of GDP by 1990-91, up from 5.1% in 1981-82. This widening fiscal deficit had to be

financed by increasing borrowings, leading to a rapid accumulation of internal debt. In fact, by the end of 1990-91, the internal debt of the central government had increased to 49.7% of GDP from 33.3% in 1980-81.

This rising debt burden had a profound impact on the government's finances, especially when it came to servicing this debt. The cost of servicing this debt—i.e., the interest payments—rose sharply during this period. Interest payments, which constituted 2% of GDP and 10% of total government expenditure in 1980-81, increased to 3.8% of GDP and 22% of total expenditure by 1990-91. This was a clear indicator of how much of the government's financial resources were being consumed by debt servicing.

The situation became even more alarming when we looked at the proportion of the government's total revenue being spent on paying interest. By 1990-91, interest payments accounted for a staggering 39.1% of the total revenue collected by the central government. This meant that almost 40% of the revenue generated by the government was being diverted towards paying off debt, leaving very little for other essential functions like development, welfare, or investment.

This excessive reliance on borrowing to finance the fiscal deficit and the unchecked growth in non-plan revenue expenditure created a dangerous situation. The increasing interest burden and rising debt levels put the economy at risk of falling into a debt trap, where the government would be forced to borrow more just to pay the interest on existing debt. This was unsustainable in the long term and posed a significant threat to the country's fiscal health. Therefore, it became clear that the government could no longer continue with this policy of borrowing excessively to cover fiscal deficits, especially considering that much of the expenditure was non-productive and not contributing to the long-term growth of the economy. This situation ultimately contributed to the fiscal crisis that required urgent corrective measures, which led to the economic reforms of 1991.

Fragile Balance of Payments Situation

By 1991, India's balance of payments situation had become highly unstable, but this outcome was foreseeable. CAD, which stood at \$2.1 billion (1.35% of GDP) in 1980-81, increased significantly to \$9.7 billion (3.69% of GDP) by 1990-91. To cover these increasing deficits, India became heavily reliant on foreign borrowing, causing external debt to grow from 12% of GDP at the end of 1980-81 to 23% of GDP by 1990-91. As a result, the debt service burden also grew, with payments increasing from 10% of current account receipts and 15% of export earnings in 1980-81, to 22% of current account receipts and 30% of export earnings in 1990-91. These escalating pressures, which had been building throughout the

1980s, reached a critical point in 1991, exacerbated by the Gulf crisis. By mid-January and again in late June 1991, India's foreign exchange reserves had fallen to dangerously low levels, insufficient to cover even ten days' worth of imports, signaling a potential financial disaster.

Mounting Inflationary Pressures

The price situation in the second half of the 1980s did not seem alarming, as the average inflation rate was 6.7% per year, based on the wholesale price index. However, inflation surged to 10.3% in 1990-91, and when measured by the consumer price index, it reached 11.2%, which raised significant concerns. The most troubling aspect of this inflation was that food prices rose sharply, despite the country experiencing three consecutive good monsoons. According to Deepak Nayyar, these inflationary pressures did not emerge suddenly. The buildup of inflation was largely due to large fiscal deficits, which led to the monetization of budget deficits and excessive growth of the money supply. This liquidity surplus, combined with imbalances in supply and demand, was bound to drive inflation.

19.4 RATIONALE ECONOMIC REFORMS

India's economy was subject to stringent regulation during the first four decades of economic planning (1950–1990). The central goals of the five-year plans were focused on advancing public sector dominance, fostering heavy and basic industries, pursuing self-reliance, and adopting import substitution strategies. The government also embraced nationalization and a state-interventionist economic model. This approach enabled the establishment of key public sector enterprises such as the Steel Authority of India (SAIL), Oil and Natural Gas Corporation (ONGC), Indian Oil Corporation (IOC), and Bharat Heavy Electricals Limited (BHEL), among others. These public enterprises played a crucial role in developing India's industrial infrastructure.

However, this strategy came with significant challenges. It restricted the growth of the private sector, limited entrepreneurial ventures, and led to an overburdened bureaucracy, which in turn fueled corruption. The inefficiencies of many public sector enterprises, along with a deteriorating trade balance, exacerbated the financial instability. By the late 1980s and early 1990s, India faced an economic and financial crisis, which became particularly evident with a severe balance of payments problem. The country was forced to borrow foreign exchange from the International Monetary Fund (IMF), agreeing to comply with its conditionalities. These included stabilization and structural adjustment programs, which called for reducing trade barriers, revising fiscal and monetary policies, actively involving the market in economic activities, and integrating the Indian economy with the global economy.

As a result of these mounting pressures, India embarked on a path of economic reforms in 1991, marking a shift toward liberalization, privatization, and globalization, collectively referred to as the LPG (Liberalization, Privatization, and Globalization) strategy. These reforms were designed to dismantle the extensive regulatory framework that had previously constrained economic growth, liberalize trade and markets, and encourage private sector participation and foreign investment. The reforms sought to integrate India into the global economy, reduce government control over key sectors, and foster a more competitive and efficient economic environment.

19.5 KEY FEATURES OF ECONOMIC REFORMS

The New Economic Policy (NEP), which formed the backbone of India's economic reforms, embodied the principles of neo-liberalism. The foundation of these reforms was laid out through the Industrial Policy announced by the Government in 1991, encapsulated by the phrase "continuity with change." The core objectives of the policy can be summarized as follows: a) to free the Indian industrial sector from cumbersome bureaucratic controls; b) to promote liberalization aimed at integrating the Indian economy with global markets; c) to relax restrictions on foreign direct investment (FDI) and ease the limitations imposed by the Monopolies and Restrictive Trade Practices (MRTP) Act on domestic entrepreneurs; and d) to reduce the dominance of public sector enterprises, thereby fostering competition from emerging private sector players.

19.6 ECONOMIC REFORMS IN INDIA

The economic reforms in India are widely acknowledged to have been initiated in 1991 under Prime Minister P.V. Narasimha Rao's government, with Finance Minister Manmohan Singh playing a central role in implementing liberalizing measures. These reforms are often regarded as a watershed moment in India's economic history. However, economist Arvind Panagariya argues that the seeds of these reforms were planted earlier, during the second half of the 1980s, under Prime Minister Rajiv Gandhi's leadership. Panagariya refers to a 1987 lecture by I.G. Patel, where he described the reforms introduced by Rajiv Gandhi as part of the 'New Economic Policy,' which pushed the Indian economy toward greater competition, both domestically and internationally. Panagariya points to the Industrial Policy Statement of 1990, which marked a clear shift towards large-scale industrial liberalization, as evidence that both internal and external liberalization had already gained significant political acceptance before the balance of payments crisis of 1991.

Despite these earlier shifts, Panagariya acknowledges that the reforms of 1991-92 were far more radical than the piecemeal changes of the preceding years. The 1991 reforms represented a complete departure from the old framework of investment, import licensing, and price controls, moving towards market-driven mechanisms. Although there was still political hesitation to fully embrace these reforms due to fears of backlash, the 1991 measures were a bold step towards liberalization, signaling a clear break from previous policies.

Thus, most studies on Indian economic history treat the formal initiation of economic reforms as occurring in 1991. The reforms during this period consisted of two main components: **macroeconomic stabilization** and **structural reforms**. The goal of stabilization was to manage demand within the economy, while structural reforms focused on adjusting supply-side elements to address long-standing economic issues.

The New Economic Policy (NEP) that emerged in 1991 had three broad goals: **liberalization**, which aimed at removing restrictions on businesses and industries; **globalization**, which sought to integrate India's economy with the world by reducing trade barriers and encouraging foreign investment; and **privatization**, which focused on reducing the dominance of public sector enterprises and fostering a competitive private sector. Together, these measures were designed to transform India's economy by shifting from a state-controlled, inward-looking model to a more open and market-driven approach.

19.6.1 LIBERALISATION

The primary goal of liberalization in India, under the 1991 economic reforms, was to dismantle the restrictive regulatory framework that had stifled entrepreneurship and growth. Prior to these reforms, India operated under a system often referred to as the "licence-permit raj," where businesses faced excessive bureaucratic hurdles, requiring permission from government officials (referred to as "Babudom") to start and operate enterprises. The liberalization aimed to free entrepreneurs from this cumbersome process and allow for greater freedom to engage in business activities.

A significant constraint on big business was the Monopolies and Restrictive Trade Practices (MRTP) Act, which imposed a ceiling on the size of business houses. The limit for asset ownership under this Act was Rs. 100 crores, meaning that any company with assets exceeding this amount was restricted from expanding or even establishing new projects, as applications would be scrutinized and often rejected by the MRTP Commission. However, due to rising prices and inflation, this limit had become outdated and was considered a barrier

to business growth, especially for industries requiring large-scale investments in infrastructure, heavy industries, and other capital-intensive sectors. The private sector lobbied for the removal of this restriction, arguing that the limits hindered the growth of large industrial houses and their ability to invest in core sectors. The government, recognizing the issue, abolished the MRTP limit to encourage large private investments in these crucial sectors.

The broader aim of liberalization was to reduce bureaucratic control over the private sector, particularly large corporate entities. This effort began by dismantling industrial licensing and controls. The industrial policy of 1991 abolished licensing for all new projects, except for a limited set of 18 industries considered sensitive. However, this list was gradually reduced, and in April 1993, three more industries—motor cars, white goods (like refrigerators, washing machines, and air conditioners), and raw hides and skins—were removed from the compulsory licensing list. The rationale behind this was to meet the growing demand of India's large middle class, which ranged from 250 to 300 million people. Goods like cars and white goods were no longer viewed as luxury items but essential domestic products aimed at improving quality of life. By liberalizing the automotive sector, the government encouraged global competition, which led to improved designs, better quality standards, and increased domestic production.

The automotive sector, in particular, benefited significantly from this liberalization. With over 20,000 components required to manufacture a car, many of these components were produced by small-scale industries. As the reforms took hold, the small-scale sector saw a surge in production, and by the end of the decade, these components had penetrated global markets. The liberalization of industries such as the automotive sector contributed to the broader process of globalization, as Indian manufacturers began to compete internationally, enhancing the country's export potential.

Additionally, the abolition of licensing for raw hides, skins, and patent leather was a strategic move to boost exports. The Indian leather industry, which had significant export potential, was freed from licensing restrictions, enabling larger units to scale up operations and adopt modern technologies to meet global standards. This shift aimed at leveraging India's strengths in leather production, including high-quality footwear, to increase its share in the global market.

In essence, the liberalization of the Indian economy in 1991 aimed to reduce state intervention, promote private sector growth, and integrate India more effectively into the global economy, thereby fostering competition, improving product quality, and stimulating exports.

19.6.2 PRIVATISATION:

Privatization refers to the transfer of ownership and control of state-owned enterprises (SOEs) to the private sector. It typically involves a complex process, with multiple contractual frameworks in place, and often involves closely regulated industries. While privatization in its narrow sense involves the complete or partial transfer of ownership from the public sector to private entities, it can also refer to the broader opening up of sectors that were previously reserved for the public sector, encouraging private investment in these areas over time. This gradual shift aims to reduce the public sector's footprint while expanding the private sector's involvement in the economy, particularly in heavy industries and infrastructure.

There are three main forms of privatization: **ownership measures**, **organizational measures**, and **operational measures**. Each of these addresses different aspects of the process.

1. Ownership Measures:

Ownership measures determine the extent to which a public enterprise is privatized, based on the amount of ownership transferred to the private sector. The degree of privatization can take various forms. In total decentralization, the public enterprise is entirely transferred to the private sector, resulting in 100% ownership. A joint venture involves partial ownership transfer, with different variants: a 25% transfer, where the public sector retains majority ownership and control; a 51% transfer, where control shifts to the private sector while the public sector maintains a significant stake; and a 74% transfer, where the private sector takes a dominant share and gains significant influence over the enterprise's operations. Liquidation involves selling the assets of a public enterprise to a private entity, who may use them for the same or different purposes depending on their preferences. Lastly, in a workers' cooperative model, ownership is transferred to the employees, who form a cooperative to manage the enterprise. Workers may take loans to purchase shares and take responsibility for the management and operations of the business.

2. Organizational Measures:

Organizational measures involve reducing state control over the enterprise while maintaining some level of oversight. These measures include:

- **Holding Companies:** A holding company may take on major decision-making roles while giving day-to-day autonomy to its subsidiary enterprises. For instance, large companies like ONGC, SAIL, and BHEL could form holding structures that decentralize decision-making but retain top-level control.
- **Leasing:** The government can lease a public enterprise to a private bidder for a fixed duration, allowing the private entity to operate and manage it. After the lease term, the government evaluates the performance and may choose to renew the lease or transfer it to a different bidder.
- **Restructuring:** Restructuring can be:
 - **Financial Restructuring:** This involves writing off accumulated losses, improving the debt-equity ratio, and rationalizing capital composition to enhance the enterprise's financial health.
 - **Basic Restructuring:** This involves the enterprise shedding certain activities and outsourcing them to smaller units or ancillaries, making the organization more streamlined and focused.

3. Operational Measures:

Operational measures aim to improve the efficiency and productivity of public enterprises by granting them more autonomy and introducing incentive structures. These measures include:

- **Autonomy in Decision-Making:** Public enterprises are given more freedom in making decisions related to operations and strategy without excessive government interference.
- **Incentives:** Providing workers and executives with performance-based incentives that encourage productivity and efficiency.
- **Freedom to Acquire Inputs:** Enterprises are allowed to acquire inputs from markets freely, reducing costs and improving operational efficiency.

- **Investment Planning:** Public enterprises are encouraged to develop proper criteria for investment planning, helping them diversify and expand effectively.
- **Access to Capital Markets:** Enterprises are permitted to raise funds from capital markets, facilitating their expansion and diversification plans.

The overall goal of privatization is to introduce the efficiency and competitiveness of the private sector into public enterprises, improving productivity and reducing state interference in business operations. Through privatization, the private sector gains a more significant role in the economy, and state-owned enterprises become more market-oriented, ultimately aiming for higher economic growth and more efficient resource allocation.

19.6.3 GLOBALISATION:

Globalization is primarily an economic process that involves the increasing integration of national economies through growth in international trade, investment, and capital flows. It also encompasses a rapid rise in cross-border exchanges of social, cultural, and technological elements. The goal of globalization is to align the Indian economy with the global economy, and it is a significant component of the reform agenda. Globalization has four main components: (i) lowering trade barriers to allow the free flow of capital and services across national borders; (ii) creating an environment conducive to the free movement of capital; (iii) fostering the free transfer of technology between nations; and (iv) facilitating the unrestricted movement of labor across countries.

Supporters of globalization, particularly from developed countries, usually define it by three main elements: free trade, capital flows, and technology exchange. They argue that developing countries should adopt this narrower definition and focus their discussions within this framework. However, many economists and social thinkers from developing nations argue that this definition is incomplete. They contend that for true globalization to occur and for the world to function as a global village, unrestricted labor movement must be included as a crucial component. Despite this, labor flows are often deliberately excluded from discussions at international forums, such as the World Trade Organization (WTO).

To further the goals of globalization, several steps have been implemented:

1. **Reduction of Import Duties:** There has been a significant reduction in import duties, aiming to improve the efficiency of the tax system. In 1990, import duties were as high as 300% or more for several goods. By the early 2000s, these were reduced to 35%, with the median tariff rate falling to 25% by 2003-04. The goal was to lower it

further to 15% by 2004-05. Additionally, quantitative restrictions on imports and exports have been progressively removed, with the exchange rate adjusted to eliminate currency over-valuation and promote exports. In 1997, the Commerce Ministry lifted restrictions on 162 items, allowing some to enter as free imports.

2. **Encouraging Foreign Investment:** Under the Industrial Policy of 1991, direct foreign investment of up to 51% equity in high-priority industries was allowed. The government also streamlined the approval process for joint ventures, allowing up to 74% foreign equity in certain sectors. This was designed to facilitate foreign investment, especially in key industries like oil, gas, solar energy, and infrastructure.
3. **Promoting Foreign Technology Agreements:** The 1991 Industrial Policy included provisions to encourage foreign technology agreements. Automatic approval was allowed for agreements in high-priority sectors with payment limits of up to Rs. 1 crore, 5% royalty on domestic sales, and 8% on exports, valid for 10 years or 7 years from production start. In other sectors, approval was given only if no foreign exchange was needed. No special permission was required for hiring foreign technicians or for testing local technologies abroad.

19.7 AN APPRAISAL OF ECONOMIC REFORMS

1. Enhanced Growth During the Reform Period

The period of economic reforms in India has seen substantial growth. GDP growth, which was 3.4% annually in the 1960s and 1970s, increased to 5.9% in the 1990s and 7.6% in the first decade of the 21st century. Per capita GDP growth also rose significantly, reaching 6.0% annually during the same period. In more recent years, GDP growth was 6.7% in 2017-18 and 6.2% in 2018-19, though it dipped to 3.4% in 2019-20 and sharply declined by 8.7% in 2020-21 due to the impact of COVID-19. Despite challenges like global supply chain issues, geopolitical tensions, and rising crude oil prices, the Indian economy rebounded strongly, growing by 8.5% in 2021-22.

2. Slow Growth in Average Per Capita Expenditure and Real Wages

Dreze and Sen argue that while the period after reform has seen growth in the economy, its benefits have mostly been limited to the middle class, with the poor experiencing negligible improvements in their living conditions. They highlight several issues: first, data shows that the average per capita expenditure in rural areas increased by only 1% per year between 1993-94 and 2009-10, and by 2% in urban areas, with poorer households experiencing even lower growth. Second, real agricultural wages have significantly slowed, with growth dropping from 5% per annum in the 1980s to nearly zero in

the early 2000s, though wages began to rise again after the introduction of MGNREGS in 2006. Third, real wages in sectors beyond agriculture, especially for casual and unskilled workers, have been much slower in India compared to other countries like China. As a result, the share of wages in value-added production has declined. Despite official estimates showing a reduction in rural poverty from about 50% in 1993-94 to 26% in 2011-12, Dreze and Sen suggest that the growth in real per capita expenditure has been too low to support these claims, citing the unreliability of poverty estimates and the 'density fact,' where people just below the poverty line are lifted by small increases in income.

3. Jobless growth. The period of economic reforms has led to the phenomenon of "jobless growth," where the growth rate has risen, but job creation has not kept pace. Furthermore, the quality of existing jobs has declined, with a growing proportion of workers in the informal sector. Interestingly, this trend has also been observed in the organized sector, where job quality is typically better. In the past decade alone, the share of contract workers without social security in the organized industrial sector has increased from 19% to 32%. This raises the question: if those contributing to growth are not benefiting, who is?

4. Inequalities.

The period of economic reforms has been marked by rising income inequalities. According to the World Development Indicators 2017, in 2011, the lowest 10% of households accounted for only 3.6% of India's total household expenditure, while the top 10% held a significantly larger share of 29.8%. Inequality has worsened in recent years. Oxfam's 2020 Billionaires Report reveals that India's wealthiest 1% possess more than four times the wealth of the 953 million people in the bottom 70%. The World Inequality Report 2022 highlights extreme income disparities, with the top 10% and top 1% owning 57% and 22% of national income, respectively, while the bottom 50% holds only 13%. Wealth distribution is similarly skewed, with the bottom 50% owning just 6%, the middle class holding 29.5%, and the top 10% controlling 65% of the total wealth.

4. Poor living conditions in major States.

Dreze and Sen's book highlights that seven major Indian States, which together accounted for about half of India's population in 2011 (545 million people), have consistently faced poor social indicators and high levels of poverty. For example, less than half of children aged 8-11 can pass a basic reading test in many of these states, only 23% of young children in Uttar Pradesh are fully immunized, and more than half of Bihar's population lives below the poverty line. Comparatively, some of these states' conditions are like those of the poorest

countries in Africa, as indicated by the Multidimensional Poverty Index (MPI). When combined, these states have poverty levels comparable to the 27 poorest African countries, suggesting that the living conditions in the poorer half of India are not much better, if at all, than in the poorest parts of Africa.

6. Neglect of education and healthcare. The economic reforms in India primarily focused on macroeconomic stabilization and structural changes, while neglecting critical sectors like education and healthcare, which are not attractive to the private sector. Amartya Sen emphasized that market-driven approaches are inadequate for sectors like healthcare and basic education. The government's failure in these areas is evident, as shown by the 2017 Annual Status of Education Report (ASER), which revealed no improvement or a decline in learning quality between 2005 and 2016. The situation worsened with the pandemic, leading to a "digital divide" in education. A 2022 assessment showed a decline in reading and math skills among children, with a significant drop in performance post-COVID-19. Public expenditure on health in India remains alarmingly low at just 3% of GDP, with less than one-third of total health expenditure coming from the government, which is among the lowest globally.

7. Sustainability of growth.

Though Montek Singh Ahluwalia strongly advocates for rapid economic growth, he raises concerns about its long-term sustainability due to the environmental stress it causes. Key issues include: (i) deforestation due to excessive tree cutting, (ii) contamination of water bodies from untreated sewage, industrial waste, and agricultural runoff, (iii) urban air pollution from fossil fuel use, open burning of waste and crop residues, and unregulated construction, (iv) severe traffic congestion caused by poor transport infrastructure and lack of efficient public transport, (v) soil degradation and increased salinity due to over-irrigation and fertilizer use, (vi) the growing problem of solid waste in cities with inadequate and unscientific disposal methods.

Among these, only climate change is a global issue; the rest are local challenges that can be addressed through effective policy and action. Yet, insufficient progress has been made, and indicators such as forest cover, water, and air quality continue to worsen, underscoring the urgent need for proactive environmental management.

Check Your Progress

Based on your understanding of the previous section, answer these questions in your own words:

Q1. What was the primary objective of liberalisation under the New Economic Reforms of 1991?

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Q2. Discuss the rationale behind the introduction of economic reforms in India in 1991?

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Q3. What were the main objectives of the economic reforms introduced in India in 1991?

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19.8 Let us sum up:

The New Economic Reforms in India, introduced in 1991, aimed to overcome a severe economic crisis. Focusing on liberalisation by reducing government control over the economy. The government relied on Privatisation was promoted by limiting the role of the public sector and encouraging private investment and Globalisation opened up the Indian economy to foreign trade and investment. These reforms aimed to boost growth, efficiency, and integration with the global economy.

19.9 Keywords

- **Liberalisation** – The process of reducing government restrictions and controls in the economy to encourage private sector participation and competition.
- **Privatisation** – The transfer of ownership or management of public sector enterprises to private individuals or companies.
- **Globalisation** – The integration of the domestic economy with the global economy through increased trade, investment, and technology exchange.

- **Disinvestment** – The process of selling or liquidating government-owned assets or shares in public sector enterprises.
- **Foreign Direct Investment (FDI)** – Investment made by a foreign entity directly into the productive capacity of another country.
- **Structural Adjustment Programme (SAP)** – Economic policies often recommended by the IMF and World Bank to promote market efficiency and reduce fiscal imbalances.
- **Fiscal Deficit** – The shortfall between the government's total revenue and total expenditure, excluding borrowings.
- **Trade Liberalisation** – The removal or reduction of trade barriers such as tariffs, quotas, and licensing restrictions to promote free trade.
- **Monetary Policy** – The process by which a central bank manages the money supply and interest rates to control inflation and stabilize the economy.
- **Public Sector Undertakings (PSUs)** – Government-owned corporations or enterprises that play a major role in economic development.

19.10 Suggested readings

- Misra, S. K., & Puri, V. K. (2023). *Indian economy* (41st ed.). Himalaya Publishing House.
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- Jha, R. (1997). *Economic Reforms in India: The Role of the State and Private Sector*. Economic and Political Weekly.
- Ahluwalia, I. J. (2002). *Economic Reforms in India: A Critique*. Economic and Political Weekly.
- Bhagwati, J. (2004). *In Defense of Globalization*. Oxford University Press
- Ahluwalia, M. S. (2018). *India's economic reforms: Achievements and next steps*. *Asian Economic Policy Review*, 14(1), 1–17. <https://doi.org/10.1111/aepr.12239>

19.11 Hints to check your progress

CYP-I

Q1. Refer to section 19.6.1

Q2. Refer to section 19.4

Q3. Refer to section 19.5

19.12 Examination oriented questions

Q1. Explain the major components of the New Economic Reforms introduced in India in 1991. How did they aim to transform the Indian economy?

Q2. Discuss the causes that led to the introduction of economic reforms in India in the early 1990s.

Q3. Evaluate the impact of liberalisation, privatisation, and globalisation on the Indian economy.

Q4. What were the major challenges faced by India before 1991, and how did the New Economic Reforms address them?

Q5. Critically examine the effects of economic reforms on different sectors of the Indian economy such as agriculture, industry, and services.

Q6. Discuss how economic reforms have influenced employment, poverty, and income distribution in India.

Q7. To what extent have the economic reforms succeeded in achieving their objectives?

Provide arguments with examples.

Structure

20.0 Objectives

20.1 Learning Outcomes

20.2 Introduction

20.3 Economic Reforms in India: A Transformation Journey

20.4 Macroeconomic Stabilisation

20.4.1 Monetary reforms

20.4.2 Fiscal Adjustment

20.4.3 External Sector Reforms

20.5 Structural Reforms

20.5.1 Trade and Capital Flows Reforms

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20.5.4 Financial Sector Reforms

20.6 Let us sum up

20.7 Keywords

20.8 Suggested readings

20.9 Hints to check your progress

20.10 Examination oriented questions

20.0 Objectives

The main Objectives of this lesson are to enable you to:

- Describe about the economic reforms in India
- Focus on the macroeconomic stabilisation policies adopted
- Gain knowledge on the Fiscal as well as monetary adjustments under New Economic Reforms
- Understand about the External sector reforms under the New Economic Reforms

20.1 Learning Outcomes

After going through the lesson, you will be able to:

- Have knowledge about the advent of New Economic Reforms in India
- Acquire knowledge on the macroeconomic policies that the government adopted
- Have a quick understanding of the various fiscal, monetary as well as external sectors reforms

20.2 Introduction

Dear learner, after going through this lesson, you will develop a clear understanding of the evolution and impact of economic reforms in India since 1991. The lesson traces the journey from a crisis-ridden economy to one of the fastest-growing in the world, focusing on both macroeconomic stabilization and structural adjustments. You will learn how reforms in monetary, fiscal, and external sectors helped restore stability and build investor confidence. Furthermore, it explores structural reforms in trade, industry, public enterprises, and the financial sector. This knowledge will enable you to critically assess India's economic transformation in the post-reform era.

20.3 Economic Reforms in India: A Transformation Journey

The economic reform process in India is generally considered to have begun in 1991, under the leadership of Prime Minister P.V. Narasimha Rao and Finance Minister Dr. Manmohan Singh. This era witnessed the implementation of broad measures designed to liberalize the Indian economy, primarily in response to a critical balance of payments crisis. These reforms represented a major shift from India's earlier economic policies, which were dominated by state control and protectionist measures.

However, economist Arvind Panagariya presents an alternative viewpoint. He contends that the foundations of economic reform can be traced back to the latter part of the 1980s, especially during Prime Minister Rajiv Gandhi's tenure.

Panagariya supports his argument by referring to the **Kingsley Martin Memorial Lecture** delivered by economist **I.G. Patel** in 1987 at Cambridge, where Patel praised the economic measures introduced by Rajiv Gandhi as a "New Economic Policy". According to Panagariya, these reforms gradually opened up the Indian economy to both **external and internal competition** by the end of the 1980s.

A key development during this time was the **Industrial Policy Statement of 1990**, which signaled a move towards liberalization of industrial policies. This indicated that the political leadership had begun to accept the necessity of liberalization, even before the

economic crisis of 1991. However, due to electoral uncertainties, policymakers remained cautious and did not openly declare their shift in economic stance.

Panagariya categorizes the **period since 1988** as the beginning of **India's reform era**, although he admits that the reforms introduced in **1991-92** represented a **radical transformation**. Unlike earlier reforms that operated within the framework of investment and import licensing controls, the 1991 reforms **dismantled these frameworks** and aimed to replace them with a **market-based mechanism**. Despite political concerns, the 1991 reforms marked a clear and public **break from the past economic policies**.

The reforms initiated during this time can be broadly divided into **two components**:

1. **Macroeconomic Stabilisation** – Measures aimed at managing the demand side of the economy to control inflation, reduce fiscal deficits, and stabilize the balance of payments.
2. **Structural Reforms** – Long-term sectoral reforms aimed at improving efficiency on the supply side of the economy, including industrial deregulation, trade liberalization, financial sector reforms, and privatization.

20.4 MACROECONOMIC STABILISATION

Macroeconomic Stabilisation, commonly referred to as stabilisation, is the process of moving towards stable and relatively low inflation, and ensuring a stable fiscal position and addressing balance of payments crises. While it is typically used as a response to economic crises, it becomes even more crucial when a country simultaneously undertakes structural reforms. This is because structural reforms, while necessary for long-term economic improvement, can create short-term macroeconomic pressures that may aggravate existing vulnerabilities.

For instance:

- Trade liberalisation can lead to an increase in imports in the short run, thereby widening the balance of payments deficit.
- Financial sector reforms can raise the cost of public borrowing, worsening the fiscal deficit.

Economists Vijay Joshi and I.M.D. Little underscore the interdependence between stabilisation and structural reform. They argue that in the long run, structural reforms actually help reinforce stabilisation efforts. According to them:

- Without reforms, losses from inefficient public sector enterprises would continue to place a heavy burden on the fiscal budget.
- Trade restrictions would limit export growth, thereby weakening the external sector.

- Forced mobilisation of private savings by the government (e.g., through compulsory schemes) would undermine fiscal discipline.

Thus, while stabilisation is critical to support structural reforms in the short term, structural reforms are equally vital to maintain macroeconomic stability in the long term.

The Indian Government's Stabilisation Programme Included Three Core Measures:

1. **Control of Inflation** – Reducing the rate of inflation to restore purchasing power and economic confidence.
2. **Fiscal Correction** – Reducing the fiscal deficit through expenditure control and revenue enhancement.
3. **Improvement in the Balance of Payments** – Addressing the external deficit by promoting exports, reducing imports, and attracting capital inflows.

20.4.1 Monetary Reforms

During the early years of economic reforms in India, controlling inflation emerged as a major challenge. In 1990–91, the inflation rate was over 10% per annum. To address this, the government aimed to implement fiscal and monetary discipline while also improving output and supply. However, achievements on both fronts were modest. In 1991–92, output stagnated at the previous year's level, while money supply rose sharply by 20.6% due to an influx of foreign exchange reserves that were not sterilised. This contributed to a rise in inflation, with the (WPI) increasing by 13.7%. In 1992–93, inflation remained high at 10.1%, and the average inflation during the first three years of reforms was 10.7%, mainly due to large fiscal deficits and increases in administered prices. Some relief was seen in subsequent years, as inflation fell to 8.0% in 1995–96, 4.6% in 1996–97, and 4.4% in 1997–98.

From 2000–01 to 2016–17, inflation showed considerable fluctuations. Years such as 2000–01, 2004–05, 2006–07, 2008–09, 2010–11, 2011–12, 2012–13, and 2013–14 saw relatively high inflation, often above 5.5%, largely driven by rising global fuel prices. For instance, in 2004–05, inflation was 6.5%, falling to 4.5% in 2005–06, then rising to 6.6% in 2006–07 and dropping slightly to 4.7% in 2007–08. Inflation surged again in early 2008, reaching 8.02% in March and peaking at 12.8% by August 2008. However, the global financial crisis led to an economic slowdown in late 2008–09, sharply reducing inflation to just 0.18% in April 2009, although the average for the year still stood at 8.1%. High inflation continued with 9.6% in 2010–11 and 8.9% in 2011–12.

From 2012–13 onwards, inflation data began to be reported using a new WPI series with base year 2011–12. Under this new series, WPI inflation was 6.9% in 2012–13, dropping

to 5.2% in 2013–14 and significantly further to 1.2% in 2014–15. In 2015–16, WPI inflation was negative at –1.7%, and in 2016–17, it remained low at 1.7%.

A major change took place with the Reserve Bank of India (RBI) adopting inflation targeting. The new Consumer Price Index (CPI) (combined) with a base year of 2012 was established as the official measure of headline inflation.

Under this regime, the RBI targeted to bring inflation down to 6% by January 2016, a goal that was successfully met. CPI inflation declined steadily thereafter—4.9% in 2015–16, 4.5% in 2016–17, 3.6% in 2017–18, and 3.4% in 2018–19—reflecting the success of this approach.

However, global challenges resurfaced in 2020–21 due to the COVID-19 pandemic and widespread disruptions in supply chain, pushing inflation up to 6.2%. This was brought under control in 2021–22, with inflation moderating to 5.5%. Overall, while inflation management in India faced several ups and downs, particularly in response to external shocks and fiscal imbalances, the adoption of inflation targeting and improved macroeconomic coordination helped achieve greater price stability in recent years

20.4.2 Fiscal Adjustment

Fiscal adjustment has been a key strategy for the Indian government to address the dual challenges of high and unstable inflation and huge balance of payments deficits. In the early 1970s, the Central government's fiscal deficit was under 4% of GDP, but by 1990–91, it had escalated to 7.8%, mainly due to a sharp deterioration in the revenue account. While there was a revenue surplus in 1970–71, the 1980s saw increasing revenue deficits, which reached 3.3% of GDP by 1990–91. Recognising the unsustainable nature of such deficits, the government launched a fiscal adjustment programme. This initiative initially showed promise, reducing the fiscal deficit to 5.6% in 1991–92 and 5.3% in 1992–93. A medium-term goal was set to reduce the deficit to 3–4% of GDP by the mid-1990s. However, the fiscal position worsened again in 1993–94, pushing the deficit back to 7%. After some improvement in subsequent years, the deficit rose again to 6.5% in 1998–99. With the adoption of the FRBM Act in 2004, the fiscal deficit was successfully brought down to 3.3% in 2006–07 and further to 2.5% in 2007–08.

The global financial crisis in 2008–09 reversed these gains, as the government increased spending and cut taxes to counteract economic slowdown, pushing the deficit to 6% in 2008–09 and 6.5% in 2009–10. The deficit declined gradually in the following years, falling to 3.5% in 2017–18 and 3.4% in 2018–19. However, the COVID-19 pandemic caused a significant fiscal shock, and the deficit rose sharply to 9.4% in 2020–21. It subsequently

decreased to 6.8% in 2021–22 and further to 6.4% in 2022–23. The root cause of fiscal imbalance in India lies in the unchecked rise in public expenditure, which reached 30.3% of GDP in 2021–22—well above the suggested level of 25%. While curbing public spending is essential, it is crucial to protect capital expenditures, especially in infrastructure and social sectors. Thus, reductions must focus on revenue expenditures such as defence, administration, subsidies, and interest payments.

Along with expenditure control, the government has to focus on strengthening revenue mobilisation through a broader and more rational tax system and by tapping non-tax sources. Another untapped source of revenue lies in raising user charges for public services where recovery rates are extremely low—about 35% for central services and just 14% for state services. These unrecovered costs act as implicit subsidies. However, the government has shown reluctance in increasing user charges and has not made substantial efforts to curb consumption or subsidy expenditures. Interest payments also continue to rise, with no significant steps taken to reduce internal debt. Instead of adopting stringent reforms, the government has resorted to softer measures, such as cutting capital expenditure and social services in real terms. These actions, however, are counterproductive, as reduced capital spending undermines investment and growth, while lower social sector spending hampers human development and welfare

20.4.3 External Sector Reforms:

Since the 1991 crisis, India's balance of payments (BoP) position has seen substantial improvement. In March 1991, India's foreign exchange reserves were critically low at just \$2.2 billion. However, by March 2019, these reserves had grown to \$412.9 billion, and further surpassed \$500 billion in June 2020. By October 2021, India's reserves reached \$645 billion, making them the fifth largest globally. Despite a subsequent decline, reserves remained strong at \$593 billion as of May 19, 2023. This accumulation indicates that India transitioned to good BoP position in the post-reform era.

India's Current Account Deficit (CAD), which stood at 3.1% of GDP in 1990–91, dropped significantly to 0.4% in 1991–92 as a result of strict import controls. However, import liberalisation in 1992–93 widened the trade deficit and increased the CAD to 1.7% of GDP. A strong export performance in 1993–94 helped reduce the CAD to 0.4% of GDP. Though the trade deficit increase in 1994–95, improvements in invisibles maintained the CAD at a sustainable 1% of GDP. In 1995–96, the CAD rose to 1.7%, reflecting increased external resource availability. Subsequent years saw a decline in CAD, falling to 1.2% in 1996–97 and further to 0.6% in 2000–01. In 2001–02, India posted a current account surplus

(0.7% of GDP) for the first time in 24 years, followed by surpluses through 2003-04 (2.3% of GDP). However, deficits returned after 2004-05, widening particularly in the after global financial crisis period.

The CAD increased to 2.3% in 2008-09 due to global recession impacts, rising further to 2.8% in 2009-10 and 2.7% in 2010-11. High imports—particularly of petroleum and gold—combined with weak exports led to a sharp rise in trade deficit (10.2% of GDP) and a record CAD of 4.2% in 2011-12, which further increased to 4.8% in 2012-13. Measures like restricting gold imports and encouraging capital inflows helped improve the situation. In 2013-14, CAD narrowed to 1.7% of GDP and with capital inflows of \$47.8 billion, reserves increased by \$15.5 billion. In 2014-15, CAD further narrowed to 1.3% of GDP, and with \$88.3 billion in capital inflows, reserves surged by \$61.4 billion. Falling trade deficits in 2015-16 brought CAD down to 1.1% of GDP, while reserves grew by \$17.9 billion. In 2016-17, CAD was 0.7% of GDP, the lowest since 2007-08, with capital inflows leading to a \$21.5 billion rise in reserves.

The 2017-18 fiscal saw a sharp rise in CAD to \$48.7 billion, but stronger capital inflows led to a substantial \$43.5 billion addition to reserves. In 2018-19, CAD increased to \$57.2 billion, slightly exceeding capital inflows of \$53.9 billion, causing a decline in reserves. In 2019-20, the CAD fell to \$24.7 billion, with capital inflows reaching \$84.1 billion, resulting in a reserve gain of \$59.5 billion. In 2020-21, India posted a rare current account surplus of \$23.9 billion, accompanied by capital inflows of \$63.7 billion. After accounting for minor discrepancies, the year saw a record reserve accumulation of \$87.3 billion. In 2021-22, the CAD widened again to \$38.8 billion, but capital inflows of \$86.3 billion resulted in a net addition of \$47.5 billion to foreign exchange reserves.

Over the past 25+ years, India's trade policy has been shaped by a combination of stabilisation efforts and structural reforms, with a key focus on addressing the persistent trade imbalance. In the early 1980s, exports covered only 52.4% of imports, and although this improved to 66.2% by 1990–91, the gap remained significant, prompting crucial exchange rate reforms. The first major measure was the devaluation of the rupee by 18–19% in July 1991. This was followed in 1992–93 by the introduction of the Liberalised Exchange Rate Management System (LERMS), under which 40% of foreign exchange earnings had to be exchanged at the official rate, while the remaining 60% could be sold at market rates. In 1993–94, the government transitioned to a unified exchange rate system, which continues to this day. This shift helped establish more stable market conditions, with the Reserve Bank of India (RBI) managing the exchange rate through a controlled float system.

The RBI aimed to manage volatility while letting market forces largely determine exchange rates.

This flexible and pragmatic exchange rate policy has provided stability over time. The rupee's average annual exchange rate was ₹47.92/\$ in 2011-12, ₹74.22/\$ in 2020-21, and ₹74.5/\$ in 2021-22. The end-year exchange rate for March 2021 stood at ₹73.14/\$ and ₹75.89/\$ for March 2022. Overall, India's BoP situation has transformed from a crisis-ridden scenario in the early 1990s to a far more stable and resilient position, supported by structural reforms, improved export performance, prudent capital flow management, and an effective exchange rate regime.

20.5 STRUCTURAL REFORMS

Since July 1991, India has undertaken a series of comprehensive liberalisation measures aimed at enhancing trade and capital flows—key steps toward deeper integration of the Indian economy with global markets. These reforms represented a major transition from a highly regulated economic framework to one that promotes market-driven forces and greater private sector involvement.

20.5.1 Trade and Capital Flows Reforms

One of the earliest and most significant actions was the devaluation of the rupee by 18–19% in July 1991. This move was intended to boost the global competitiveness of Indian exports, which had been hampered by an overvalued currency. Although the nominal exchange rate dropped significantly, the higher inflation rate in India compared to advanced economies meant that the real effective exchange rate declined less sharply. Nevertheless, the devaluation played a crucial role in making Indian exports more price-competitive internationally.

Along with this, the **convertibility of the rupee** was gradually introduced, starting first with trade account transactions and then extending to all current account transactions. This move facilitated greater flexibility and encouraged foreign participation in the Indian economy.

The government also took bold steps to liberalise the **foreign trade regime**. It dismantled many physical controls over imports, simplifying the import procedures. Many items were moved out of the import licensing system, which had previously placed heavy restrictions on foreign goods entering India. To further facilitate trade, the **tariffs** were substantially reduced. The peak import duty rate, which had been over 300% in the early 1990s, was slashed to 150% in the 1991-92 budget. In subsequent years, the tariff structure was gradually liberalised, reducing the peak rate first to 65% (1995-96), then to 40% (1997-98), and ultimately to 10% by 2007-08. Alongside this, efforts were made to **rationalise import**

duties, particularly in industries such as electronics, steel, leather, and telecommunications, with the aim of reducing the price disparity between domestically produced and internationally traded goods.

An essential element of trade liberalisation was the **decanalisation** of exports and imports, which had previously been funneled through public sector agencies. Over the years, many goods were moved outside the purview of these agencies, allowing private enterprises to engage in international trade directly. This decanalisation was a critical step in opening up the external sector to the private sector, fostering competition, and driving growth.

In terms of **export promotion**, the Indian government introduced a variety of initiatives to stimulate export activities. These SEZs were designed to provide world-class infrastructure, fiscal incentives, and a business-friendly environment to attract foreign investment and promote export-oriented industries. Additionally, an **exporters' grievance cell** was set up to address the issues faced by exporters, ensuring smoother trade processes and providing greater access to the global market.

The government also eased restrictions on capital flows by reforming its Foreign Direct Investment (FDI) policy. Foreign companies were allowed to use their trademarks in India, take on roles as technical or managerial advisors, raise funds from the Indian public, and repatriate their profits. These changes not only encouraged the expansion of foreign businesses in India but also played a crucial role in modernising the Indian economy through the transfer of technology and managerial know-how.

Together with trade liberalisation, industrial deregulation, reforms in public enterprises, and financial sector changes, these steps marked a fundamental shift in India's approach to economic policy. As Montek Singh Ahluwalia observed, these structural reforms broke away from earlier policies that viewed the private sector and market forces with skepticism. Instead, they promoted a greater role for the private sector, leading to increased competition, innovation, and efficiency. This transformation was instrumental in deepening India's integration with the global economy and driving its economic growth in the post-reform era.

20.5.2 Industrial Deregulation

Historically, India's industrial sector was subject to stringent controls, such as industrial licensing, which regulated entry and expansion, and price and distribution controls on industrial products. This regulatory framework was heavily criticized by economists like Jagdish Bhagwati, Padma Desai, and Isher J. Ahluwalia, who pointed out its role in stifling industrial growth and fostering inefficiency. The industrial licensing system, in particular, delayed project clearances and restricted the growth of companies beyond their licensed

capacity, undermining the potential for maximizing output. Additionally, it became a source of political and bureaucratic corruption, often benefiting powerful vested interests while hindering competition. In response to these inefficiencies, several reforms were implemented, including the scrapping of limits on company size that had previously been enforced under the Monopoly and Restrictive Trade Practices Act, allowing companies to achieve economies of scale. The phased manufacturing program, which required domestic producers to gradually increase the local content of their products, was also abolished, further liberalizing the industrial sector. However, a major issue remains: the failure to establish clear rules and procedures for the exit of unviable industrial units, leading to widespread industrial sickness.

The industrial policy reforms of 1991 were aimed at deregulating the economy, particularly by easing entry barriers and opening up sectors to the private sector. The government abolished industrial licensing for all but five product categories, including alcohol, cigarettes, hazardous chemicals, and defense equipment. Furthermore, the number of industries reserved for the public sector was reduced from 17 to just 2, opening up key sectors such as steel, air transport, and defense production to private players. Despite these efforts, the reforms have not been entirely successful in addressing industrial inefficiency or the need for an effective industrial exit policy.

20.5.3 Public Sector Reforms and Disinvestment

The government initially aimed to use state-owned enterprises as engines of economic growth and technological advancement. However, public sector enterprises failed to gather significant amount of resources, becoming a constraint on economic growth. A significant part of the reform agenda was the **disinvestment** of public sector equity. By 2017, ₹2.47 lakh crore worth of public sector equity had been disinvested. Despite ambitious targets for disinvestment, the results have been inconsistent: in some years, the proceeds fell far short of targets, such as in 2020-21, where only ₹37,900 crore was raised against a target of ₹2.10 lakh crore. Although the government initially aimed to divest loss-making PSUs while empowering profitable ones to become global players, the focus has largely been on selling shares to bridge budget deficits, with limited evidence of strategic restructuring of the public sector.

20.5.4 Financial Sector Reforms

The Tenth Five-Year Plan emphasized that financial sector reforms would enhance flexibility in factor and product markets. As the economy becomes more market-driven and competitive, the financial sector must respond dynamically to these changes, which can only happen if its productivity and efficiency are improved. To address this, the government established the

Committee on the Financial System in 1991 as well as Committee on Banking Sector Reforms in 1998 (Narasimham Committees).

This Committee was given the task to review the country's financial system with a focus on improving its efficiency, competitiveness, and accountability. It also aimed to ensure better supervision of financial institutions, especially commercial banks, and to propose amendments to existing laws to implement these recommendations. The Narasimham Committee's 1991 report became the foundation for the banking sector reforms that followed, and some of the key measures introduced include:

1. Statutory liquidity ratio (SLR) and cash reserve ratio (CRR) were significantly reduced to ease liquidity in the banking system and improve profitability. The SLR was gradually reduced to 18% by 2010, and the CRR was reduced from 9% in 2008 to 4% in 2013, helping banks manage liquidity better.
2. The Reserve Bank of India (RBI) helped with the introduction of new norms for income recognition, asset classification, bad debt provisioning, and capital adequacy.
3. Commercial banks were given enough autonomy to set up new branches without RBI approval.
4. Guidelines were introduced for the establishment of private-sector banks, requiring them to meet financial viability standards and prevent excessive credit concentration or cross-holdings with industrial groups.
5. The number of interest rate slabs was reduced to just two, promoting greater flexibility and competition in the banking sector.
6. The RBI strengthened its supervisory framework with the creation of a new Board for Financial Supervision to oversee credit management, capital adequacy, and other key areas.
7. A 1993 Act established Special Recovery Tribunals to expedite the recovery of bad debts.

The Committee on Banking Sector Reforms, chaired by M. Narasimham in 1998, built on these earlier recommendations and proposed further changes, such as:

1. Merging strong banks and closing weak ones, with consideration given to mergers between banks and development financial institutions.
2. Establishing a tiered banking system with large, internationally-oriented banks and smaller, regional banks catering to local needs.
3. Raising the capital adequacy ratio to 10%, higher than the previous 8%.
4. Discontinuing budgetary support for recapitalizing banks.

5. Providing a proper legal set up for credit recovery.
6. Depoliticizing bank boards under RBI supervision.
7. Licensing more private-sector banks and allowing banks from several foreign countries to set up their subsidiaries or ventures in India.

The late 1990s saw a realization of the risks associated with unchecked liberalization in the financial sector globally, as evidenced by incidents like the Barings Bank failure and the Southeast Asian financial crisis. This led to greater emphasis on prudential measures, such as increasing the CRAR, tightening NPA norms, introducing market risk on government securities, and setting up risk management guidelines. Following these recommendations, significant steps were taken to bolster the banking system, including raising the CRAR to 9%, enhancing accounting standards, and implementing stricter transparency requirements in banks' financial disclosures. Additionally, SARFAESI (2002) was passed to make sure that there is a proper legal system to make recoveries.

Check Your Progress

Based on your understanding of the previous section, answer these questions in your own words:

Q1. Assess the significance of the liberalization of capital flows in India post-1991?

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Q2. What were the major measures taken to promote exports in India post-1991?

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Q3. Explain the financial sector reforms?

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20.6 Let us Sum up

Macroeconomic stabilization and economic reforms of 1991 helped bringing significant changes in the India's economic history. Fiscal, monetary, and exchange rate reforms helped restore economic stability and build investor confidence. These measures reduced inflation, controlled the fiscal deficit, and stabilized the rupee. Together with structural reforms, they laid the foundation for sustained economic growth. Overall, the reforms transformed India into a more open and globally integrated economy.

20.7 Keywords

- **Monetary Adjustment:** The procedure wherein the central bank changes its monetary policies to respond to internal or external economic conditions, such as inflation, recession, or exchange rate imbalances.
- **Fiscal Adjustment:** The process by which a government reduces its fiscal deficit and stabilizes public debt, usually through spending cuts, revenue increases (taxes), or a combination of both.
- **CRAR (also known as Capital Adequacy Ratio or CAR):** It is an indicator of a bank's capital adequacy relative to its risk-weighted assets. This measure is designed to safeguard depositors and enhance the stability and efficiency of the financial system by ensuring that banks are capable of absorbing a certain level of losses.
- **SARFAESI Act:** It is an Indian legislation passed in 2002 that empowers banks and financial institutions to recover non-performing assets (NPAs) without requiring court intervention.

20.8 Suggested readings

- **Datt, R., & Sundaram, K. P. M.** (2020). *Indian Economy* (72nd Edition). S. Chand & Company Ltd.
- **Misra, S. K., & Puri, V. K.** (2020). *Indian Economy* (41st Edition). Himalaya Publishing House.
- **Ahluwalia, I. J.** (2002). *Industrial Growth in India: Stagnation since the Mid-1960s*. Oxford University Press.
- **Bhagwati, J., & Desai, P.** (1970). *India: Planning for Industrialization*. Oxford University Press

20.9 Hints to check your progress

CYP-I

Q1. Refer to section 20.5.1

Q2. Refer to section 20.4.3

Q3. Refer to section 20.5.4

20.10 Examination oriented questions

Q1. What is macroeconomic stabilization? Discuss the main objectives and tools used by governments to stabilize an economy.

Q2. How are fiscal, monetary, and external sector reforms interlinked in achieving macroeconomic stability? Use the Indian experience as a case study.

Q3. Outline the major external sector reforms undertaken in India since 1991. How have they affected India's balance of payments?

Q4. Evaluate the Indian government's macroeconomic stabilization measures post-1991 economic crisis. What were the major outcomes?

Q5. Discuss the major structural reforms introduced in India since July 1991. Explain how these reforms aimed to improve the overall disruptions in supply-side of the economy?

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IV		
Eco 207	Privatisation & Disinvestment	Lesson 21

Structure

- 21.0 Objectives
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- 21.4 Methods of Privatisation
- 21.5 Evolution of Privatisation Policy in India
- 21.6 Proceeds from Disinvestment and Methodologies Adopted
- 21.7 A Critique of Privatisation and Disinvestment
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21.2 OBJECTIVES

The main objectives of this lesson are to enable you to:

- Discuss the meaning and concept of privatisation
- Describe steps towards privatisation
- Explain evolution of privatisation policy in India
- Justify that privatization efforts in India have largely been executed through the process of disinvestment
- Do an examination of the effectiveness and consequences of the privatization and disinvestment programme in India

21.3 LEARNING OUTCOMES

After going through this lesson, you will be able to:

- Define privatization
- Discuss measures undertaken to move toward privatization
- Describe development and changes in India's privatization policy over time
- Argue that in India, disinvestment has been the primary method used to implement privatization
- Examine how effective India's privatization and disinvestment programme has been, along with its impacts

21.2 INTRODUCTION

Dear learner, after going through this lesson, you will learn that Privatisation and Disinvestment are key components of modern economic reform aimed at redefining the role of the state in economic activities. Privatisation refers to the process of transferring ownership and management of public sector enterprises (PSEs) to private entities, with the goal of enhancing efficiency, productivity, and competitiveness. Disinvestment, on the other hand, involves the sale or dilution of government stakes in public enterprises, which may or may not result in a change in management control. In this lesson, we will discuss about basic things in detail.

21.3 PRIVATISATION: CONCEPT AND RATIONALE

Privatisation refers to the shift of productive activities from government control to private ownership. Over the past two to three decades, numerous countries—including industrialised market economies, former socialist states, as well as developing nations have undertaken extensive privatisation initiatives. While many advanced economies, especially those in the OECD, pursued privatisation voluntarily, former communist countries and several developing nations implemented such reforms under influence of the International Monetary Fund (IMF) and the World Bank, often as part of economic stabilisation and structural adjustment conditions tied to financial assistance.

The need for privatisation and disinvestment is as follows:

1. **Enhanced Productivity and Output:** Private enterprises function with a focus on profits, which naturally boosts their efficiency and productivity. The presence of ownership also fosters a competitive market for skilled managers, resulting in higher management quality.
2. **Clear Accountability:** In private firms, roles and responsibilities are clearly defined, making it easier to hold individuals accountable for mistakes. In contrast, public

sector organizations often lack clarity and enforcement, allowing blame to be shifted easily and limiting accountability.

3. **Influence of Market Discipline:** Private companies must perform well to attract investment and survive under market scrutiny. Public enterprises, backed by government funding, are not subject to the same financial pressures and thus lack the same motivation to perform efficiently.
4. **Inevitable Political Involvement:** Public sector organizations often suffer from political interference, which hinders efficiency. Decisions driven by politics rather than economics can result in poor choices regarding technology, location, staffing, and procurement.
5. **Effective Leadership Transition:** Succession is better managed in private firms, where future leaders are identified and prepared in advance. Public enterprises frequently face leadership gaps, leading to uncertainty and delays in decision-making.
6. **Faster Decision-Making:** Private firms are quicker to respond to changing market conditions, as their decision-making structures are more flexible. Public enterprises, bound by rigid processes and fear of change, tend to delay decisions, often rendering them ineffective.
7. **Proactive Problem-Solving:** The threat of bankruptcy, takeovers, or asset loss pushes private firms to take corrective actions early. Public enterprises, shielded by government support, lack such pressure and are slower to implement necessary changes.
8. **Political Factors Undermine Efficiency Improvements:** Attempts to increase efficiency in public enterprises through administrative reforms are often unsustainable due to political interference, which eventually overrides economic goals. This issue is common in many countries.
9. **Customer Service Improvement through Privatisation:** Private companies rely on customer satisfaction for survival and growth, which drives them to offer better services. In contrast, public enterprises often neglect customer needs, but privatisation can significantly shift their focus toward service quality.

21.4 METHODS OF PRIVATISATION

The approaches to privatization employed by countries often involve one or a combination of the following methods:

1. Initial Public Offering (IPO)

The Initial Public Offering (IPO) method is one of the most important and commonly used approaches for privatisation, particularly in the UK and other OECD countries. In this method, the government sells shares of public sector undertakings (PSUs) to retail investors and institutions, and in some cases, even in international markets. This approach is most effective in countries with strong capital markets and accounted for nearly two-thirds of the total privatisation proceeds in OECD nations during the 1990s. The IPO method offers several advantages: it promotes wider participation by retail investors, which leads to broad-based ownership and helps deepen the capital market; it typically faces less resistance from PSU employees since the existing management is retained; it allows shares to be offered to employees; and it enables the government to raise funds without relinquishing control of the enterprise. However, the major drawback of this method lies in the challenge of accurately valuing the shares, especially because many PSU shares are not listed on stock exchanges, making price determination difficult. This issue has resulted in undervaluation in some cases, such as in India, where the government received less from disinvestment than it potentially could have. Additionally, the IPO method is less viable for smaller countries with underdeveloped capital markets and financial institutions.

2. Strategic Sale

The strategic sale method of privatisation entails the government divesting a substantial share of its ownership in a public sector undertaking (PSU) to a private sector strategic partner, who then assumes control over the enterprise's management. This approach is considered effective for improving the performance and efficiency of PSUs, as the strategic buyer typically introduces modern management practices and frees the unit from bureaucratic restrictions. Moreover, because the buyer often sees potential synergies between the PSU and their existing business operations, PSUs may pay a price which is higher for the stake, thereby increasing the government's revenue from the sale. This method is also effective in dealing with loss-making PSUs, which are usually unattractive to the general public or retail investors. Strategic buyers, with their expertise and resources, may have the ability to turn around these failing enterprises. Furthermore, in smaller countries or economies with underdeveloped capital markets—where PSU shares are not publicly traded and determining fair market value is difficult—strategic sales are often the most viable method of disinvestment. However, this method is not without its criticisms. One of the primary concerns is that it excludes ordinary citizens from participating in the privatisation process, making it appear inequitable. The selection of a strategic partner is usually carried out by

ministers and government officials, which raises issues of **transparency** and opens the door to **arbitrariness or favoritism**. Determining the true value of a PSU is often complex, and there is a risk of **undervaluation**—especially when strategic buyers collude with officials to acquire valuable enterprises at prices far below their actual worth. This results in **significant losses** to the public exchequer. Additionally, when the acquiring firm already operates in the same industry, such takeovers may lead to **monopolistic or oligopolistic market structures**, potentially harming consumer interests through reduced competition and higher prices. Lastly, there is a serious concern for **employee job security**, as the new management may choose to restructure operations to integrate the PSU with their existing business. This often involves downsizing or laying off workers, which can lead to social and economic distress for affected employees. Thus, while the strategic sale method offers some clear benefits in terms of efficiency and capital mobilisation, it also carries risks related to fairness, valuation, market competition, and employment.

3. Sale of Foreigners

This method is a variant of the strategic sale approach, where the government divests its stake in a public sector undertaking (PSU) to a foreign company rather than a domestic firm. In smaller nations with limited domestic private capital, foreign investment is often a practical alternative. These sales are sometimes favored because foreign firms are expected to bring advanced technology, international experience, and efficient management practices, which can greatly improve the PSU's performance and global competitiveness.

4. Equal-Access Voucher Programmes

This type of privatisation involves distributing vouchers to the general population, aiming to allocate public assets relatively equally among all voucher recipients. It is praised for its speed and perceived fairness in asset distribution. However, it does not generate revenue for the government and creates uncertainty regarding effective corporate governance. Countries such as Mongolia, Lithuania, the former Czechoslovakia, Albania, Armenia, Kazakhstan, Poland, and Romania (in its 1995 initiative) adopted this method. The Czech Republic's equal-access voucher programme stands out as the most successful example. Through two successive rounds, it transferred over half of public enterprise assets to private ownership. Citizens could use their vouchers to directly invest in the firms up for auction.

5. Management-Employee Buyouts:

This privatisation method involves managers and employees purchasing significant ownership stakes in the enterprises they work for. One of the key advantages of this approach is its relative ease of implementation, both politically and administratively. It may also lead to improved corporate governance, as insiders typically have better access to information needed for overseeing management effectively. However, as highlighted in the World Development Report, this method carries several risks, especially when applied broadly to numerous firms, including many that are unprofitable and require restructuring. A major drawback is the unequal distribution of benefits—employees in well-performing companies gain access to valuable assets, while those in struggling firms receive little to no value. Another issue is that governments often sell shares to insiders at low prices, resulting in minimal revenue generation. Lastly, there is a risk that managers and employees may collaborate to prevent external investors from entering, limiting competition and transparency.

21.5 EVOLUTION OF PRIVATISATION POLICY IN INDIA

Since 1991, there has been a significant shift in the perception of the public sector's role in the Indian economy. The economic crisis of 1991 prompted a critical re-evaluation, with many economists arguing that the crisis stemmed, in part, from the public sector's inability to deliver adequate returns on the investments made. This led to a broader change in the government's stance, clearly reflected in the New Industrial Policy of 1991. The policy acknowledged various shortcomings in public sector enterprises, such as low productivity growth, ineffective project management, excessive staffing, outdated technology, insufficient focus on research and development, and poor human resource development. These issues collectively resulted in poor returns on capital investment, which hampered the enterprises' ability to reinvest or upgrade technologically. Instead of being assets, many public sector undertakings (PSUs) had become financial burdens.

In response, the New Industrial Policy of 1991 initiated a shift towards privatisation, advocating for disinvestment as a key strategy. Disinvestment refers to the government's sale of its equity in public sector enterprises to private entities and the general public.

The key features of the government's disinvestment policy include:

1. **Democratisation of ownership** – Citizens are entitled to hold shares in PSUs, thereby participating in the ownership of national assets.
2. **Public sector as national wealth** – PSUs are seen as collective national assets, and transferring their ownership to the people aligns with the principle of inclusive economic participation.

3. **Maintaining control** – While disinvestment is promoted, the policy stipulates that the government must retain a majority stake—at least 51%—along with management control in these enterprises to ensure strategic oversight and safeguard public interest.

This approach reflects a balance between introducing private sector efficiencies and maintaining public accountability and control.

The evolution of privatisation policy in India can be outlined as below:

1. 1991–92 Interim Budget and Budget Address

In the 1991–92 Interim Budget, the Government of India announced a policy to disinvest up to 20% of its equity in selected Public Sector Undertakings (PSUs). This divestment was targeted to mutual funds, public sector investment institutions, and workers in these firms. The primary objective of this policy was to diversify the ownership of equity, improve management practices, increase the resources available to PSUs, and raise funds for the government's general exchequer. Initially, the government sold bundled shares of different PSUs to domestic financial institutions. However, in 1992–93, to ensure better pricing, shares of individual PSUs were auctioned separately.

2. Rangarajan Committee Report on Disinvestment, 1993

In 1993, the Government of India formed a Committee on Disinvestment in Public Sector Enterprises, chaired by C. Rangarajan, to recommend the best strategy for disinvestment. The Committee proposed that up to 49% equity in PSUs could be offloaded in sectors reserved for the public sector. In special cases, this could go up to 74%, while in sectors not reserved for public ownership, full (100%) disinvestment was advised. It also recommended that six key industries—such as coal, oil and minerals, and railways—should remain under public sector control. However, the government did not implement these suggestions.

3. Disinvestment Commission Recommendations (1997–1999)

The Government of India established a five-member Public Sector Disinvestment Commission in 1996, led by G.V. Ramakrishna, to chart a long-term disinvestment strategy. The Commission recommended the divestment of 58 PSUs and proposed a shift from public share offerings to strategic sales involving management transfer. This was a departure from earlier policies. The Commission also opened up the disinvestment process to foreign investors and NRIs through Global Depository Receipts (GDRs) and sought to bring in external capital for growth.

4. Budget Speech, 1998–99

The Finance Minister in his budget speech announced a new policy to reduce the government's shareholding in PSUs to 26% in most cases. For strategic PSUs, the

government would retain a majority stake. Additionally, the government assured that the interests of workers would be safeguarded during the disinvestment process. This was aimed at ensuring that public sector enterprises would still maintain a degree of government control while allowing for greater participation from the private sector.

5. Strategic and Non-Strategic Classification, 1999

In 1999, the government introduced a strategic and non-strategic classification for industries. Strategic industries included defence, atomic energy, minerals for the atomic industry, and railway transport, which would remain within the public sector. All other industries were classified as non-strategic, and for these, government shareholding could be reduced to as low as 26%. This policy was in line with the earlier recommendations of the Rangarajan Committee, and it allowed the government to retain control in non-strategic sectors by ensuring a minimum stake of 26% for decision-making purposes.

6. President's Address to Parliament, February 2001

In his address to a joint session of Parliament in February 2001, the President outlined the government's threefold approach to the public sector. The government aimed to revive viable enterprises, close down unviable ones, and reduce government equity in non-strategic PSUs to 26% or lower. Additionally, the government committed to protecting the interests of workers, particularly through Voluntary Retirement Schemes (VRS) and other compensation measures, ensuring that the disinvestment process would be sensitive to their welfare.

7. National Common Minimum Programme (NCMP), 2004

The National Common Minimum Programme (NCMP) of the UPA government, introduced in May 2004, reaffirmed its dedication to maintaining a strong and efficient public sector. It outlined specific guidelines for the privatisation of central public sector enterprises (CPSEs), stating that each case would be evaluated individually and the process would be carried out with full transparency. It also stated that profit-making companies would generally not be privatised, while chronically loss-making firms could be closed or sold after ensuring workers received their due compensation. The government also underscored that privatisation should enhance competition, rather than create monopolies.

8. National Investment Fund (NIF), 2005

In 2005, the government created the National Investment Fund (NIF) to manage the proceeds from disinvestment of central public sector enterprises (CPSEs). The fund aimed to generate sustainable income for the government while preserving its capital. It was decided that 75% of the fund's annual earnings would be allocated to social sector programs in areas such as education, healthcare, and employment, while the remaining 25% would support the

restructuring of profitable CPSEs. However, in response to the 2008–09 global financial crisis, the government temporarily used disinvestment proceeds directly for social sector spending. In 2013, the NIF was restructured to also finance initiatives like capital support for public sector banks and infrastructure development.

9. Action Plan for Disinvestment, 2009

On November 5, 2009, the government approved a strategy to accelerate disinvestment in profit-making public sector enterprises. Under this plan, listed CPSEs that had not met the mandatory 10% public shareholding requirement were required to do so through an Offer for Sale or by issuing new shares. Unlisted CPSEs with no accumulated losses and a record of profits for three consecutive years were to be listed on the stock exchange. Each disinvestment decision would be evaluated individually, with the government maintaining a minimum of 51% ownership and management control in the concerned enterprises.

10. Budget Speech, 2016–17

The Finance Minister announced a new disinvestment policy and renamed the disinvestment body as the Department of Investment and Public Asset Management (DIPAM), reflecting its expanded mandate. The policy aimed to divest non-strategic CPSEs and explore strategic sale. The Finance Minister introduced a three-tier structure to oversee disinvestment, with the NITI Aayog playing a key role in identifying CPSEs for strategic sale. The plan also promoted asset monetisation by selling individual assets like land and manufacturing facilities to generate funds for new development projects. This marked a shift towards more focused, strategic sales rather than blanket disinvestment. This structure presents the evolution of India's disinvestment policy from the early 1990s to the 2016–17 Budget, highlighting key policy decisions and the steps taken to reduce the government's involvement in non-strategic sectors.

21.6 PROCEEDS FROM DISINVESTMENT AND METHODOLOGIES ADOPTED

The Government of India has adopted two primary methods for disinvestment: (i) selling shares in select Public Sector Undertakings (PSUs), and (ii) strategic sales of PSUs to private sector companies. From 1991–92 to 1998–99, the focus was on selling shares in PSUs, initially through bundled offerings of both poor and strong performers. This method led to low average prices for the shares, prompting a shift in 1992–93 to selling shares of individual companies via auctions. In 1994–95, Non-Resident Indians (NRIs) and others were

allowed to participate, and Global Depository Receipts (GDRs) for companies like VSNL and MTNL raised significant funds. By 1999–2000, the government moved towards strategic sales of PSUs through competitive bidding, privatizing firms such as Modern Foods India Ltd. (MFIL), Videsh Sanchar Nigam Ltd. (VSNL), and Maruti Udyog Ltd. (MUL), among others. From 1991–92 to March 2017, total disinvestment proceeds amounted to ₹2,47,383 crores, with ₹2,17,938 crores raised from minority shareholding and ₹6,344 crores from strategic sales. Other sources included the sale of shares to employees and leasing of hotel assets. However, disinvestment targets were often not met. For instance, the target for 2017–18 was ₹72,500 crores (later revised to ₹1,00,000 crores), and the total achieved was ₹1,00,057 crores, including ₹14,500 crores from Bharat 22 ETF. In subsequent years, targets were set high but often not achieved, such as in 2019–20 (₹1,05,000 crores target, ₹50,298 crores achieved), and 2020–21 (₹2.10 lakh crores target, ₹32,742 crores achieved). In 2021–22, the target was ₹1,75,000 crores, but only ₹13,630 crores were realized. For 2022–23, the target was reduced to ₹65,000 crores, with an expected achievement of ₹50,000 crores (77% of the target), and for 2023–24, the target has further been reduced to ₹51,000 crores.

21.7 PRIVATISATION AND DISINVESTMENT: CRITICAL EVALUATION

The privatisation and disinvestment policy has faced criticism on the following grounds.

A) Undervaluation of Assets

The disinvestment process has largely underperformed, with targets exceeded in only a few years (1991-92, 1994-95, 1998-99, 2003-04, and 2017-18). In most years, disinvestment returns fell far below expectations. This poor performance is attributed to the government's hasty and unplanned approach, lack of preconditions like listing public sector enterprise shares, and failure to establish strong links with the capital market. Inadequate oversight and improper techniques led to undervaluation of public sector shares, resulting in lower-than-expected realizations and significant losses for the government. A 2006 CAG report highlighted issues such as incorrect asset valuations, insufficient competition, and unfavorable shareholder agreements, which further impacted the disinvestment outcomes. The sale of public assets often results in a loss of future government income and undervalued assets, leading to windfall profits for private investors and financial losses for the State.

B) Utilisation of Money from Disinvestment

The disinvestment of public sector equity has been a controversial process, particularly because the government has sold these assets for far less than their potential value. However, this issue is compounded by how the proceeds from these disinvestments have been utilized.

When the disinvestment program began in 1991-92, the Finance Minister promised that part of the proceeds would be allocated to the National Renewal Fund (NRF). The NRF was intended to provide resources for various schemes aimed at assisting workers in the unorganised sector, as well as funding special employment-generating schemes in backward areas. This would ensure that the disinvestment process was non-inflationary and beneficial to the broader economy. In 1997, the Disinvestment Commission, chaired by G.V. Ramkrishna, advised that disinvestment proceeds should not be used to address budgetary shortfalls or cover the fiscal deficit. Instead, the funds should be placed in a separate account for four specific purposes: paying off public debt, restructuring PSUs, developing social infrastructure, and supporting voluntary retirement schemes. These recommendations were reinforced in later budget speeches by various Finance Ministers. For instance, in the 2001-02 budget, the Finance Minister set a target of ₹12,000 crore from disinvestment, with ₹7,000 crore intended to assist in restructuring PSUs, providing safety nets for workers, and reducing public debt. The remaining ₹5,000 crore was earmarked for supporting social and infrastructure sectors. However, the actual utilization of the disinvestment proceeds has deviated drastically from these initial plans. Instead of being used for the intended purposes, the government used the entire amount to offset shortfalls in revenue and reduce the fiscal deficit, as required by the IMF stabilisation program. C.P. Chandrasekhar and Jayati Ghosh have criticized this approach, arguing that fiscal convenience rather than long-term planning was the driving force behind the disinvestment process. According to them, the government, influenced by IMF recommendations, treated the privatization proceeds as a convenient revenue source to mask the real budgetary problems. This practice, they argue, amounts to squandering valuable public assets to support short-term consumption needs, likened to selling family heirlooms to sustain a lavish lifestyle. Additionally, once a PSU is privatized, the government loses access to the long-term profits generated by the enterprise, resulting in a permanent loss of revenue. This short-term focus on reducing the fiscal deficit has led to the government neglecting the long-term economic value of these public assets. The disinvestment program, thus, appears short-sighted, especially in the case of profit-generating PSUs, as the government sacrifices future income for immediate fiscal relief.

Other Criticisms of Privatisation

1. Public Sector Enterprises and Market Gaps:

It's often assumed that after privatization, markets will fill the gap left by the government. However, many public sector enterprises (PSUs) were established because the private sector either lacked the resources or interest to venture into areas with long gestation periods and low profit generation. Public sector enterprises in India were meant to address infrastructure gaps, provide access to essential products at affordable prices, and achieve broader developmental objectives. As C.P. Chandrasekhar and Jayati Ghosh argue, PSUs are not just profit-making entities but tools for achieving national goals. Privatization purely for profit can obscure the original intentions behind public sector investments.

2. Labour Concerns and Unemployment:

One major concern with privatization is the potential for large-scale unemployment, as evidenced by global privatization trends. Despite the government's claims of only marginal retrenchment, there is significant pressure from the corporate sector to loosen labor laws, which could lead to higher job insecurity. Furthermore, there are no strong safety nets for displaced workers, and Voluntary Retirement Schemes (VRS) are not a reliable solution. Joseph Stiglitz highlights the broader social costs of unemployment, including social unrest, financial strain on families, and alienation. Particularly when PSUs are sold to foreign companies, the primary concern shifts to maximizing shareholder profits, often at the expense of local labor interests.

3. Substitution of Public Monopoly with Private Monopoly:

Sometimes, privatization merely replaces a public monopoly with a private one, transferring inefficiencies and monopoly power to the private sector, which continues to exploit consumers. For example, in Cochabamba, Bolivia, the privatization of the water supply by a foreign consortium led to significant price hikes and water usage restrictions, causing widespread protests and riots. Eventually, the government had to terminate the contract. This highlights that privatization does not always lead to better services and can sometimes worsen the situation, especially in sectors like utilities.

4. Undervaluation of Assets and Corruption:

A recurring issue with privatization is the undervaluation of public sector assets, which results in significant losses for the government. This often reflects widespread corruption and complicity between the government and business groups, particularly in strategic sales. Joseph Stiglitz points out that privatization, contrary to expectations, can exacerbate corruption, as the same corrupt government handling the privatization process might still

mismanage the firm. Instead of reducing rent-seeking behavior, privatization can actually facilitate it, leading to “briberisation.”

5. Privatization and Performance:

One of the main arguments for privatization is the belief that private ownership improves performance. However, critics argue there is no clear link between ownership and improved performance. For example, Pranab Bardhan and John E. Roemer contend that competitive markets, not full-scale private ownership, drive efficiency. China's economic success in the late 20th century is a case in point. The country's growth was driven by market reforms and opening up sectors to competition between state-owned and non-state enterprises, rather than by privatization. This demonstrates that a competitive environment, rather than ownership, is what fosters efficiency and growth.

Check Your Progress

Based on your understanding of the previous section, answer these questions in your own words:

Q1. Define privatisation. Briefly explain any two key rationales behind the adoption of privatisation by governments.

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Q2. What is an Initial Public Offering (IPO) and how is it used as a method of privatisation?

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Q3. Provide two criticism of Disinvestment policy.

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21.8 Let us sum up

This lesson provided a comprehensive overview of privatisation and disinvestment as key components of India's economic reform agenda. It explained the concept and rationale behind privatisation, highlighting its role in enhancing efficiency, competitiveness, and fiscal consolidation. The various methods of privatisation—such as strategic sales, minority stake sales, and asset monetisation—were discussed in detail. The lesson traced the evolution of privatisation policy in India, from cautious disinvestment in the 1990s to more aggressive and structured approaches in recent years. It also examined the trends in disinvestment proceeds and the methodologies adopted by successive governments. Finally, the lesson presented a critical evaluation of privatisation, addressing concerns such as social equity, valuation transparency, and long-term economic consequences.

21.9 Keywords

- **Privatisation**

The process of transferring ownership and management of enterprises from the public sector to the private sector.

- **Disinvestment**

The sale or liquidation of government-owned assets or shares in public sector enterprises (PSEs).

- **Initial Public Offering (IPO)**

The first sale of a company's shares to the public, often used to reduce government stake in a public enterprise.

- **Strategic Sale**

A method of privatisation where a significant portion (often more than 50%) of a public enterprise is sold to a private entity along with transfer of management control.

- **Public Sector Undertaking (PSU)**

A government-owned corporation or enterprise involved in commercial activities.

- **Public-Private Partnership (PPP)**

A collaborative arrangement between the government and private sector entities for providing public assets or services, often seen as a soft form of privatisation.

21.10 Suggested Readings

- Puri, V.K., Misra, S.K., & Garg, B. (2023). *Indian Economy* (41st ed.). Himalaya Publishing House.
- Datt, G., & Sundaram, K.P.M. (2020). *Indian Economy* (72rd ed.). S. Chand Publishing.

- **Ahluwalia, I. J.** (2002). *Industrial Growth in India: Stagnation since the Mid-1960s*. Oxford University Press.

21.11 Hints to Check your progress

CYP-I

Q1. Refer to section 21.3

Q2. Refer to section 21.4

Q3. Refer to section 21.7

21.11 Exam Oriented Questions

Q1. Discuss the concepts of privatisation and disinvestment. Explain the rationale behind these policies and evaluate their impact on the Indian economy

Q2. Critically examine the policy of privatisation and disinvestment in India. What are the major criticisms associated with these reforms, and how do they impact social equity, employment, and public welfare?

Q3. Explain the concepts of privatisation and disinvestment. Discuss their objectives and relevance in the context of economic reforms in India.

Q4. Analyse the impact of privatisation and disinvestment on the performance and efficiency of public sector undertakings (PSUs) in India.

Q5. Critically evaluate the role of disinvestment as a fiscal strategy. How effective has it been in achieving the government's economic objectives?

Q6. Discuss the different methods of disinvestment adopted by the Indian government. Highlight their advantages and limitations.

Structure

22.0 Objectives

22.1 Learning Outcomes

22.2 Introduction

22.3 Globalization: Meaning and Concept

22.4 Globalisation in India

22.4.1 Underlying Dynamics of Globalisation

22.5 Steps Towards Globalisation

22.6 Globalisation: Overall Impact on Indian Economy

22.7 Globalisation: Future Perspective

22.8 Let us sum up

22.9 Keywords

22.10 Suggested readings

22.11 Hints to Check your Progress

22.12 Examination oriented questions

22.0 Objectives

The main objectives of this lesson are to enable you to:

- Comprehend the concept and meaning of globalisation
- Measures adopted to integrate the Indian economy with the global market
- Consequences of global integration on India's external and internal economic sectors

22.1 Learning outcomes

After going through this lesson, you will be able to:

- Have knowledge of the concept of globalisation
- Acquire knowledge on the policies introduced to connect India's economy with international markets

- Discuss the role of globalisation in shaping India's internal markets and global economic interactions

22.2 Introduction

Dear learner, after going through this lesson, you will gain a clear understanding of globalization as a transformative force shaping the modern world. You will explore how the cross-border flow of goods, services, capital, technology, and people has integrated national economies into a global framework. In the Indian context, globalization gathered pace post-1991, when the country adopted the Liberalization-Privatization-Globalization (LPG) model in response to an economic crisis. This lesson will help you analyze the rationale behind these reforms, their impact on various sectors, and the emerging challenges. It will also enable you to critically assess India's growing role in the global economy.

22.3 GLOBALIZATION: MEANING AND CONCEPT

Globalisation refers to the deepening of economic integration, growing openness, and increasing interdependence among countries within the global economy. Economically, it manifests through three main channels:

1. **Trade in goods and services**
2. **Movement of capital**
3. **Flow of finance**

Phases of Economic Globalisation

1. Trade Liberalisation (1950–1970)

The process began with the liberalisation of trade in goods and services. This period saw a significant expansion in international trade, as barriers such as tariffs and quotas were gradually reduced. As a result, global trade volumes increased substantially, marking the initial stage of economic globalisation.

2. Liberalisation of Foreign Investment (Late 1960s Onwards)

Following trade liberalisation, many countries, especially industrialised ones, started easing restrictions on foreign investment. This led to a surge in cross-border investments and the integration of capital markets.

Key features of this phase included:

- **Deregulation of domestic financial sectors** in developed nations, which reduced state control and allowed market forces more freedom.

- **Capital account convertibility**, which enabled easier movement of capital across borders and increased the role of international finance.

3. Financial Sector Transformation

With deregulation, the roles of traditional financial institutions—like banks, insurance firms, and finance companies—began to overlap. Boundaries between these institutions became blurred, leading to:

- The rapid expansion of **bond and equity markets**
- The lifting of **restrictions on capital flows**
- The rise of **institutional investors** (such as pension funds and hedge funds) in developed countries who began investing globally

4. Role of Multinational Corporations (MNCs)

MNCs became key players in the global economy. They operate across multiple countries and contribute significantly to:

- **Foreign Direct Investment (FDI)**
- **International trade in goods and services**

Through their global presence and scale, MNCs have connected markets, transferred technology, and influenced economic policies in both developed and developing nations.

22.4 GLOBALISATION IN INDIA

For Indian Economy, Globalisation led to integration of the domestic market with the global markets. This opened up gates for to foreign direct investment, easing restrictions for multinational corporations (MNCs), encouraging Indian companies to collaborate internationally, and liberalising imports by replacing quantitative restrictions with tariffs and reducing import duties. Export promotion shifted from direct incentives to exchange rate adjustments.

Although the groundwork for globalisation was laid in the 1980s through relaxed enforcement of FERA, increased entry of MNCs, and import liberalisation, the major push came with the New Economic Policy 1991. Initiated under the influence of the IMF and World Bank, these reforms marked the formal beginning of India's globalisation process, which has continued to evolve since.

22.4.1 Underlying Dynamics of Globalisation

After the period of 1980-81, India faced serious balance of payments problems, intensified by the second oil shock and lagging exports, which led to a growing trade deficit. By 1990-91, the situation worsened due to the Gulf War, negative earnings from invisibles, and an increased reliance on short-term external borrowings and non-resident deposits. Investor

confidence fell sharply due to political instability and credit rating downgrades, leading to heavy capital outflows. Despite emergency measures like borrowing from the IMF's CCFF, import restrictions, and pledging gold, India's foreign exchange reserves fell down significantly. Facing an imminent default, India had to seek assistance from the IMF and World Bank, which came with the condition of adopting a macroeconomic stabilisation and overall structural adjustment programme for the economy, which included (a) fiscal and monetary stabilisation, (b) domestic liberalisation, and (c) external sector liberalisation — the last being identified with globalisation. However, success in external liberalisation depended on achieving stability and liberalisation within the domestic economy.

Thus, as economist Dalip Swamy observed, it was the economic crisis of 1990–91 that forced India into embracing globalisation as part of the broader structural reform package.

22.5 STEPS TOWARDS GLOBALISATION

The Steps adopted towards Globalisation includes:

A) Evolution of Exchange Rate Policy and Rupee Convertibility

A key step in moving towards Globalisation is making country's currency convertible in full terms, allowing market forces to determine the exchange rate without government intervention. For India, this process began in 1991 when the IMF required a devaluation of the rupee as a condition for assistance. The government responded with an 18–19% devaluation on July 1 and 3, 1991. Following this, India gradually moved toward converting the currency fully. The Budget introduced in 1992–93 Budget focused on a dual exchange rate system, marking the start of converting currency partially. A unified exchange rate system and complete trade account convertibility were put into effect in 1993–94. By accepting IMF Article VIII obligations on August 19, 1994, India achieved full convertibility on the current account, agreeing to refrain from restricting current international transactions. Subsequent years saw additional liberalisation measures, furthering global economic integration.

B) Import Liberalisation

India's 1992–97 trade policy aimed for free import of all goods, except for those on a negative list. In 1991, government began decanalising imports of select items, and over time, significantly reduced import duties—from a peak of 110% in 1993–94 to just 10% on non-agricultural goods. As a WTO member, India also stayed focused on ending quantitative import restrictions, a process accelerated after a WTO dispute ruling in

favour of the USA, leading to their complete removal. Additionally, to comply with the WTO's TRIPs agreement, India passed successive amendments to its patent laws in 1999, 2002, and 2005 to strengthen intellectual property protections. Import liberalisation is justified on the grounds that it boosts competition, improves efficiency and product quality, promotes technological advancement, and enhances the competitiveness of Indian export industries by giving them access to high-quality capital goods and inputs.

C) Opening to Foreign Capital

The Government of India introduced several reforms under the New Economic Policy starting in 1991, to attract foreign capital as well as to integrate the domestic economy with global economy. Foreign Direct Investment (FDI) was initially allowed up to 51% in selected high-tech and priority industries, later increased to 74% and then 100% in many sectors.

Additional liberalisation measures include allowing foreign companies to use trademarks, repatriate profits, borrow without RBI approval (except banking firms), and invest in immovable property. Restrictions on share transfers between non-residents were lifted, and foreign investors were allowed to disinvest at market rates and repatriate proceeds.

FDI has also been liberalised in specific sectors:

- 100% allowed in pharma, telecom (for certain activities), airports, hotels, tourism, MRTS, township development, courier services, and manufacturing in SEZs.
- FDI limits raised to 49% in private airlines, 74% in private sector banks, and 74% in the insurance sector.

22.6 Globalisation: Overall Impact on Indian Economy

A) Impact on the External Sector

Globalisation along with various policies adopted by government brought notable changes to India's external sector. The major achievements include:

- **Foreign Exchange Reserves:** Starting at just \$1 billion in June 1991, they climbed to exceed \$20 billion by March 1995.
- **Export Growth:** With reforms in trade and exchange rate policies, exports rebounded strongly. After a decline of 1.5% in 1991–92, exports surged by over 17% in the first 10 months of 1994–95, following a 20% rise in 1993–94.
- **Self-Reliance Through Openness:** Fears of an import surge weakening the economy proved unfounded. Import liberalisation boosted self-sufficiency, with exports financing over 90% of imports by 1995, up from just 60% in the late 1980s.

- **Current Account Deficit (CAD):** This fell from over 3% of GDP in 1990–91 to less than 0.5% in 1994–95.
- **Stable Rupee:** Despite liberalisation and convertibility on the current account, the rupee's exchange rate remained stable, and legal foreign exchange inflows replaced earlier illegal (hawala) routes.
- **Foreign Investment:** Rising international confidence in India's economy led to increased foreign direct and portfolio investments.

Despite a rise in CAD to 1.7% of GDP in 1995–96, there was no alarm as it was offset by strong capital inflows and only a modest decline in reserves. The following years (1996–97 onwards) saw a steady balance of payments position with frequent reserve accumulations.

From 2004–05 onwards, although the current account mostly reverted to deficits, large capital inflows continued to drive increases in foreign exchange reserves. Major developments include:

- **Peak Reserve Accretion:** In 2007–08, capital inflows hit \$107.9 billion, helping offset a \$15.7 billion CAD and leading to the highest-ever reserve increase of \$92.2 billion.
- **Global Financial Crisis (2008–09):** This year marked a setback with capital inflows plunging to \$7.8 billion and CAD ballooning to \$27.9 billion, resulting in a \$20.1 billion reserve drawdown.
- **Post-Crisis Recovery:** By 2009–10 and 2010–11, capital inflows had recovered and reserves grew again, despite higher trade deficits.

From 2011–12 onwards, rising trade deficits led to high CAD levels, peaking at \$88.2 billion in 2012–13. Nevertheless, capital inflows continued to cover these gaps, leading to consistent, though smaller, reserve gains.

In subsequent years:

- **2013–14 to 2016–17:** CADs narrowed, and healthy capital inflows continued, leading to substantial reserve additions.
- **2017–18 and 2018–19:** CADs rose again, but capital inflows managed to cushion the impact, though there was a minor drawdown in 2018–19.
- **2019–20:** A positive shift occurred with a low CAD (\$24.66 billion) and strong capital inflows (\$83.18 billion), resulting in a \$59.5 billion increase in reserves.
- **2020–21:** India recorded a current account surplus of nearly \$24 billion and a capital account surplus of \$63.4 billion, leading to a record reserve accretion of \$87.3 billion.

- **2021–22:** Despite a CAD of \$38.8 billion, a capital surplus of \$86.3 billion led to an addition of \$47.5 billion to reserves.

Except for four years (1995–96, 2008–09, 2018–19, and 2020–21), India witnessed steady growth in its foreign exchange reserves in the post-reform era, increasing from a modest \$1.1 billion in June 1991 to \$607 billion by March 2022.

B) Effects on the Indian Enterprises

The process of globalisation in India has led to what has been described as an "unequal competition" between large multinational corporations (MNCs) and small Indian enterprises. Even the larger Indian firms are dwarfed by MNCs, and while some have already been absorbed by these global giants, others are at risk of being overtaken. This has led to concerns about the survival of Indian companies in an environment dominated by multinational power. According to Baldev Raj Nayar, the unequal competition arises due to several factors:

1. Indian enterprises face significant "size disadvantages" as they are much smaller compared to MNCs.
2. For decades, Indian businesses operated in a protectionist environment, shielded by quantitative restrictions, high customs duties, and industrial licensing. This prevented the growth of large-scale firms, resulting in fragmented industries with inefficient structures that were ill-equipped to face global competition.
3. The cost of capital for Indian businesses is much higher than that for MNCs due to higher domestic interest rates.
4. MNCs have immense financial strength, allowing them to sustain losses longer than Indian firms and exert enough power to force out Indian partners from joint ventures, even purchasing Indian companies outright.
5. Indian companies are burdened by the legacy of the earlier control regime, making it difficult for them to restructure and downsize due to rigid labour laws, while MNCs start with modern technology and minimal labour requirements.
6. High, multiple, and cascading indirect taxes in India make local goods uncompetitive compared to foreign imports, which benefit from lower taxes. Additionally, MNCs have access to sectors reserved for small-scale industries in India, which puts domestic firms at a disadvantage.
7. State policies have also been criticized for favouring MNCs, such as offering counter-guarantees for fast-track projects in the power sector only to MNCs, and providing lower tax rates on capital gains for foreign firms, especially those coming through tax

havens like Mauritius. MNCs also benefit from 100% subsidiaries, while Indian promoters face restrictions on share buybacks.

As a result, the globalisation process that began in 1991 has created a new reality, where foreign capital flows into India, but the domestic corporate sector finds itself vulnerable rather than benefiting from the foreign investment. MNCs have aggressively sought to dominate the Indian market, especially in joint ventures, where they have quickly taken control away from Indian partners. This rapid encroachment by foreign investors has caused significant concern within the Indian corporate sector, highlighting the challenges posed by globalisation for domestic industries.

C) Impact on Foreign Investments:

Foreign Direct Investment (FDI) in India has experienced significant changes since the economic liberalisation in 1991. Prior to these reforms, India maintained a highly restrictive policy regime. FDI was allowed only in select sectors and often required mandatory joint ventures with Indian partners, making the environment relatively unattractive to foreign investors. As a result, the inflows remained marginal and were largely confined to sectors such as defence, telecommunications, and a few high-priority industries, under rigid governmental approvals and ceilings on equity participation.

The watershed moment came in 1991 when India had to go through balance of payments crisis and responded with structural economic reforms. Among these reforms, liberalisation of the FDI policy played a pivotal role in reshaping India's investment landscape. Over time, sectors like banking, retail, telecommunications, IT, and later e-commerce and digital services were opened to higher levels of foreign investment. These policy shifts made India an attractive destination for global capital and significantly boosted investor confidence.

The impact of these changes became visible in the late 1990s and 2000s, as FDI inflows rose steadily. Key sectors that benefited included automobiles, consumer electronics, pharmaceuticals, and telecommunications. Further, FDI inflows grew from just around \$129 million in 1991–92 to over \$6 billion by 2001–02. The liberalised regime led to increasing participation of foreign players in India's services and manufacturing sectors.

In the more recent decade (2010s–2020s), FDI has shown a sharp upward trend, supported by further relaxation of sectoral caps. Major reforms included raising FDI caps in defence from 26% to 74%, opening up coal mining and contract manufacturing under the automatic route, and easing norms in sectors like single-brand retail and civil aviation. This has attracted significant interest from countries like the United States, Japan, , and Singapore. This growth

was led by sectors such as computer software and hardware, construction, trading, and the digital economy, including platforms like Amazon, Walmart-Flipkart, and Google.

The implications of increased FDI have been multi-dimensional. Firstly, FDI has facilitated **technology transfer**, enabling Indian firms to access advanced machinery, global standards of production, and innovative managerial practices. Secondly, it has significantly contributed to **employment generation**, especially in urban centres, with large job creation in sectors like retail, manufacturing, business process outsourcing (BPOs), and logistics. Further, FDI also helped in **infrastructure development**, with foreign players investing in transportation, energy, construction, and smart city projects, thereby strengthening India's physical and digital connectivity.

D) Impact on Trade (Export and Import):

Prior to the economic liberalisation of 1991, India's trade regime was characterised by a **highly protectionist and inward-looking approach**. The country followed an import-substitution strategy aimed at reducing foreign dependency, which resulted in restrictive tariffs, quantitative import restrictions, licensing requirements, and tight state control over both imports and exports. According to the *Economic Survey of India* and World Bank assessments during the 1980s, India's average import tariff rates exceeded 80%, and the complex licensing system (known as the "License Raj") created significant barriers to trade. Consequently, India's share in global trade stayed under 1%, and the economy was predominantly shielded from global market forces. Exports were concentrated in a few traditional commodities such as textiles, jute, tea, and spices, and the trade sector played a relatively marginal role in GDP growth. The **economic reforms of 1991** marked a turning point, as the government adopted a more open and market-oriented trade policy framework. Under the New Economic Policy, trade liberalisation was implemented through a series of measures including reduction in import tariffs, elimination of import licensing for many goods, rationalisation of customs duties, and relaxation of quantitative restrictions. In 1995, India achieved full convertibility on the current account and became a founding member of the World Trade Organization (WTO). These reforms facilitated the integration of the Indian economy into the global market, leading to a significant increase in both exports and imports.

In terms of **exports**, India experienced robust growth after liberalisation. Traditional sectors such as textiles, leather goods, agricultural products, and engineering goods continued to contribute significantly. However, the most transformative growth came from the **services sector**.

On the **import** side, liberalisation enabled Indian industries to access **cheaper and more efficient raw materials, intermediate goods, and capital equipment** from global markets. This facilitated technological upgrades and industrial expansion. Imports rose significantly in sectors such as **crude oil and petroleum, gold, electronics, and machinery**. Energy imports, particularly crude oil, became a dominant share of India's import basket, making the country vulnerable to global commodity price fluctuations. The post-liberalisation period also saw changes in the **trade balance**. While exports grew rapidly, imports increased at a faster pace in many years, resulting in persistent trade deficits. However, these deficits were often offset by the rising surplus in the services sector, particularly through IT exports and remittances from Indians working abroad. Additionally, India's engagement with **global trade agreements** played a crucial role in expanding trade opportunities. According to WTO reports, India's bound tariff rates and trade openness indicators have improved substantially since joining the multilateral trading system, making it more competitive globally.

E) Impact on Employment Patterns and Labour:

Before the 1991 economic reforms, India's employment landscape was dominated by the **agricultural sector**. The other sectors remained underdeveloped and offered limited employment opportunities. The labor market was highly regulated, with significant state control and protective labor laws that often-discouraged large-scale industrial hiring. With the onset of **liberalization and globalization**, however, there was a notable shift in employment patterns across sectors. In the **post-1991 period**, the **agricultural sector** began to witness a fall in overall employment in the country. Although it remains a major source of livelihood, its capacity to generate new employment has weakened, largely due to low productivity and structural issues. Meanwhile, the **industrial sector**, particularly in manufacturing industries such as automobiles, electronics, and consumer goods, experienced a boost in employment due to increased foreign direct investment and expansion of export-oriented industries. However, the benefits were not uniformly distributed, as **small-scale and traditional industries** faced intense competition from cheap imported goods, resulting in job losses and stagnation in those segments. In the post-reform era, the services sector became the leading contributor to employment, with sub-sectors like IT, BPO, finance, telecommunications, and e-commerce expanding rapidly, especially in urban areas. Cities such as Bengaluru, Hyderabad, and Gurugram emerged as global hubs for outsourcing, providing millions of jobs, particularly for educated youth. This sector offered better wages and working conditions

compared to others, with significant wage increases in IT and BPO due to global demand for skilled Indian professionals. However, wage growth was uneven, with disparities between the organized and unorganized sectors, as well as between urban and rural areas. Workers in sectors like tech, finance, and formal manufacturing saw notable wage gains, while those in agriculture and informal industries faced stagnant wages. Despite the rise in employment, a significant portion of new jobs were in the informal sector, which lacks job security, social benefits, and fair wages. This highlights the challenge of achieving inclusive and equitable employment growth in the context of globalization.

In conclusion, globalization has had a deep implication on the Indian economy. On the one hand, it has fostered economic growth, spurred innovation, and created new opportunities in sectors like IT, manufacturing, and services. However, it has also contributed to widening **income inequality** and **regional disparities**, as urban areas and skilled labor sectors have flourished, while rural and informal sectors have lagged behind. In the realm of **education and skill development**, globalization has driven demand for specialized skills, leading to a shift in educational priorities but also creating disparities in access to quality education. Additionally, globalization has transformed **consumer behavior and lifestyles**, with increased access to global brands and goods but also heightened pressures to conform to global standards. Overall, while globalization has undeniably spurred India's economic advancement, its effects on social inequality, cultural identity, and lifestyle changes underline the need for more inclusive and sustainable policies to ensure that its benefits are widely shared across the population

22.7 Globalisation: Future Perspectives

A) Promoting Equitable Growth:

- Bridge rural-urban gaps by ensuring equal access to education, healthcare, and employment opportunities for marginalized communities.
- Strengthen social welfare schemes and improve connectivity in remote areas to bridge the gap between rural and urban regions.
- Invest in rural infrastructure and agricultural modernization to support inclusive development.

B) Fostering Environmental Sustainability:

- Focus on green technologies and renewable energy to reduce environmental impact.
- Promote eco-friendly practices in industries and encourage a circular economy to achieve sustainability goals.
- Strengthen policies to combat climate change and improve resource efficiency for long-term environmental health.
- Implement initiatives like afforestation and clean energy transitions.

C) Empowering Domestic Industries:

- Support MSMEs and traditional sectors to enhance global competitiveness.
- Provide financial assistance, technological upgrades, and marketing support to boost productivity.
- Foster innovation and collaboration between industries and academic institutions.
- Offer skill development programs to address the needs of evolving industries.

D) Advancing Digital and Technological Capabilities:

- Leverage emerging technologies like AI, blockchain, and 5G to maintain global competitiveness.
- Promote digital literacy and expand internet access in rural areas.
- Establish tech hubs and encourage public-private partnerships to drive technological growth.

Check Your Progress

Based on your understanding of the previous section, answer these questions in your own words:

Q1. Define Globalisation. Mention two positive impacts of globalisation on Indian Economy.

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F) Q2. Explain the Evolution of Exchange Rate Policy and Rupee Convertibility?

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Q3. Discuss the impact of globalisation on external sector of India's economy?

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22.8 Let us sum up

This lesson explored the concept of globalization and its significance in the context of India's economic transformation. Globalization refers to the growing integration of national economies through trade, investment, technology, and the movement of people and ideas. In India, the process gained momentum after the 1991 economic reforms, which adopted the LPG (Liberalization, Privatization, and Globalization) framework. The lesson examined the positive impacts of globalization, such as increased foreign investment, improved technology access, and enhanced global trade participation. It also addressed the challenges, including rising inequality, vulnerability of small industries, and cultural homogenization. Overall, globalization has had a profound influence on India's economic structure, offering both opportunities and constraints in its path toward inclusive growth.

22.9 Keywords

- **Economic Liberalisation**

A policy approach aimed at reducing state intervention in the economy by removing trade barriers, deregulating industries, and encouraging private and foreign investment to promote efficiency and competitiveness.

- **Privatisation**

The process of transferring ownership and management of enterprises or assets from the public sector to the private sector, often intended to increase efficiency and reduce fiscal burdens on the state.

- **Foreign Direct Investment (FDI)**

Long-term investment by a foreign entity in the productive capacity of another country, typically involving ownership of at least 10% in a local enterprise. It reflects confidence in the host economy's potential.

- **Multinational Corporation (MNC)**

A large business organization that operates in multiple countries, coordinating production, marketing, and investment strategies across borders. MNCs are central actors in globalisation.

- **Exchange Rate Regimes**

The systems governing how a country manages its currency in relation to others, ranging from fixed or pegged systems to floating or market-determined rates, impacting competitiveness and capital flows.

- **Rupee convertibility**

It refers to the **freedom to convert Indian currency (rupee) into foreign currencies and vice versa** without restrictions. It plays a crucial role in India's integration with the global economy.

22.10 Suggested Readings

- Misra, S. K., & Puri, V. K. (2023). *Indian economy* (41st ed.). Himalaya Publishing House.
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- <https://www.nextias.com/blog/globalisation-in-india/>

22.11 Hints to Check Your Progress

CYP-I

Q1. Refer to section 2.3

Q2. Refer to section 22.5

Q3. Refer to section 22.6

22.12 Exam Oriented Questions

Q1. Examine how globalization has affected India's foreign trade and investment patterns.

Q2. "Globalization has been a double-edged sword for India." Discuss with examples.

Q3. Define globalization. How has it influenced the Indian economy since 1991?

Q4. Evaluate critically the effects of globalization on the Indian economy.

Q5. How has globalization affected economic growth in India?

Q6. Did globalisation succeed in India's integration into the global economy. Comment.

Q7. Describe the key policy measures introduced by the Indian government to push towards globalisation.

Q8. How has the entry of foreign capital influenced competition, innovation, and productivity in the Indian economy and helped in integrating India with the world economy.

Structure

23.0 Objectives

23.1 Learning Outcomes

23.2 Introduction

23.3 Prologue

23.4 Rationale for Economic Reforms

22.4.1 Key Features of Economic Reforms in India

23.5 Parameters for Assessing Economic Reforms: A Developmental Perspective

22.6 Critique of Economic Reforms

23.7 Recent Developments and Post-COVID Trends

23.8 Let us sum up

23.9 Keywords

23.10 Suggestive Readings

23.11 Hints to check your progress

23.12 Examination oriented questions

23.0 Objectives

The main objectives of this lesson are to enable you to:

- Identify the key economic objectives underlying the 1991 reform process in India.
- Examine how economic reforms have impacted growth, employment, and poverty over time.
- Evaluate the strengths and limitations of the reform trajectory using official data and scholarly critique.

- Interpret shifts in sectoral composition, employment structure, and poverty reduction outcomes.
- Formulate a reasoned critique of economic reforms from a distributive and inclusive development perspective.

23.1 Learning Outcomes

Upon completing this lesson, learners will be able to:

- Analyse the long-term trends in India's GDP growth post-1991.
- Assess the changing patterns of employment across agriculture, industry, and services.
- Discuss the effectiveness of reforms in reducing poverty using Tendulkar and Rangarajan estimates.
- Evaluate regional disparities and informalisation of labour in the post-reform era.
- Reflect on the recent challenges such as COVID-19 and their implications on reform outcomes.

23.2 Introduction

Dear learner, after going through this section, you will gain a comprehensive understanding of the impact of economic reforms on India's development landscape. The 1991 reforms marked a pivotal moment in India's economic history, introducing liberalisation, privatisation, and globalisation as key policy pillars. While these reforms aimed to stabilise the economy and foster high growth, their implications for employment creation, poverty alleviation, and equitable development have been the subject of extensive academic debate. This section invites you to critically explore whether the economic reforms have lived up to their promise of inclusive growth. Through empirical data, official poverty assessments, and labour market trends, we will assess the achievements and anomalies that have emerged over three decades of reform.

23.3 Prologue

The economic reforms initiated in India in 1991 marked a watershed moment in the country's development trajectory. Confronted with a severe balance of payments crisis, mounting fiscal deficits, and dwindling foreign exchange reserves, the Government of India introduced a series of structural reforms collectively known as the New Economic Policy (NEP). These

reforms were grounded in the broader framework of **liberalisation, privatisation, and globalisation** (LPG), and signaled a shift from a predominantly state-controlled economy towards a market-oriented model.

The primary goals of the reforms were to stabilize the macroeconomic environment, boost growth rates, enhance efficiency, attract foreign investment, and integrate the Indian economy with global markets. While the reforms did lead to accelerated GDP growth, increased foreign capital inflows, and the rise of globally competitive sectors like information technology and telecommunications, their broader impact on employment creation, poverty reduction, and equitable development remains contested.

Over the past three decades, scholars, policymakers, and civil society actors have debated the **dual outcomes** of these reforms. On the one hand, India emerged as one of the fastest-growing economies in the world; on the other hand, this growth was often characterized by rising inequality, employment informalization, and persistent rural distress. The term "**jobless growth**" gained traction in policy circles, highlighting the disconnect between output expansion and employment generation. Moreover, while the official poverty ratio declined, critiques have pointed to issues in measurement methodologies, regional disparities, and the limited reach of social safety nets.

This lesson aims to provide a critical examination of India's economic reforms with a specific focus on their impact on **growth, employment, and poverty**. By drawing on empirical data, academic analyses, and policy documents, the lesson seeks to answer fundamental questions:

- Has growth translated into broad-based development?
- Have the reforms succeeded in generating adequate and quality employment?
- To what extent has poverty been reduced, and who has been left behind?

In doing so, the lesson adopts a **multi-dimensional lens**, evaluating sectoral trends, structural transformations, labour market dynamics, and welfare outcomes. It also engages with theoretical perspectives that challenge the mainstream reform narrative, thereby offering a balanced and evidence-based critique suitable for academic inquiry.

23.4 Rationale for Economic Reforms

The economic reforms introduced in India in 1991 were not merely policy choices but urgent responses to a **macroeconomic crisis** that threatened the country's financial stability and

development aspirations. Several interconnected factors contributed to the need for wide-ranging structural reforms. These include both **immediate triggers** and **long-term structural weaknesses** in the Indian economy:

1. Macroeconomic Crisis of 1990–91

By mid-1991, India faced an unprecedented **balance of payments crisis**. Foreign exchange reserves had depleted to dangerously low levels—barely sufficient to finance **two weeks of imports** (World Bank, 1993). The current account deficit had widened to over **3% of GDP**, and India's credit rating was downgraded, limiting its access to international finance.

Simultaneously, the **fiscal deficit** had ballooned to around **8.4% of GDP** in 1990–91 (RBI, 2021), largely due to inefficient public sector enterprises, unproductive subsidies, and excessive borrowing. Inflation had surged to double digits, reaching nearly **17%**, eroding purchasing power and destabilizing household budgets.

2. Structural Inefficiencies in the Pre-1991 Economy

India's economic model since independence had been characterized by a **mixed economy** with a strong emphasis on **state-led planning** and **import substitution industrialization (ISI)**. While this model helped build a foundation for industrial and infrastructural development, by the late 1980s it had led to:

- **Overregulated markets** and **license-permit raj**
- **Low productivity and inefficiencies** in public enterprises
- **Lack of competition and innovation**
- **Limited integration with global markets**
- **Stagnant exports** and declining competitiveness

The “**Hindu rate of growth**” (~3.5% per annum) reflected the sluggish expansion of the economy during this period, in contrast to the rapidly growing East Asian economies.

3. External Shocks and Global Developments

The **Gulf War of 1990–91** caused a sharp spike in global oil prices, further worsening India's trade deficit. Additionally, the return of Indian expatriates from Gulf countries, loss of remittances, and increased oil import bills placed additional stress on the external sector.

Concurrently, the global consensus had shifted towards **market-oriented reforms**, influenced by the success of liberalization policies in Latin America and East Asia, and the growing influence of institutions like the **International Monetary Fund (IMF)** and the **World Bank**, which advocated for structural adjustment programs (SAPs).

4. Conditionalities Imposed by International Institutions

India approached the **IMF and World Bank** for a bailout package in 1991. In exchange for a loan of \$2.2 billion, these institutions required India to undertake a series of economic reforms aimed at reducing fiscal deficits, liberalizing trade, deregulating markets, and promoting private sector participation. This conditionality became a major driver of India's **New Economic Policy (NEP)**.

5. Need for Private Sector Participation and Efficiency

The dominance of the public sector in key industries had led to **underperformance and high fiscal burdens**. There was a growing realization that **private sector efficiency, technological adoption, and foreign direct investment (FDI)** could play a crucial role in modernizing the economy and boosting growth.

6. Demographic Pressure and Employment Needs

With a young and growing population, India needed to **generate massive employment opportunities**. The public sector alone was unable to absorb the increasing labour force. Reforming the economy was seen as a way to unlock **private investment**, increase **entrepreneurship**, and catalyze **job creation**.

Thus, the rationale for economic reforms was rooted in both **crisis management** and the **aspiration for transformation**. The reforms were aimed not only at restoring macroeconomic stability but also at repositioning India within a competitive, globalized economy. However, as subsequent sections of this lesson will demonstrate, the outcomes of these reforms—particularly in terms of **employment generation** and **poverty alleviation**—remain complex and contested.

23.4.1 Key Features of Economic Reforms in India

The economic reforms of 1991 ushered in a paradigmatic shift in India's development strategy, transitioning from a heavily regulated, state-controlled economy to a more market-oriented one. Spearheaded by then-Finance Minister Dr. Manmohan Singh and supported by

the International Monetary Fund (IMF) and World Bank, the reforms aimed to increase efficiency, productivity, and global competitiveness. The major features of these reforms can be categorized under three broad pillars: **Liberalisation, Privatisation, and Globalisation (LPG)**.

Liberalisation

Liberalisation marked the beginning of a new economic policy paradigm in India, aimed at reducing government control over economic activities and unleashing the potential of private enterprise. Prior to 1991, India operated under a tightly regulated regime characterized by industrial licensing, import quotas, and price controls, collectively referred to as the "License-Permit-Quota Raj." The 1991 reforms dismantled this framework by abolishing industrial licensing for most industries, thereby eliminating the entry barriers for entrepreneurs and firms. Key steps included the deregulation of interest rates, simplification of tax structures, and reduction in bureaucratic procedures. Restrictions under the Monopolies and Restrictive Trade Practices (MRTP) Act were relaxed to encourage corporate expansion. Additionally, the Foreign Exchange Regulation Act (FERA) was replaced with the more flexible Foreign Exchange Management Act (FEMA) in 1999, enabling easier foreign exchange transactions. Liberalisation also extended to the financial sector with greater autonomy to the Reserve Bank of India (RBI), improved prudential norms, and the phased development of capital markets. These measures were intended to foster economic efficiency, stimulate investment, and promote competition.

Privatisation

Privatisation involved a deliberate shift from state ownership of enterprises to a greater role for the private sector in economic activity. This was done through a range of mechanisms including disinvestment, strategic sales, and public-private partnerships. Prior to the reforms, the public sector dominated key industries such as steel, telecommunications, and energy, often leading to inefficiency, overemployment, and mounting financial losses. The reforms aimed to reduce the fiscal burden on the government by divesting equity in loss-making public sector undertakings (PSUs) and allowing private entities to operate in sectors previously reserved for state monopoly. The introduction of the Navratna and later the Maharatna and Miniratna schemes sought to grant financial and managerial autonomy to high-performing PSUs. Over time, strategic disinvestments were undertaken in companies like BALCO, Hindustan Zinc, and Air India. Furthermore, the government actively promoted

private sector participation in critical infrastructure projects such as roads, power generation, and ports under the Public-Private Partnership (PPP) model. Privatisation was not only viewed as a tool to enhance operational efficiency but also as a means to attract technological expertise, improve service delivery, and generate resources for social sector investments.

Globalisation

Globalisation aimed at integrating the Indian economy with global markets through increased flows of goods, services, capital, and technology. This dimension of the reform process involved lowering tariff barriers, removing quantitative restrictions on imports and exports, and liberalizing the foreign investment regime. In 1991, India undertook a significant reduction in import duties and adopted an outward-oriented trade strategy, transitioning away from the earlier policy of import substitution. The country became a founding member of the World Trade Organization (WTO) in 1995, committing to multilateral trade norms and liberalised trade practices. On the investment front, the government allowed Foreign Direct Investment (FDI) through automatic approval routes in key sectors such as automobiles, telecommunications, banking, insurance, and retail. Simultaneously, measures were taken to attract Foreign Institutional Investors (FIIs) to Indian capital markets. A major milestone was the move toward current account convertibility of the rupee in 1994, facilitating smoother cross-border trade and payments. Globalisation also included the adoption of international standards in accounting, corporate governance, and intellectual property rights. While globalisation contributed to the emergence of globally competitive sectors like IT and pharmaceuticals, it also exposed domestic producers to heightened competition and global economic volatility.

23.5 Parameters for Assessing Economic Reforms: A Developmental Perspective

It is essential to understand that liberalisation, privatisation, and globalisation (collectively known as the LPG reforms) are not developmental goals in themselves but tools intended to accelerate the process of economic growth and transformation. These policy instruments were introduced with the expectation that they would enhance productivity, attract investment, and modernise the economy. However, the ultimate measure of their success lies not in the implementation of these mechanisms, but in the extent to which they help achieve the broader and long-established objectives of national development. These objectives were articulated as early as the First and Second Five-Year Plans and remain fundamental to India's developmental vision even today.

The most relevant parameters for evaluating the impact of economic reforms are sixfold. First and foremost is the achievement of a sustained and higher rate of economic growth, ideally in the range of 7 to 8 percent per annum. This level of growth is considered necessary to generate a virtuous cycle of investment, employment, and income generation. Second is the expansion of employment opportunities, with the ultimate goal of reaching full employment. Economic growth devoid of employment generation—commonly referred to as "jobless growth"—fails to deliver inclusive prosperity.

Third, the reforms should contribute to a significant reduction in poverty levels by raising incomes and improving access to basic necessities for the marginalized. A mere rise in GDP without parallel improvements in poverty alleviation dilutes the social value of growth. Fourth, distributive justice must be ensured. Equity in the distribution of income, assets, and opportunities is vital to provide a better standard of living for the poor and economically weaker sections of society. Economic reforms must therefore be assessed not only in terms of efficiency but also in terms of fairness and justice.

Fifth, regional imbalances must be addressed. The persistent gap between economically advanced and backward states poses a threat to national cohesion and stability. Reforms should promote balanced regional development by ensuring that all parts of the country benefit equitably from economic progress. Finally, the sixth parameter pertains to human development. True economic advancement is incomplete unless accompanied by substantial improvements in health, education, and the overall quality of life. Indicators such as literacy rates, life expectancy, and access to healthcare are critical for assessing the real impact of reforms on people's lives.

Therefore, a meaningful critique of economic reforms should be rooted in a developmental framework that evaluates outcomes against these comprehensive and people-centric benchmarks. This approach ensures that the reforms are not merely assessed in technical or macroeconomic terms but are held accountable to the fundamental objectives of social and economic justice envisioned in India's planning tradition.

22.6 Critique of Economic Reforms

A meaningful critique of India's economic reforms must move beyond abstract theoretical debates and be grounded in a comprehensive evaluation of actual outcomes. The reforms should be judged by the extent to which they have delivered on the core goals of inclusive and sustainable development. Central to this assessment is the actual rate of economic growth

achieved over the reform period and whether this growth has translated into tangible improvements in the lives of the majority.

Key dimensions to consider include the impact of reforms on **employment generation** and **poverty alleviation**, particularly among vulnerable and marginalized groups. Equally important is the effect on **labour markets**, including job security, wage conditions, and the growing informalisation of the workforce. Given that agriculture continues to be the primary source of livelihood for more than 60 percent of the Indian population, the consequences of reform policies on agricultural productivity, farmer incomes, rural distress, and food security must also be critically examined.

A) Growth Performance Post-Reforms (1991–2024)

Table 1: Real GDP Growth Rates (%), 1991–2024.

Year	Real GDP Growth (%)
1991	1.06
1992	5.48
1993	4.75
1994	6.66
1995	7.57
1996	7.55
1997	4.05
1998	6.18
1999	8.85
2000	3.84
2001	4.82
2002	3.8
2003	7.86
2004	7.92
2005	7.92
2006	8.06
2007	7.66
2008	3.09
2009	7.86
2010	8.5
2011	5.24
2012	5.46
2013	6.39
2014	7.41
2015	8.0
2016	8.26
2017	6.8
2018	6.53
2019	4.04

2020	-7.25
2021	9.69
2022	6.99
2023	8.2
2024	6.5

Source: World Bank (2023), *World Development Indicators* (1991–2020); Macrotrends (2021–2022) based on World Bank data; World Bank India Development Update (2023–24); IMF Article IV Consultation Report (2024) for projected data. Data compiled by author.

India's economic reforms, launched in 1991, marked a structural shift from a state-controlled development model to a more market-oriented economy. A key metric to evaluate the outcome of these reforms is the country's real GDP growth performance over the period 1991–2024. The uploaded data presents a clear empirical foundation to assess growth trends over more than three decades.

India's average real GDP growth from 1991 to 2024 stands at approximately 6.1 percent per annum, nearly double the “Hindu rate of growth” (~3 percent) witnessed during the pre-reform decades. The initial reform years from 1991 to 2002 witnessed moderate and sometimes erratic growth as the economy adjusted to major structural changes. GDP growth accelerated significantly in the mid-2000s, peaking at 8.5 percent in 2010, before encountering both global and domestic headwinds in subsequent years. A closer look at specific periods reveals distinct phases in India's growth trajectory. The period from 1991 to 2002 was marked by economic stabilisation and foundational liberalisation, with growth fluctuating between a low of 1.06 percent in 1991 and a high of 8.85 percent in 1999. The years from 2003 to 2008 represent a high-growth era, where GDP consistently hovered around 8 percent, driven by booming private investments, export expansion, and favourable global conditions. From 2009 to 2019, India experienced a mixed decade characterised by a post-global financial crisis recovery followed by a gradual slowdown, ending with a modest 4.04 percent growth in 2019. The final phase, from 2020 to 2024, witnessed a dramatic contraction of –7.25 percent due to the COVID-19 pandemic, followed by a robust rebound of 9.69 percent in 2021, eventually stabilising around 6.5 percent in 2024 (projected). These growth patterns underscore both the resilience of the Indian economy and the cyclical vulnerabilities that persist in a globally integrated market.

The reform period also brought about significant structural transformation. The services sector emerged as the principal engine of growth, contributing over 50 percent to GDP by the 2010s. The rapid expansion of information technology, telecommunications, and financial

services played a pivotal role, particularly during the high-growth years between 2003 and 2008. In contrast, the manufacturing sector remained stagnant despite several policy initiatives such as "Make in India." Its contribution to GDP hovered around 16 to 17 percent, indicating limited industrial deepening and a missed opportunity for large-scale job creation. The agricultural sector, which continues to employ a significant share of the workforce, saw its share in GDP decline from over 30 percent in 1991 to under 16 percent by 2024. This sharp fall, coupled with slow income growth in rural areas, highlights the widening rural–urban divide. Investment trends during this period mirrored these structural shifts. The early 2000s witnessed a sharp increase in Gross Capital Formation, peaking around 2007–08. However, this momentum faltered in the following decade due to the twin balance sheet crisis affecting banks and corporates. In recent years, investment has shown signs of revival, largely driven by public infrastructure spending and increased government capital outlays.

The overall increase in national income has not translated evenly across regions or population groups. Economic reforms have, in many cases, deepened regional disparities. High-growth states such as Maharashtra, Gujarat, Tamil Nadu, and Karnataka have consistently attracted greater private and public investment, while historically lagging states—often referred to as the BIMARU states (Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh)—have continued to struggle with slower growth, lower per capita incomes, and inadequate infrastructure. This uneven spatial development has led to a widening gap in per capita income between the richest and poorest states in the country. Moreover, in terms of income distribution, the benefits of liberalisation and growth have accrued disproportionately to urban, skilled populations. The Gini coefficient, a measure of income inequality, has shown a rising trend, and a significant portion of employment generated during the reform era has been in the informal sector. As a result, growth has not been able to substantially reduce inequality or uplift the most vulnerable segments of society.

When assessed from a global perspective, India's reform-era growth compares favourably. The country has been among the fastest-growing large economies in the world, particularly after 2003. India has outperformed many other developing countries in terms of average annual GDP growth. However, China consistently maintained even higher growth rates, often in the range of 9 to 10 percent, during the same period. India's growth has also been more volatile, with sharp slowdowns and rapid recoveries—as seen in 2008, 2013, and most recently in 2020 due to the pandemic—setting it apart from the more stable high-growth trajectories of East Asian economies. Nevertheless, the economy's ability to rebound strongly,

especially in the aftermath of the pandemic, reflects the strength of macroeconomic buffers built during the reform era. These include improved monetary policy frameworks, higher foreign exchange reserves, a growing domestic consumer market, and expanding digital and financial inclusion.

In conclusion, the post-reform period has been marked by sustained yet uneven and volatile growth. While economic reforms succeeded in accelerating GDP expansion, cycles of boom and slowdown have constrained consistent developmental outcomes. A clear sectoral imbalance has emerged, with an over-reliance on services and the relative neglect of manufacturing and agriculture, limiting the employment intensity of growth. Employment generation has failed to keep pace with output growth, giving rise to the phenomenon of “jobless growth,” a concern. Additionally, regional inequalities have widened, calling for state-level policy innovations and more equitable allocation of development spending to bridge the North–South divide. Although India’s external competitiveness has improved, the current growth model is challenged by emerging risks including global uncertainty, technological disruptions, and the looming threat of climate change. These realities underscore the need for second-generation reforms that prioritise inclusive growth, social protection, and long-term sustainability.

B) Employment Trends and Labour Market Outcomes (1991–2024) post reform

Table 2: Sector-wise Employment Share and Informality.

Year	Agriculture (%)	Industry (%)	Services (%)	Informal Employment (%)
1993	61.0	15.6	23.4	92.0
1999	59.9	16.0	24.1	91.2
2004	56.6	18.2	25.2	90.7
2011	48.9	24.0	27.1	91.0
2017	44.0	25.6	30.4	90.6
2019	42.5	26.4	31.1	89.2
2022	45.5	24.3	30.2	89.5

Source: Data compiled from the National Sample Survey Organisation (NSSO) Employment–Unemployment Surveys (1993–2011) and the Periodic Labour Force Survey (PLFS) annual reports (2017–18 to 2022–23), Ministry of Statistics and Programme Implementation (MoSPI), Government of India. Supplemented with estimates from Economic Survey (various years) and NITI Aayog discussion papers

One of the central promises of the 1991 economic reforms was to accelerate employment generation alongside higher economic growth. However, while India has experienced significant GDP expansion over the past three decades, the pattern of employment growth has

been far less encouraging. The phenomenon of "jobless growth" has become a defining feature of the post-reform period, with the labour market failing to absorb the expanding working-age population into secure, productive, and formal employment.

An analysis of employment patterns from 1993 to 2022, as captured by NSSO and later PLFS data, reveals notable structural shifts. In 1993, agriculture accounted for nearly **61 percent** of total employment, reflecting India's traditional dependence on the agrarian economy. By 2022, this share had declined to **45.5 percent**, indicating a slow but persistent diversification of the workforce. However, this transition has not always been linear. After falling to below 43 percent in 2019, agricultural employment rebounded in 2022, primarily due to distress-driven reverse migration during the COVID-19 pandemic and limited employment opportunities in urban areas. This reversal highlights the fragile nature of India's labour market transitions.

The share of employment in the **industrial sector** saw moderate gains, rising from **15.6 percent in 1993** to **26.4 percent in 2019**, before declining slightly to **24.3 percent in 2022**. This fluctuation is partly attributed to deindustrialisation pressures, automation, and the stagnation of labour-intensive manufacturing despite flagship schemes like 'Make in India'. Although the sector contributed significantly to GDP in certain periods, its employment elasticity has remained weak.

In contrast, the **services sector** has consistently expanded its share in total employment—from **23.4 percent in 1993** to a peak of **31.1 percent in 2019**, before slightly retreating to **30.2 percent in 2022**. The expansion was largely driven by high-growth subsectors such as IT, financial services, education, and logistics. However, many of these subsectors are skill-intensive and urban-centric, often excluding large segments of the population with limited formal education or technical training.

A persistent feature of the Indian labour market is the overwhelming dominance of **informal employment**. As of 2022, over **89.5 percent** of the workforce was engaged in informal jobs—those without social security, written contracts, or employment benefits. This includes casual labourers, self-employed workers, and informal wage earners across all sectors. Although some marginal improvements were observed post-2015 due to schemes promoting formalisation (e.g., the EPFO expansion and GST registration), informalisation remains structurally entrenched. The informal sector has not only persisted in agriculture but has also

proliferated in construction, retail, and even parts of the formal economy through contract and gig-based work.

Gender disparities further compound the employment challenge. Female labour force participation (FLFP) has remained among the lowest globally, fluctuating between **20–25 percent** in the last two decades. This is despite improvements in education and declining fertility rates. Cultural constraints, safety concerns, inadequate childcare, and lack of flexible work arrangements have all contributed to the persistent exclusion of women from the paid workforce.

Youth unemployment presents another critical concern. According to PLFS estimates, unemployment rates among those aged 15–29 have consistently been higher than the national average, often exceeding **15 percent** in urban areas. The education–employment mismatch, lack of skill alignment, and low job creation in the formal private sector have left many educated youths either underemployed or excluded from productive work.

The COVID-19 pandemic intensified existing vulnerabilities. In 2020, millions of urban informal workers lost their jobs due to lockdowns, resulting in large-scale reverse migration to rural areas. The contraction in employment opportunities pushed many into low-paying, precarious jobs in agriculture and informal services, reversing years of slow progress in structural transformation.

In summary, India’s post-reform employment story has been marked by significant challenges. While the economy has diversified away from agriculture in terms of output, the workforce has not shifted at the same pace, leading to a situation of **structural imbalance**. High growth has not translated into high employment. Instead, the Indian labour market remains characterised by high informalisation, underemployment, and gender and regional disparities. These trends point to the urgent need for a more inclusive growth model that promotes labour-intensive manufacturing, invests in skill development, encourages women's workforce participation, and expands formal employment opportunities across regions and sectors.

C) Poverty Reduction – Achievements and Anomalies (1991–2024) post reforms

Table 3: Rural and Urban Poverty in India (1993–2012).

Year	Total Poverty (%) (Tendulkar)	Rural Poverty (%) (Tendulkar)	Urban Poverty (%) (Tendulkar)	Total Poverty (%) (Rangarajan)	Rural Poverty (%) (Rangarajan)	Urban Poverty (%) (Rangarajan)

1993	45.3	50.1	31.8	NA	NA	NA
2004	37.2	41.8	25.7	NA	NA	NA
2011	21.9	25.7	13.7	NA	NA	NA
2012	21.9	25.7	13.7	29.5	30.9	26.4

Source: Planning Commission, Government of India. *Press Notes on Poverty Estimates* (1993–94, 2004–05, 2011–12); Tendulkar Committee Report (2009); Rangarajan Committee Report (2014); NITI Aayog (2021). *National Multidimensional Poverty Index: Baseline Report*.

A central promise of India’s post-1991 economic reforms was that higher growth would lead to a significant reduction in poverty through enhanced income opportunities, increased public revenues, and better-targeted welfare schemes. Over the years, headline poverty rates have shown a clear downward trend, but the deeper reality is far more nuanced, shaped by differences in methodology, persistent regional disparities, and rural–urban divides.

According to official estimates based on the Tendulkar Committee methodology, the national poverty ratio fell from 45.3 percent in 1993–94 to 21.9 percent in 2011–12. This substantial decline is often cited as a key achievement of economic reforms, aided by higher growth, improved connectivity, and the proliferation of government welfare schemes such as the Public Distribution System (PDS), MGNREGA, and targeted subsidies. However, this decline was not uniform across geographies or demographic groups. In 1993–94, rural poverty stood at 50.1 percent, compared to 31.8 percent in urban areas, highlighting a stark rural–urban divide. By 2011–12, rural poverty had decreased to 25.7 percent, while urban poverty dropped more sharply to 13.7 percent, indicating relatively faster improvement in urban living standards.

Despite these improvements, concerns have been raised regarding the accuracy and adequacy of the Tendulkar methodology. Critics argued that the poverty line defined under Tendulkar was too low to capture genuine deprivation, particularly in urban settings with higher living costs. In response, the Rangarajan Committee, appointed in 2012, recommended a revised methodology and identified higher poverty ratios. Under Rangarajan’s estimates, the poverty ratio for 2011–12 was revised upwards to 29.5 percent, with 30.9 percent in rural areas and 26.4 percent in urban areas. These figures reignited debates over the adequacy of social protection and the underestimation of poverty in earlier assessments.

Another limitation in poverty assessment is the absence of official poverty data after 2011–12. Although several independent estimates, including those by the World Bank, NITI Aayog, and the World Inequality Lab, suggest continued improvement, the lack of recent data has left a gap in the evidence needed to critically assess post-2012 trends. Some private studies

estimate that the COVID-19 pandemic may have temporarily reversed the declining poverty trend due to large-scale job losses and supply chain disruptions, particularly among informal sector workers and rural migrants.

Poverty reduction has also been regionally imbalanced. States like Kerala, Himachal Pradesh, Tamil Nadu, and Punjab consistently show lower poverty levels, while Bihar, Uttar Pradesh, Madhya Pradesh, and Odisha continue to have higher concentrations of poor households. The success of poverty alleviation programs has varied depending on administrative efficiency, decentralised governance, and the extent of financial inclusion in each region. Moreover, while absolute poverty has declined, multidimensional poverty—which includes education, health, and access to basic services—remains a serious concern. The NITI Aayog Multidimensional Poverty Index (MPI) 2021 indicated that nearly 25 percent of Indians still experienced multiple forms of deprivation, with rural areas being disproportionately affected.

Further complicating the narrative is the persistently high level of informal employment and low real wage growth in rural India. These structural weaknesses have constrained the capacity of growth to translate into poverty alleviation. In many cases, poverty has become cyclical and seasonal, with temporary escapes from poverty followed by relapses due to illness, debt, or economic shocks.

In conclusion, while the post-reform era has undeniably witnessed a substantial decline in official poverty rates, this success is qualified by methodological limitations, rural–urban disparities, and the persistence of multidimensional deprivation. The lack of recent official data further clouds the picture. A robust poverty reduction strategy going forward must go beyond income thresholds to incorporate indicators of health, education, social protection, and access to productive assets. It must also address the structural vulnerabilities of informal labour and regional backwardness, ensuring that the gains of economic growth reach the most marginalised sections of society.

23.7 Recent Developments and Post-COVID Trends

The COVID-19 pandemic, which struck in early 2020, marked a profound inflection point in India's economic reform journey. While the post-1991 reform process had already witnessed phases of high growth, sectoral transformation, and social sector expansion, the pandemic exposed deep-seated vulnerabilities in India's labour market, health systems, social protection architecture, and economic resilience. In this context, recent developments since 2020 have

both tested and reshaped the legacy of economic reforms, especially in the domains of growth, employment, and poverty alleviation.

India's GDP experienced an unprecedented contraction of **–7.25 percent in 2020–21**, the sharpest fall since independence. The lockdowns imposed to contain the pandemic brought economic activity to a standstill, severely impacting informal sector workers, daily-wage earners, small businesses, and the migrant labour population. According to the Periodic Labour Force Survey (PLFS) and CMIE estimates, nearly **120 million jobs were lost at the peak of the first lockdown**, with the brunt borne disproportionately by low-income and informal workers. In rural areas, large-scale reverse migration occurred, pushing people back into low-productivity agricultural employment, temporarily increasing agriculture's share in total employment after decades of decline.

In response to the crisis, the government announced the **Atmanirbhar Bharat Abhiyan (Self-Reliant India Mission)**, a ₹20 lakh crore economic package aimed at reviving economic activity, supporting MSMEs, enhancing liquidity, and expanding welfare provisions. Several structural reforms were bundled with this stimulus, including **labour code consolidation, agricultural marketing reforms**, and the **PLI (Production Linked Incentive) scheme** to attract manufacturing investment. These measures reflected a blend of short-term recovery efforts with long-term reform goals. However, many of these reforms—especially those concerning agriculture and labour—faced implementation challenges and widespread protests, highlighting the need for greater consensus-building and institutional readiness.

On the growth front, India staged a remarkable recovery in **2021–22**, with GDP expanding by **9.69 percent**, driven by base effects, pent-up demand, digital adoption, and increased government capital expenditure. Subsequent years saw a return to the 6–7 percent growth band, making India the **fastest-growing large economy** globally. Yet, this recovery was **K-shaped**, benefitting the formal, digital, and capital-intensive sectors, while informal enterprises and low-skilled workers continued to face stagnation. Consumption in the bottom income deciles remains below pre-pandemic levels, according to multiple surveys, suggesting that the recovery has not been equitable.

From a labour market perspective, the post-COVID years reinforced the structural weaknesses of India's employment system. Informality remains above **89 percent**, and real wages have either stagnated or declined in sectors like construction, retail, and domestic

work. Youth unemployment, especially among graduates, remains alarmingly high—crossing **15 percent** in urban areas in 2022–23. At the same time, a new wave of **gig and platform work** has emerged, enabled by digitalisation and app-based services. While this has created flexible job opportunities, it has also raised concerns about precarity, lack of social security, and regulatory oversight.

The pandemic also sharpened awareness about **social protection** gaps. The **PM Garib Kalyan Anna Yojana** provided free food grains to nearly **800 million people**, which was crucial for preventing acute hunger. However, other safety nets such as MGNREGA witnessed record demand, pointing to distress rather than planned rural employment. Moreover, many urban poor without formal documentation were initially excluded from benefits, underlining the need for a **universal and portable social protection system**.

In terms of poverty, estimates vary, but several studies—including those by World Bank and Pew Research—suggest that **over 75 million people may have fallen back into poverty** during the pandemic. While these numbers are gradually reversing due to food security schemes and job recovery, the pandemic-induced setback has undoubtedly delayed India's poverty eradication timeline.

Finally, the post-COVID policy landscape reflects both **continuity and evolution**. Continuity is evident in the push for fiscal consolidation, privatisation, and digital public infrastructure, in line with the post-1991 reform ethos. At the same time, new priorities such as **climate adaptation, urban resilience, digital skilling, and healthcare capacity building** have taken centre stage, signalling a broader developmental agenda. Initiatives like **Gati Shakti, Green Hydrogen Mission, and Digital India Stack** reflect India's attempt to build a reform narrative suited for the 21st-century challenges.

In conclusion, the post-COVID period has both reaffirmed the strengths of India's economic reforms—such as macroeconomic resilience, supply-chain diversification, and entrepreneurial dynamism—and exposed their weaknesses, particularly in labour informality, healthcare fragility, and social inequality. Moving forward, India's reform strategy must strike a balance between **efficiency and inclusion, growth and equity, and global competitiveness and social cohesion**. The pandemic may thus be seen not just as a disruption, but as an opportunity to redesign reforms for a more just, resilient, and inclusive economy.

Check Your Progress

Q1. What were the key features of India’s economic reforms initiated in 1991?

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Q2. Define the term “jobless growth.” How is it relevant to India’s post-reform experience?

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Q3. What are the major changes in employment patterns in India since the 1990s?

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23. 8 Let us Sum up

This lesson critically examined the outcomes of India’s economic reforms since 1991, with a focus on growth, employment, and poverty. It began by outlining the rationale behind the reforms and the parameters for assessing their success, including GDP growth, job creation, poverty alleviation, and equity. While the reforms succeeded in accelerating economic growth—averaging over 6 percent annually—they also introduced volatility and sectoral imbalances. Growth was primarily services-led, with limited gains in manufacturing and persistent underperformance in agriculture. Employment trends revealed the phenomenon of “jobless growth,” where output expanded without proportional increases in decent employment, and the labour market remained dominated by informal and precarious jobs. Poverty levels declined substantially according to official estimates, particularly under the Tendulkar and Rangarajan methodologies, but disparities across rural–urban areas and states remained significant. Additionally, the absence of updated poverty data post-2012 raises concerns about evidence-based policymaking. The COVID-19 pandemic further exposed systemic vulnerabilities—triggering job losses, reversing poverty reduction gains, and

highlighting the inadequacies in social protection systems. While the post-COVID recovery demonstrated macroeconomic resilience, it also reinforced the need for second-generation reforms that prioritise inclusion, equity, and sustainability. The overall critique suggests that while the reforms delivered growth, they fell short in ensuring broad-based development and social justice.

23.9 Keywords

- **Economic Reforms:** A set of policy changes introduced in 1991 to liberalise the Indian economy by reducing state control and promoting market-oriented development.
- **Liberalisation:** The removal or relaxation of government restrictions in areas such as industry, trade, and finance to promote private sector participation.
- **Privatisation:** The transfer of ownership, management, or control of public sector enterprises to the private sector to improve efficiency and reduce fiscal burden.
- **Globalisation:** The process of increasing integration of the Indian economy with the global economy through trade, investment, and capital flows.
- **Gross Domestic Product (GDP):** The total monetary value of all goods and services produced within a country in a specific period, often used as a measure of economic performance.
- **Growth Rate:** The annual percentage increase in the value of GDP or other economic indicators, used to assess the pace of economic expansion.
- **Jobless Growth:** A situation where the economy grows in terms of GDP, but without a corresponding increase in employment opportunities.
- **Informal Employment:** Work arrangements that are not regulated by formal contracts and lack social security, benefits, and legal protection.
- **Poverty Line:** An income threshold used to determine the minimum standard of living; individuals below this line are considered poor.
- **Tendulkar Methodology:** A poverty estimation approach introduced in 2009 that considers expenditure on health and education while determining poverty lines.
- **Rangarajan Methodology:** A revised approach to poverty estimation introduced in 2014 that proposed higher poverty thresholds, offering a broader measure of deprivation.
- **Multidimensional Poverty:** A measure that goes beyond income to include indicators like education, health, and living standards to assess poverty comprehensively.

- **Gini Coefficient:** A statistical measure of income inequality ranging from 0 (perfect equality) to 1 (perfect inequality).
- **Reverse Migration:** The return of urban workers to rural areas due to loss of employment or crisis, as seen during the COVID-19 lockdowns.
- **Atmanirbhar Bharat Abhiyan:** A policy initiative launched in 2020 to promote self-reliance through local manufacturing, fiscal support, and structural reforms.
- **Gig Economy:** A labour market characterized by short-term contracts, freelance work, or task-based employment facilitated through digital platforms.
- **PLFS (Periodic Labour Force Survey):** An annual survey conducted by MoSPI to assess employment and unemployment indicators in India.
- **K-shaped Recovery:** A recovery pattern post-crisis where different segments of the economy or society recover at unequal rates, often widening inequality.
- **Second-Generation Reforms:** Reforms focusing on structural and institutional aspects such as labour laws, education, health, and social protection, aimed at inclusive development.

23. 10 Suggestive Readings

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23.11 Hints to check your progress

CYP-I

Q1. Refer to section 22.4.1

Q2. Refer to section 22.6

Q3. Refer to section 22.6

23.12 Examination Oriented Questions

1. Critically examine the impact of economic reforms on India's GDP growth, with supporting data from 1991 to 2024.
2. Analyse the structural shifts in India's employment pattern since the economic liberalisation of 1991. What challenges persist in terms of informality and job quality?
3. Discuss the extent of poverty reduction in India during the reform period. What anomalies and limitations have been identified in official poverty estimation?
4. Evaluate the regional disparities in economic growth and poverty in post-reform India. What policy measures could address these inequalities?
5. Assess the post-COVID economic trends in India in terms of growth, employment, and poverty. How has the pandemic reshaped reform priorities?

Structure

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24.11: Balance of Payments (BOP) Reforms Post-1991

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24.0 Objectives

The main objectives of this lesson are to enable you to:

- Examine the evolution of India's foreign trade policy from 1991 to 2024.
- Analyse the structure and composition of India's exports and imports.
- Evaluate the causes and impact of the 1991 Balance of Payments (BoP) crisis.
- Interpret trends in India's BoP and external sector indicators post-liberalisation.
- Assess current challenges in India's foreign trade and identify strategic policy responses.

24.1 Learning Outcomes

After studying this lesson, learners will be able to:

- Trace key phases in India's trade liberalisation and BoP reforms.
- Differentiate between current account and capital account transactions.
- Discuss structural changes in India's export and import composition.
- Identify policy instruments supporting trade facilitation and export promotion.
- Critically appraise India's performance in managing BoP and external sector risks.

24.2 Introduction

Dear learner, after going through this lesson, you will understand how India's foreign trade and external sector evolved as a central pillar of its post-1991 economic strategy. In 1991, facing a severe Balance of Payments crisis, India initiated bold reforms to liberalise trade, attract foreign capital, and integrate more deeply into the global economy. Over the next three decades, India transitioned from a largely inward-looking trade regime to a competitive exporter of engineering goods, pharmaceuticals, and IT services. However, challenges such as high import dependence on oil and electronics, volatile capital flows, and rising global protectionism continue to test the resilience of India's external sector. This lesson offers a

comprehensive analysis of the structure, performance, policy reforms, and future roadmap of India's foreign trade and Balance of Payments.

24.3 Prologue

Foreign trade and the balance of payments (BOP) form the cornerstone of a nation's external economic relations. In the case of India, these dimensions are particularly significant due to the economy's size, developmental stage, and growing global integration. The foreign trade sector serves not only as a vital source of foreign exchange earnings but also as a key driver of industrial growth, employment generation, and technological progress. Likewise, the BOP—a comprehensive record of a country's economic transactions with the rest of the world—provides a crucial indicator of macroeconomic stability and resilience.

Prior to 1991, India followed a largely inward-looking trade regime, guided by the principles of import substitution industrialization (ISI). This protectionist strategy, marked by high tariffs, quantitative restrictions, and licensing requirements, sought to promote self-reliance by shielding domestic industries from foreign competition. While it supported the early stages of industrialization, the policy framework gradually led to inefficiencies, lack of competitiveness, and limited export growth. As highlighted in *Dutt and Sundaram (2023)*, India's share in global trade declined from around 2% in the 1950s to less than 0.5% by the end of the 1980s, reflecting the inadequacy of its trade strategy.

This situation was compounded by persistent BOP vulnerabilities. India's current account deficit—driven by a growing import bill and stagnant exports—widened significantly during the 1980s. By 1990–91, the situation had become unsustainable. The country faced a severe BOP crisis, with foreign exchange reserves plummeting to levels barely sufficient to cover two weeks of imports. As recorded by *Misra and Puri (2023)*, the crisis was triggered by both structural deficiencies and external shocks, including rising oil prices due to the Gulf War and declining remittances from Indian workers in the Gulf region. The crisis necessitated immediate corrective measures and led India to seek assistance from the International Monetary Fund (IMF), which came with the condition of implementing far-reaching economic reforms.

The year 1991 thus marked a watershed in India's external sector policy. The New Economic Policy (NEP) introduced that year aimed to dismantle the restrictive trade regime and correct macroeconomic imbalances. Central to this transformation were trade liberalization, rupee devaluation, encouragement of exports, current account convertibility, and the opening up of

the capital account in a phased manner. These reforms laid the foundation for India's deeper integration into the global economy, reflected in rising trade volumes, diversification of trade partners, robust capital inflows, and improved foreign exchange reserves.

Over the past three decades, India's foreign trade and BOP management have undergone a structural shift. The contribution of foreign trade to GDP has increased significantly, and India has emerged as a key exporter of services, especially in information technology and professional services. Simultaneously, the BOP position has become more stable, backed by healthy capital inflows and a significant accumulation of forex reserves—crossing \$600 billion in 2021–22. However, new challenges have also emerged, including widening trade deficits with certain countries, volatility in capital flows, global protectionism, and the need to align domestic policies with WTO norms and global value chains (GVCs).

This lesson aims to comprehensively examine India's foreign trade and BOP reforms since 1991. It traces the historical trajectory, analyzes the changing structure and direction of trade, discusses the nature of reforms in current and capital accounts, and evaluates the institutional and policy mechanisms that support India's trade infrastructure. The lesson also critically assesses ongoing challenges and suggests policy directions to strengthen India's external sector in a rapidly changing global environment.

24.4 Evolution of India's Foreign Trade Policy (Pre-1991 → 2025)

Foreign-trade policy in India has moved through **three broad—and increasingly outward-oriented—phases**: (1) the *import-substitution* era (1950-1990); (2) the *liberalisation and consolidation* phase (1991-2014); and (3) the *strategic competitiveness* phase (2015-present). Each phase reflects the shifting development strategy, macro conditions and global trade architecture.

1 Import-Substitution and State Planning, 1950-1990

At Independence India adopted a self-reliant, import-substitution industrialisation (ISI) strategy. Tariffs routinely exceeded 150 percent, quantitative restrictions were pervasive, and every import—including raw materials—required an advance licence (the “Licence-Raj”). The tariff wall protected nascent heavy industries but gradually bred inefficiency, cost-escalation and technological stagnation. Studies estimate India's share in world exports fell from ~ 2 percent in the early-1950s to below 0.5 percent by 1990. The **Foreign Exchange Regulation Act (FERA, 1973)** further tightened current-account control, while successive

Import Control Orders mandated priority only for “essential” imports (food, fertiliser, petroleum).

By the late-1980s, twin fiscal and external deficits exposed the weaknesses of the inward model. Petroleum shocks, rising external debt and dwindling reserves culminated in the 1991 balance-of-payments (BOP) crisis—India had barely two weeks of import cover.

2 First-Generation Liberalisation, 1991-2004

The 1991 New Economic Policy replaced the control regime with rules-based trade management. Key measures included:

- **Sharp rupee devaluation** (July 1991), followed by a move to a market-determined exchange rate in 1993.
- **Tariff compression**—the peak customs rate fell from 355 percent (1991) to 20 percent by 2004.
- **Phased removal of import licensing**; by 2001 nearly 95 percent of tariff lines were freed from quantitative restrictions.
- **Export incentives** such as duty-drawback, Export Promotion Capital Goods (EPCG) scheme, and establishment of **Special Economic Zones (SEZs)** (SEZ Act, 2005, conceived in 2000).

The first two five-year Export–Import (EXIM) policies (1992-97, 1997-2002) shifted the policy narrative from regulation to promotion, unifying disparate export schemes and introducing *Target Plus* rewards for high-growth exporters. Empirically, merchandise exports grew at an average 13 percent (compound) during 1992-2004, nearly triple the 1980s pace.

3 Consolidation through Comprehensive FTPs, 2004-2014

In 2004, the nomenclature changed from “EXIM Policy” to **Foreign Trade Policy (FTP)**, signalling a medium-term strategic approach. FTP 2004-09 set an ambitious goal of doubling India’s share in world trade to 2 percent and merged several product- and market-specific scripts into the **Merchandise Exports from India Scheme (MEIS)**. The global commodity boom propelled exports past USD 300 billion by 2011-12, but the 2008 crisis exposed continuing import dependence and raised trade deficits.

FTP 2009-14 retained MEIS but added a *Zero Duty EPCG* window for technology-intensive sectors, while extending interest-subsidy to labour-intensive MSME exporters. The period also saw an assertive stance at the WTO—opposing the Doha Round’s dilution of Special Safeguard Mechanisms—keeping policy space for farm support.

4 Strategic Competitiveness and the Digital Turn (2015–Present)

India’s foreign trade policy in the post-2015 era has undergone a strategic realignment, shifting from traditional export incentives towards enhancing **global competitiveness**, **process digitisation**, and **district-level export capacity building**. This phase coincides with growing geopolitical volatility, global trade realignments (post-COVID), and India's vision to become a key player in global value chains (GVCs). The emphasis has moved from only **boosting exports** to **transforming the entire trade ecosystem**, aligning with national priorities such as *Aatmanirbhar Bharat* and *Digital India*.

The **Foreign Trade Policy (FTP) 2015–20**, launched by the Ministry of Commerce & Industry, consolidated a fragmented structure of over five export promotion schemes into two umbrella schemes:

- **MEIS** (Merchandise Exports from India Scheme), and
- **SEIS** (Services Exports from India Scheme).

This restructuring aimed to simplify the incentive mechanism, improve compliance with WTO norms, and offer wider coverage across sectors. MEIS provided duty credit scrips to exporters of notified goods, while SEIS did the same for notified services, based on net foreign exchange earnings.

To increase transparency and reduce manual intervention, FTP 2015–20 introduced **digital initiatives** such as:

- **e-BRC (Electronic Bank Realisation Certificate)** for tracking export proceeds.
- **Online application and tracking systems** via the DGFT portal.
- **Single-window interface for facilitation of trade (SWIFT)** to integrate customs clearance.

Furthermore, the **Niryat Bandhu Scheme** was expanded to promote entrepreneurship among first-time exporters, particularly micro, small and medium enterprises (MSMEs). The

government also worked on improving **trade infrastructure** through the **Trade Infrastructure for Export Scheme (TIES)**, introduced in 2017, which sought to address gaps in export logistics, testing, certification, and storage.

In parallel, the **rollout of the Goods and Services Tax (GST)** in 2017 significantly altered the indirect tax landscape. Though initially disruptive, it later simplified **duty drawback procedures** and allowed for **Integrated GST (IGST) refund claims** through a unified electronic interface, boosting compliance and reducing costs.

However, the FTP 2015–20 could not be fully implemented as planned due to unforeseen disruptions like the **COVID-19 pandemic**, **global supply chain bottlenecks**, and rising protectionism. As a result, its validity was extended several times until March 2023, when the new FTP was finally announced.

FTP 2023: A Dynamic, ‘Digital-First’ Blueprint

Launched on **31 March 2023**, the **Foreign Trade Policy 2023** marks a significant shift in both **philosophy and execution**. Abandoning the conventional five-year periodic structure, FTP 2023 is designed as a “**rolling policy**”, with provisions for **dynamic updates based on evolving trade conditions**. This approach reflects the need for greater agility in a rapidly changing global trade environment.

Key Features of FTP 2023:

1. Faceless, Paperless, Contactless Approach:

FTP 2023 accelerates the process of full digital transformation of trade documentation. Nearly all authorisations, certifications, and compliance measures—such as Advance Authorisation, EPCG, and Duty Credit Scrips—are now **100% digital** and can be processed online through the **revamped DGFT portal**, reducing transaction time and costs.

2. Districts as Export Hubs (DEH):

The policy formally integrates the **District as Export Hub initiative**, promoting **district-level product and service identification**, export cluster development, and localised branding. Over **750 districts** have been mapped with their respective export specialties to ensure balanced regional trade development.

3. **Promotion of E-Commerce Exports:**

Recognizing the global boom in e-commerce, FTP 2023 introduces a framework for **streamlining small-value exports** via courier and post. It raises the cap on e-commerce export consignments to **₹10 lakh (approx. \$12,000)** per consignment and proposes dedicated **e-commerce export hubs** with warehousing and custom clearance facilities.

4. **Replacement of MEIS with RoDTEP:**

Following WTO compliance requirements, FTP 2023 **replaces MEIS with RoDTEP (Remission of Duties and Taxes on Exported Products)**. This scheme refunds taxes and levies (not reimbursed under GST) embedded in the export value chain—such as electricity duties and mandi taxes—ensuring greater neutrality in trade.

5. **Target-Oriented Export Vision:**

FTP 2023 sets an ambitious vision of achieving **\$2 trillion in total exports (goods + services)** by **2030**, from the current levels of approximately \$770 billion (2022–23). This is to be achieved through sectoral strategies, new market exploration, and improving India's participation in global value chains.

6. **Support for MSMEs and First-Time Exporters:**

The policy simplifies onboarding processes for **first-time exporters**, introduces **standardised export handbooks**, and enhances outreach through the **Niryat Bandhu Scheme 2.0**. Emphasis is placed on integrating **Udyam-registered MSMEs** into export clusters and encouraging digital payments and fintech-led compliance.

7. **Faster Authorisation Processing:**

With **workflow automation**, FTP 2023 ensures that more than **80% of all applications** for export promotion benefits are cleared within **24 hours**, a significant improvement over previous timelines. This enhances the ease of doing business for Indian exporters.

Challenges and Critique:

While FTP 2023 is progressive, experts have flagged some **gaps**:

- The **lack of fresh fiscal incentives**, especially for manufacturing exporters, may limit competitiveness amid rising global subsidies.

- Many DEH clusters lack **adequate infrastructure** and logistics support.
- The **transition from MEIS to RoDTEP**, while WTO-compliant, has led to lower benefit realisations for some sectors, such as apparel and handicrafts.

Nonetheless, the policy has been widely welcomed for its **digitally forward, responsive, and bottom-up orientation**, aligning well with India’s broader digital public infrastructure framework and vision for inclusive trade growth.

The period from 2015 onward reflects a clear reorientation of India’s foreign trade policy toward competitiveness, digital enablement, and decentralised export development. With **FTP 2023**, India has taken a significant step toward building an adaptive, technology-driven, and inclusive export ecosystem that can respond to global shocks and structural shifts in international trade.

24.5 Structural Composition of India’s Foreign Trade

India’s foreign trade structure has undergone a significant transformation since the 1991 liberalisation. From a pre-reform era dominated by agricultural commodities and traditional exports like textiles, the composition has evolved toward high-value engineering goods, refined petroleum products, electronics, and world-leading services such as IT and professional consulting. This structural shift not only reflects India’s growing capabilities in manufacturing and services but also underscores its integration into global value chains (GVCs).

Pre- and Post-Reform Shifts: A Comparative Overview

The changing contours of India’s trade basket can be understood through a comparative lens:

Table 1: Sectoral Composition of India's Foreign Trade (% Share)

Category	1990 (%)	2022–23 (%)
Agriculture & Allied	30	8
Petroleum & Mineral Products	5	18
Engineering Goods	8	25
Chemicals & Pharmaceuticals	6	15

Category	1990 (%)	2022–23 (%)
Textiles & Garments	25	10
IT & Services (Exports)	<5	~42 (of total exports)
Crude Oil (Imports)	10	25
Electronics (Imports)	2	12

Sources: Misra & Puri (41st Ed.), Ministry of Commerce (2023–24), RBI, DGCI&S, APEDA, ICEA, PIB releases.

India's foreign trade composition has undergone a dramatic transformation since the liberalization of 1991. A comparative view of trade data from 1990 and 2022–23 reveals how the structure has shifted from traditional, low-value exports such as agriculture and textiles to high-value manufacturing and services. In 1990, agriculture and allied products constituted nearly 30% of India's export basket, with dominant items such as tea, jute, cotton, and rice forming the backbone of trade. However, by 2022–23, this share had declined to just 8%. This does not necessarily imply a drop in absolute export volumes but reflects a relative decline in importance as more sophisticated and higher-value sectors emerged. Today, India's agri-export base, though smaller in share, remains strong in value, led by products like basmati rice, spices, marine exports, and processed foods, collectively valued at around USD 50–53 billion.

The export share of petroleum and mineral products has surged from a mere 5% in 1990 to approximately 18% in 2022–23. This growth is primarily due to India's emergence as a major exporter of refined petroleum products such as diesel and aviation turbine fuel, supported by large-scale refineries in Gujarat and Maharashtra. These products now earn nearly USD 98 billion annually, highlighting India's integration into global energy supply chains. Similarly, engineering goods have witnessed significant growth, rising from 8% in 1990 to 25% of total merchandise exports in 2022–23. With earnings exceeding USD 109 billion, this category includes auto components, industrial machinery, and electrical goods, showcasing the success of initiatives like Make in India and the Production Linked Incentive (PLI) schemes.

Another sector that has recorded substantial growth is chemicals and pharmaceuticals. From a modest 6% share in 1990, their contribution rose to around 15% in 2022–23, aggregating

over USD 67 billion. India's stronghold in generic drugs, vaccines, and APIs has positioned it as the "Pharmacy of the Global South." At the same time, traditional exports such as textiles and garments have seen a sharp decline in their export share — from 25% in 1990 to just 10% in 2022–23. This decline is attributed to factors such as rising global competition, outdated production infrastructure, and the emergence of more competitive producers like Bangladesh and Vietnam. Nevertheless, Indian textile exports remain substantial in absolute terms and continue to support millions of livelihoods, especially in the informal sector.

The most remarkable development in India's trade structure has been the exponential rise in services exports, particularly IT and IT-enabled services (ITES). In 1990, services made up less than 5% of total exports. By 2022–23, they accounted for approximately 42% of all exports, with IT and business process management (BPM) services contributing nearly USD 190.7 billion. India is now a global leader in software exports, business consulting, legal and accounting services, and data analytics. Institutions such as NASSCOM and STPI have supported this rapid rise, and the sector benefits significantly from India's skilled and English-speaking workforce. Other services, including travel, tourism, and professional/financial services, have also grown rapidly, with travel receipts rebounding to over USD 32 billion post-COVID and financial services touching USD 116 billion.

On the import side, India continues to face structural vulnerabilities. Crude oil imports, which accounted for about 10% of the import bill in 1990, rose to approximately 25% in 2022–23. The annual crude oil bill now exceeds USD 130 billion, making India highly sensitive to global oil price fluctuations and currency volatility. Electronics imports — particularly semiconductors, components, and finished products — have increased from just 2% in 1990 to about 12% of total imports today, valued at around USD 85 billion. Although India has made progress in assembling electronic products, a substantial portion of high-value components are still imported. This underscores the need for greater self-reliance in electronics manufacturing and upstream chip production, a goal targeted by the India Semiconductor Mission.

Overall, this structural transition from agriculture and low-value manufacturing to high-tech goods and services reflects the success of economic reforms and industrial policies. However, it also reveals areas requiring focused policy attention. While India's trade surplus in services has helped balance its large merchandise trade deficit, the country remains vulnerable due to its dependence on imported energy and technology. Going forward, policies must focus on

boosting value-added exports, localising high-end electronics manufacturing, and sustaining India's lead in services through digital trade agreements and regulatory reforms. The Production Linked Incentive (PLI) schemes, the National Logistics Policy, and the shift towards digital and green technologies must converge to address these challenges and consolidate India's position in the global trade architecture.

24.6 Changing Dynamics in India's Trade Composition: Sectoral Trends and Structural Shifts

India's trade structure has evolved significantly since the 1991 economic reforms, transitioning from a traditional, agriculture- and textile-dominated export base to a more diversified and high-value trade portfolio. By 2022–23, the composition of exports and imports reflected not only the growth of advanced manufacturing and digital services but also persistent structural vulnerabilities, particularly in energy and electronics.

A major component of this transformation has been the rise of engineering, petroleum, and chemical exports. Engineering goods emerged as India's leading export category, contributing **25%** of total merchandise exports, amounting to approximately **USD 109 billion**. This category includes auto components, industrial machinery, and electrical equipment, benefitting substantially from flagship programs like *Make in India* and the *Production-Linked Incentive (PLI)* schemes that have encouraged domestic production and export competitiveness.

India has also become a significant player in the global energy trade, not as a crude oil exporter but as a **refiner and re-exporter** of petroleum products. Refined fuels such as diesel, aviation turbine fuel, and other distillates now make up **18%** of India's export earnings, generating nearly **USD 98 billion** annually. This reflects India's world-class refining infrastructure, particularly in Gujarat and Maharashtra, and its ability to serve energy markets across Asia and Africa.

Similarly, the **chemical and pharmaceutical sectors** have recorded strong export growth, jointly accounting for **15%** of total exports (approximately **USD 67 billion**). India has consolidated its position as the “Pharmacy of the Global South,” exporting affordable generics, APIs, and vaccines to both developing and developed nations. The expansion of these high-value sectors illustrates India's growing integration into global supply chains and its shift toward technology-intensive exports.

In contrast, traditional exports such as **agriculture and textiles** have seen a relative decline in their share of total exports. While agriculture and allied products constituted **30%** of India's export basket in 1990, this figure dropped to **8%** by 2022–23. However, in absolute terms, agri-exports remain robust, valued at **USD 50–53 billion**, led by basmati rice, marine products, spices, and dairy. The decline in share is more a reflection of the faster growth of other sectors than a fall in agricultural performance.

Textiles and garments, once a dominant export category accounting for **25%** of total exports in 1990, have also declined to about **10%** of the export mix. This is attributed to rising global competition from countries like Bangladesh and Vietnam, as well as the lack of modernization and fragmentation in India's textile value chain. While the sector continues to employ millions, its export momentum requires renewed focus on innovation, branding, and production efficiency.

The most significant structural shift in India's foreign trade has been the **rise of services exports**, particularly in **Information Technology (IT)** and **Business Process Management (BPM)**. In 1990, services made up less than 5% of total exports; by 2022–23, they accounted for **USD 452 billion**, nearly equaling merchandise exports. Of this, **IT and BPM services alone contributed around USD 190.7 billion**, or approximately **42%** of total exports. India's global leadership in software development, IT consulting, analytics, and digital services has been supported by a robust institutional ecosystem comprising NASSCOM, Software Technology Parks of India (STPI), and a vast pool of skilled human resources.

Other key services have also grown significantly. **Travel and tourism receipts**, which plummeted during the COVID-19 pandemic, rebounded to **USD 32.6 billion** in 2022–23. In addition, **professional and financial services**, including legal outsourcing, fintech support, accounting, and R&D consulting, contributed around **USD 116 billion**, underscoring India's expanding footprint in high-skill, knowledge-based trade.

However, despite these successes, India continues to face serious challenges on the **import front**, particularly in the areas of energy and electronics. **Crude oil and related products** remain India's largest import item, accounting for approximately **25%** of total imports (**USD 85 billion**). This points to a critical gap in India's domestic semiconductor and component manufacturing ecosystem. Moreover, **gold imports**, largely for jewellery and investment, continue to form a significant portion of the import bill, estimated at **USD 45–55 billion annually**.

Taken together, India's current trade composition reveals both **strengths and vulnerabilities**. On the one hand, the country enjoys a **diversified and high-performing export base**, driven by engineering, pharmaceuticals, chemicals, and IT services. Services exports, in particular, contribute a substantial net surplus, helping to narrow the overall current account deficit. On the other hand, **persistent reliance on imports** for crude oil, electronics, and gold poses macroeconomic risks and undermines self-reliance in critical sectors.

To address these issues, a multi-pronged policy approach is essential. First, India must strengthen backward linkages in **electronics and semiconductor manufacturing**, particularly under the India Semiconductor Mission and new PLI schemes for advanced components. Second, value addition in **agriculture** through food processing, storage infrastructure, and branding can enhance export earnings and support rural incomes. Third, India should proactively engage in **digital trade diplomacy**, embedding digital and services lessons into Free Trade Agreements (FTAs) to protect and expand its IT export markets. Finally, strategic investment in **green energy technologies**, such as green hydrogen and biofuels, can reduce India's petroleum import bill while positioning it as a climate leader in the emerging global economy.

In conclusion, India's foreign trade structure has transitioned from a narrow, agriculture- and textile-dominated model to a far more **complex, competitive, and service-driven ecosystem**. Engineering, petroleum, pharmaceuticals, and IT services now form the pillars of India's external sector performance, while strategic dependencies on energy and electronics continue to challenge the sustainability of its trade balance. The road ahead lies in consolidating domestic industrial capacity, securing export competitiveness, and achieving strategic autonomy in critical sectors to build a resilient and future-ready trade architecture.

24.7 Direction of Trade – Changing Global Linkages

The direction of India's foreign trade has witnessed a remarkable transformation since the onset of economic reforms in 1991. Once confined to a limited set of politically-aligned trade partners, India's trade geography has diversified in both exports and imports, reflecting new strategic alignments, market access policies, regional trade agreements, and shifts in global production networks. This evolution illustrates India's growing integration into the global economy and its efforts to strike a balance between economic opportunity and strategic autonomy.

1 From Geopolitical Affiliations to Market-Based Diversification

In the pre-reform era, India's exports were largely directed toward the Soviet Union, Eastern Europe, and a few developing countries under rupee trade agreements. Imports were similarly skewed, dominated by Soviet machinery, oil, and defence equipment. The limited orientation towards Western markets and minimal involvement in global value chains meant that India's share in world trade remained below 0.5% by 1990. The collapse of the USSR and the 1991 crisis forced India to recalibrate its trade direction toward more market-driven and globally diversified destinations.

2 Expansion of Export Destinations

Post-1991 reforms, India rapidly expanded its export footprint to advanced economies and emerging markets. The United States emerged as the single largest destination for India's goods and services, driven by IT exports, pharmaceuticals, textiles, and machinery. Alongside, India deepened trade relations with the European Union, ASEAN, the Gulf Cooperation Council (GCC), and neighbouring South Asian economies.

This transformation is reflected in the latest data for FY 2022–23, summarised below:

Country	Share of India's Exports (2022–23)	Share of India's Imports (2022–23)
USA	18.1%	5.7%
UAE	6.9%	6.3%
Netherlands	4.4%	-
China	3.6%	13.7%
Bangladesh	3.0%	-
Saudi Arabia	-	5.2%
Russia	-	4.5%

Source: DGCI&S, Ministry of Commerce & Industry (2023)

The data shows a substantial shift towards the US, which accounted for over **18%** of India's exports in 2022–23. UAE, Netherlands, China, and Bangladesh are also key markets for India's merchandise. Meanwhile, on the import front, China dominates with nearly **14%** share, followed by the UAE, USA, Saudi Arabia, and Russia. Russia's share saw a significant rise due to discounted crude oil imports during the Ukraine crisis.

3 Diversification of Import Sources

The direction of imports has also changed dramatically. While the Middle East remains critical due to India's dependence on crude oil, China has emerged as the largest supplier of manufactured goods, electronics, and intermediate inputs. Imports from the US and the EU are largely capital goods, medical equipment, aircraft parts, and advanced technologies. Rising imports from Russia in 2022–23—largely crude oil—further reflect India's pragmatic realignment in response to global geopolitical developments.

4 Role of Regional Trade Agreements

India's trade geography has also been shaped by a mix of bilateral, regional, and plurilateral trade agreements. The **India-ASEAN FTA**, **SAFTA**, and **India-Korea CEPA** enabled greater access to Asian markets, while recent agreements such as the **India-UAE Comprehensive Economic Partnership Agreement (CEPA)** and **India-Australia ECTA** have opened new avenues in energy, textiles, agriculture, and services. India's withdrawal from **RCEP** (2020) underscored its concern over adverse trade imbalances with China, yet its ongoing negotiations with the **EU, UK, and Canada** aim to deepen access to high-income markets with emphasis on services and sustainability.

5 Strategic Reorientation Post-COVID and Global Disruptions

India's direction of trade has also responded to global disruptions:

- **Russia's invasion of Ukraine** caused a spike in oil imports from Russia, altering India's energy trade map.
- The **China-plus-One strategy** accelerated India's role as a potential alternative supply-chain hub in electronics, garments, and pharmaceuticals.
- The **COVID-19 pandemic** underscored the importance of supply chain resilience, pushing India toward trusted partners like the US, Japan, and Australia (Quad framework).

6 Policy Trends and Strategic Implications

The evolving direction of India's trade reflects not just changing economic conditions but deliberate policy shifts aimed at:

- **Reducing overdependence** on China for critical goods,

- **Enhancing South-South cooperation** through engagements with Africa and Latin America,
- **Securing technology and capital access** from Western partners,
- **Leveraging regional partnerships** for strategic positioning in the Indo-Pacific.

India's future trade direction is being increasingly shaped by emerging domains like **digital trade**, **green technologies**, and **intellectual property-intensive services**. Strategic FTAs now focus on cross-border data flows, investment facilitation, and environmental standards, moving beyond traditional goods-based arrangements.

India's direction of foreign trade has shifted from a narrow, politically constrained pattern in the 20th century to a broad, diversified, and strategically driven structure in the 21st century. The US, UAE, China, and European economies now serve as India's principal trade corridors, with growing linkages across Africa, Latin America, and ASEAN. These changes are not only the result of market expansion but also of deliberate policy strategies aimed at diversifying trade risk, capturing value in new sectors, and strengthening India's economic sovereignty in a multipolar world economy.

24.8 Balance of Payments (BOP) Crisis of 1991 – Causes and Consequences

The **Balance of Payments (BOP) crisis of 1991** stands as a pivotal event in India's economic history, marking the collapse of the post-independence import-substitution model and ushering in a comprehensive structural reform agenda. The crisis was the culmination of deep-rooted structural weaknesses and short-term shocks that led to a near-collapse of India's external account. The resultant reforms transformed the country's trade regime, financial architecture, and policy mindset. By mid-1991, India was facing an acute balance of payments crisis, with **foreign exchange reserves falling below USD 1 billion**, barely enough to cover two weeks' worth of imports. The current account deficit (CAD) had reached unsustainable levels, capital inflows had dried up, and international creditworthiness was severely eroded. India had to **pledge 67 tonnes of gold** as collateral to borrow emergency funds from the International Monetary Fund (IMF) and other lenders.

Structural Causes of the Crisis

The crisis was not a sudden phenomenon but the outcome of **accumulated policy failures and global shocks**. The primary structural causes include:

1. **Persistent Trade and Current Account Deficits:**
India's trade deficit had widened steadily during the 1980s due to growing imports of oil, capital goods, and defence equipment. Export performance remained sluggish owing to a non-competitive trade regime, overvalued currency, and poor product diversification.
2. **Fiscal Imbalance and Monetized Deficits:**
The **fiscal deficit** of the central government exceeded **8.5% of GDP** by 1990–91, while the **combined fiscal deficit** (Centre and States) was over **10% of GDP**. High fiscal deficits fueled inflation, raised public debt, and led to excessive borrowing from the banking system, crowding out private investment.
3. **Overdependence on Non-Concessional External Borrowings:**
During the 1980s, India shifted from concessional loans (e.g., from the World Bank) to **high-interest commercial borrowings and NRI deposits**, leading to an unsustainable external debt build-up. By 1991, the **debt-service ratio** (interest and principal as a percentage of export earnings) had crossed 35%.
4. **Import-Substitution Industrialization (ISI) Strategy Failures:**
The ISI model, characterized by import licensing, high tariffs, and restrictions on foreign investment, created inefficiencies, encouraged rent-seeking, and insulated Indian industry from global competition. It also suppressed export potential and failed to build adequate foreign exchange reserves.
5. **Exogenous Shocks:**
 - The **Gulf War (1990–91)** triggered a spike in international oil prices, sharply raising India's import bill.
 - **Worker remittances** from the Gulf declined.
 - **Tourism and shipping earnings** fell, worsening the current account deficit.
 - **Political instability**—with three governments in two years—undermined investor confidence.

Immediate Consequences

1. **Foreign Exchange Crisis and Emergency Financing:**
India faced a near-default situation and had to seek assistance from the IMF under the

Structural Adjustment Programme (SAP). The government airlifted and mortgaged 67 tonnes of gold in exchange for USD 600 million in emergency loans.

2. **Devaluation of the Rupee:**

The Indian rupee was devalued in two stages (July 1991), resulting in a **23% nominal depreciation**, intended to correct the overvaluation, boost exports, and reduce the trade deficit.

3. **Conditionality-Based Reforms:**

IMF and World Bank assistance came with reform conditions, leading to the adoption of a **comprehensive economic liberalisation programme**.

Structural Reforms Initiated Post-Crisis

The crisis catalyzed a long-term policy shift with significant implications for India's external sector and macroeconomic management. Key reforms included:

- **Trade Liberalisation:**

Removal of quantitative restrictions, reduction in tariffs, abolition of import licensing, and promotion of export-oriented growth.

- **Exchange Rate Reform:**

Move from a fixed exchange rate regime to a **market-determined exchange rate** system by 1993.

- **Current Account Convertibility:**

India adopted **full current account convertibility** under Article VIII of the IMF in 1994.

- **Capital Market Reforms:**

Liberalization of foreign direct investment (FDI), opening of capital markets to Foreign Institutional Investors (FIIs), and development of a regulatory framework under SEBI.

- **Fiscal Consolidation:**

Rationalization of subsidies, tax reform (e.g., introduction of MODVAT), and measures to control fiscal deficits.

These reforms laid the foundation for India's sustained growth, export competitiveness, and macroeconomic stability in the following decades.

24.9 Long-Term Impact on India's Trade and BOP Management

The 1991 crisis fundamentally altered the trajectory of India's trade and external sector management:

- **Export Growth:**

India's exports grew from **USD 18 billion in 1991** to **over USD 450 billion in 2022–23**, with a broader export basket.

- **Improved Resilience:**

Foreign exchange reserves, which had dipped below USD 1 billion in 1991, have crossed **USD 600 billion** in recent years, providing a buffer against external shocks.

- **Current Account Management:**

Although the current account has fluctuated, improved capital inflows (FDI, remittances, services earnings) have helped manage BOP sustainability.

- **External Sector Openness:**

India became an active participant in global trade negotiations (WTO, FTAs) and integrated into global value chains in sectors such as IT, pharma, auto components, and electronics.

The Balance of Payments crisis of 1991 was both a symptom of prolonged economic mismanagement and a turning point in India's economic history. It exposed the structural weaknesses of the license-permit-quota regime and the dangers of unchecked fiscal expansion and external borrowing. In response, the country embraced a bold reform agenda that liberalised trade, rationalised fiscal policy, and opened the economy to foreign capital and competition. The success of these reforms is evident in the resilience and diversification of India's trade and BOP framework today. However, the crisis also serves as a cautionary tale on the importance of sound macroeconomic fundamentals and the need for proactive external sector management.

24.10 BOP Crisis of 1991 – Causes and Consequences

The Balance of Payments (BOP) crisis of 1991 stands as a pivotal event in India's economic history, marking the collapse of the post-independence import-substitution model and ushering in a comprehensive structural reform agenda. The crisis was the culmination of deep-rooted structural weaknesses and short-term shocks that led to a near-collapse of India's

external account. The resultant reforms transformed the country's trade regime, financial architecture, and policy mindset.

By mid-1991, India was facing an acute balance of payments crisis, with foreign exchange reserves falling below USD 1 billion, barely enough to cover two weeks' worth of imports. The current account deficit (CAD) had reached unsustainable levels, capital inflows had dried up, and international creditworthiness was severely eroded. India had to pledge 67 tonnes of gold as collateral to borrow emergency funds from the International Monetary Fund (IMF) and other lenders.

The crisis was not a sudden phenomenon but the outcome of accumulated policy failures and global shocks. The primary structural causes include:

1. Persistent Trade and Current Account Deficits: India's trade deficit had widened steadily during the 1980s due to growing imports of oil, capital goods, and defence equipment. Export performance remained sluggish owing to a non-competitive trade regime, overvalued currency, and poor product diversification.

2. Fiscal Imbalance and Monetized Deficits: The fiscal deficit of the central government exceeded 8.5% of GDP by 1990–91, while the combined fiscal deficit (Centre and States) was over 10% of GDP. High fiscal deficits fueled inflation, raised public debt, and led to excessive borrowing from the banking system, crowding out private investment.

3. Overdependence on Non-Concessional External Borrowings: During the 1980s, India shifted from concessional loans (e.g., from the World Bank) to high-interest commercial borrowings and NRI deposits, leading to an unsustainable external debt build-up. By 1991, the debt-service ratio (interest and principal as a percentage of export earnings) had crossed 35%.

4. Import-Substitution Industrialization (ISI) Strategy Failures: The ISI model, characterized by import licensing, high tariffs, and restrictions on foreign investment, created inefficiencies, encouraged rent-seeking, and insulated Indian industry from global competition. It also suppressed export potential and failed to build adequate foreign exchange reserves.

5. Exogenous Shocks: The Gulf War (1990–91) triggered a spike in international oil prices, sharply raising India's import bill. Worker remittances from the Gulf declined. Tourism and shipping earnings fell, worsening the current account deficit. Political instability—with three governments in two years—undermined investor confidence.

Immediate Consequences

1. **Foreign Exchange Crisis and Emergency Financing:** India faced a near-default situation and had to seek assistance from the IMF under the Structural Adjustment Programme (SAP). The government airlifted and mortgaged 67 tonnes of gold in exchange for USD 600 million in emergency loans.
2. **Devaluation of the Rupee:** The Indian rupee was devalued in two stages (July 1991), resulting in a 23% nominal depreciation, intended to correct the overvaluation, boost exports, and reduce the trade deficit.
3. **Conditionality-Based Reforms:** IMF and World Bank assistance came with reform conditions, leading to the adoption of a comprehensive economic liberalisation programme.

Structural Reforms Initiated Post-Crisis

The crisis catalyzed a long-term policy shift with significant implications for India's external sector and macroeconomic management. Key reforms included:

- Trade Liberalisation: Removal of quantitative restrictions, reduction in tariffs, abolition of import licensing, and promotion of export-oriented growth.
- Exchange Rate Reform: Move from a fixed exchange rate regime to a market-determined exchange rate system by 1993.
- Current Account Convertibility: India adopted full current account convertibility under Article VIII of the IMF in 1994.
- Capital Market Reforms: Liberalization of foreign direct investment (FDI), opening of capital markets to Foreign Institutional Investors (FIIs), and development of a regulatory framework under SEBI.
- Fiscal Consolidation: Rationalization of subsidies, tax reform (e.g., introduction of MODVAT), and measures to control fiscal deficits.

These reforms laid the foundation for India's sustained growth, export competitiveness, and macroeconomic stability in the following decades.

Long-Term Impact on India's Trade and BOP Management

The 1991 crisis fundamentally altered the trajectory of India's trade and external sector management:

- **Export Growth:** India's exports grew from USD 18 billion in 1991 to over USD 450 billion in 2022–23, with a broader export basket.
- **Improved Resilience:** Foreign exchange reserves, which had dipped below USD 1 billion in 1991, have crossed USD 600 billion in recent years, providing a buffer against external shocks.
- **Current Account Management:** Although the current account has fluctuated, improved capital inflows (FDI, remittances, services earnings) have helped manage BOP sustainability.
- **External Sector Openness:** India became an active participant in global trade negotiations (WTO, FTAs) and integrated into global value chains in sectors such as IT, pharma, auto components, and electronics.

The Balance of Payments crisis of 1991 was both a symptom of prolonged economic mismanagement and a turning point in India's economic history. It exposed the structural weaknesses of the license-permit-quota regime and the dangers of unchecked fiscal expansion and external borrowing. In response, the country embraced a bold reform agenda that liberalised trade, rationalised fiscal policy, and opened the economy to foreign capital and competition. The success of these reforms is evident in the resilience and diversification of India's trade and BOP framework today. However, the crisis also serves as a cautionary tale on the importance of sound macroeconomic fundamentals and the need for proactive external sector management.

24.11: Balance of Payments (BOP) Reforms Post-1991

The Balance of Payments crisis of 1991 was not just an episode of external imbalance—it marked the beginning of a new policy regime in India. In response to the crisis, the Indian government, with support from the International Monetary Fund (IMF) and the World Bank, initiated a series of far-reaching reforms that fundamentally altered the structure and management of India's external sector. These reforms were aimed at liberalising the trade regime, encouraging foreign capital inflows, improving competitiveness, and stabilising the macroeconomic framework for sustained BOP management.

1 Exchange Rate Policy Reforms

One of the earliest and most consequential reforms was the move from a **fixed exchange rate system** to a **market-determined exchange rate regime**. In July 1991, the rupee was

devalued by about 23% to improve export competitiveness. In 1992, a **dual exchange rate system** was introduced under the Liberalised Exchange Rate Management System (LERMS), and by **March 1993**, the **unified market-determined exchange rate** was formally adopted.

This shift allowed the rupee to be determined by demand and supply conditions in the foreign exchange market, improving the flexibility and resilience of India's external sector.

2 Current Account Convertibility

In **1994**, India accepted the obligations under **Article VIII of the IMF**, making the rupee **fully convertible on the current account**. This reform enabled:

- Freer movement of foreign exchange for trade in goods and services,
- Easier repatriation of profits and dividends,
- Liberalised payments for travel, education, and medical treatment abroad.

This move aligned India's trade and payments system with global best practices and improved investor confidence.

3 Trade Liberalisation Measures

The BOP reforms were accompanied by a systematic dismantling of the import-substitution regime:

- **Quantitative restrictions (QRs)** on imports were phased out.
- **Import licensing** was largely abolished.
- **Customs duties** were significantly reduced—from average rates exceeding 100% in 1991 to below 10% by the 2010s.
- Tariff rationalisation promoted efficiency and competition in domestic industry.
- Export promotion was encouraged through schemes like **EPCG**, **DEPB**, and **Special Economic Zones (SEZs)**.

These reforms diversified the export base, enhanced India's competitiveness, and integrated the economy into global value chains.

4 Capital Account Liberalisation

Unlike the aggressive current account liberalisation, India adopted a **gradual and calibrated approach to capital account liberalisation** to avoid excessive volatility and financial risk.

Key initiatives included:

- Allowing **Foreign Direct Investment (FDI)** across sectors with increasing limits (e.g., 100% in telecom, pharma, electronics, etc.).
- Permitting **Foreign Institutional Investors (FIIs)** to invest in Indian equity and debt markets.
- Liberalising **External Commercial Borrowings (ECBs)** with end-use and cost ceilings.
- Allowing **Non-Resident Indians (NRIs)** to invest through special deposit schemes (FCNR, NRE, NRO).

In 1997, the **Tarapore Committee** laid down a roadmap for fuller capital account convertibility, advocating preconditions such as low fiscal deficit, inflation control, and stable financial markets.

5 Strengthening of BOP Monitoring and Institutions

To ensure macroeconomic stability and informed policymaking, institutional capacity for BOP management was significantly upgraded:

- The **Reserve Bank of India (RBI)** improved its monitoring of external debt, reserves, and capital flows.
- Data dissemination improved through the **Handbook of Statistics on Indian Economy, BoP Bulletins**, and real-time foreign exchange market surveillance.
- The **Foreign Exchange Management Act (FEMA)** was enacted in 1999, replacing FERA, to facilitate a more liberal and rule-based system for managing foreign exchange.

6 Accumulation of Foreign Exchange Reserves

As a result of these reforms, India's foreign exchange reserves improved substantially. From **less than USD 1 billion in 1991**, reserves crossed:

- **USD 100 billion by 2004**

- **USD 300 billion by 2010**
- **USD 600+ billion by 2022–23**

This strong buffer has protected India from external shocks like the **Asian Financial Crisis (1997)**, **Global Financial Crisis (2008)**, **COVID-19**, and the **Russia-Ukraine war**.

7 Improvement in BoP Indicators Post-Reforms

- **Exports of goods and services** rose exponentially—from USD 18 billion (1991) to over USD 770 billion (combined) in 2022–23.
- The **current account deficit (CAD)**, though still present, became more manageable—averaging around 2% of GDP in the 2010s.
- **Remittances** from overseas Indians became a major component of BoP inflows, exceeding USD 100 billion in recent years.
- **Net capital inflows** in the form of FDI and portfolio investment increased India's financial integration.

The BOP reforms implemented post-1991 were transformational, laying the foundation for India's external sector resilience, trade growth, and financial openness. Through exchange rate flexibility, trade liberalisation, gradual capital account opening, and reserve accumulation, India built a robust macroeconomic framework that enabled it to withstand global crises and emerge as a key player in international trade. Going forward, maintaining BOP stability will require balancing openness with strategic self-reliance and agile policy responses to evolving global dynamics.

2.12 Trends in Balance of Payments – 1991 to 2024

India's Balance of Payments (BoP) has undergone a remarkable transformation over the past three decades. From the brink of external bankruptcy in 1991 to becoming one of the world's largest reserve-holding nations, India's BoP performance reflects its evolving trade structure, financial openness, and macroeconomic stability. This section presents key trends in the **current account**, **capital account**, **reserves**, and **BoP sustainability** from 1991 to 2024.

1. Current Account: From Chronic Deficits to Manageable Imbalances

India's **Current Account Deficit (CAD)** has historically been a matter of concern, driven by high oil imports, modest merchandise export growth, and large income outflows. However, increased service exports and remittances have provided a cushion.

Year	CAD (% of GDP)	Key Drivers
1990–91	-3.1	Oil price shock, sluggish exports, Gulf War
2003–04	+2.3 (surplus)	IT boom, strong remittances, low oil prices
2012–13	-4.8	Peak gold and oil imports
2016–17	-0.7	Lower crude prices, services growth
2020–21	+0.9 (surplus)	Pandemic-led import compression, export resilience
2022–23	-2.0	Crude oil, electronics imports, weak rupee

Source: RBI, Ministry of Finance, Economic Survey (2024)

The data reveals that although CAD has persisted, it has largely remained within the manageable threshold of **2–2.5% of GDP**. The **resilience of services exports**—particularly IT, consulting, and financial services—has consistently offset large merchandise trade deficits.

2 Capital Account: Liberalisation and Global Integration (*Paragraph Form*)

Since 1991, India has undertaken a phased and calibrated liberalisation of its capital account, allowing for increased integration with global financial markets while maintaining macroeconomic prudence. One of the most significant shifts was the gradual opening of the economy to **foreign direct investment (FDI)**, which rose from a negligible USD 0.1 billion in 1991 to over USD 71 billion in 2022–23. This influx has been enabled by sectoral liberalisation, improved ease of doing business, and the development of a regulatory framework that protects both investor and national interests.

In parallel, India allowed **foreign portfolio investments (FPI)** through the entry of Foreign Institutional Investors (FIIs) into equity and debt markets. While these flows have provided much-needed liquidity and depth to Indian financial markets, they have also introduced volatility, particularly during periods of global financial stress such as the 2008 crisis and the 2013 taper tantrum.

India also expanded access to **External Commercial Borrowings (ECBs)** by Indian corporates, enabling them to access cheaper global credit, though with end-use restrictions to mitigate external vulnerabilities. Additionally, **Non-Resident Indian (NRI) deposits** have remained a consistent and reliable source of foreign capital, crossing USD 140 billion in aggregate by 2024. These flows, particularly in the form of FCNR, NRE, and NRO deposits, reflect strong diaspora confidence in India's economic trajectory.

Overall, India's capital account liberalisation has been cautious yet effective. It has supported BoP stability, funded the current account deficit, and contributed to foreign exchange reserve accumulation, while protecting the economy from speculative shocks through regulatory safeguards. This strategic balance between openness and stability has been central to India's evolving external sector management.

3 Foreign Exchange Reserves: India's Buffer Against External Shocks

A standout feature of post-reform BoP management has been the accumulation of **foreign exchange reserves**, which now serve as a critical cushion against global shocks, currency volatility, and capital flight.

Year	Forex Reserves (USD billion)
1991	<1
2004	113
2014	304
2020	577
2023–24	645

Source: Reserve Bank of India (RBI)

This reserve build-up reflects prudent macroeconomic management and strong inflows from remittances and the services sector. India is now among the **top five foreign reserve holders globally**.

4 Net Inflows from Invisibles: The Role of Services and Remittances

The **invisibles account**—comprising services exports, remittances, and investment income—has been a key source of strength.

- **Services Exports (2022–23):** ~USD 322 billion (IT-BPM, travel, financial services)
- **Remittances (2023–24):** ~USD 111 billion (highest globally)
- **Investment Income Outflows:** Rising due to increased external liabilities

Invisibles provide a **large surplus**, offsetting merchandise trade deficits and reducing BoP vulnerability. IT-BPM, in particular, has emerged as a reliable generator of foreign exchange, with India capturing over **40% of global IT outsourcing**.

5 BoP Crises and Adjustments: External Vulnerabilities

Despite significant improvements in India's external sector post-1991, the country has encountered multiple episodes of **Balance of Payments (BoP) stress**, each testing the resilience of its macroeconomic framework. The first major challenge came during the **Asian Financial Crisis of 1997–98**, which triggered capital outflows and currency depreciation across emerging markets, including India. Though India was relatively insulated due to capital account restrictions, the episode highlighted the risks of contagion and external dependence.

The **Global Financial Crisis of 2008–09** was a more severe stress test. A collapse in global demand led to a sharp decline in India's exports, while FIIs withdrew substantial funds, leading to currency pressure. However, India's large foreign exchange reserves and strong invisibles cushion helped maintain overall BoP stability. Again, in **2013**, during the US Federal Reserve's "taper tantrum," the Indian rupee depreciated sharply amid fears of capital flight. The situation was aggravated by a widening current account deficit and rising inflation, forcing the government to undertake corrective measures, including raising interest rates and curbing gold imports.

More recently, the **COVID-19 pandemic (2020–21)** presented an unprecedented external shock. The global disruption caused a collapse in travel, tourism, and remittances, though India's merchandise exports remained resilient. Interestingly, a sharp fall in imports led to a **temporary BoP surplus**, with foreign reserves surging during the period. However, the relief was short-lived, as **geopolitical shocks from the Russia-Ukraine conflict**, combined with rising crude oil prices and supply chain disruptions, strained the BoP once again in 2022–24.

Across these episodes, India's capacity to weather BoP shocks has been significantly enhanced by **prudent reserve management, policy agility, and a diversified external**

sector. The consistent surplus in invisibles, particularly IT services and remittances, along with regulatory control over capital flows, has enabled India to maintain BoP equilibrium without resorting to emergency borrowing or IMF assistance since 1991. These experiences underscore the importance of maintaining a robust and adaptable BoP management strategy amid growing global uncertainty.

India's Balance of Payments between 1991 and 2024 reflects a story of resilience, transformation, and strategic adaptation. While the country still faces structural trade deficits, it has successfully leveraged its services sector, foreign capital inflows, and large reserves to maintain BoP sustainability. Looking ahead, **geopolitical risk, commodity price volatility, and digital trade transitions** will shape BoP dynamics. Continued reforms in trade logistics, manufacturing, services competitiveness, and financial integration will be vital to strengthen India's external position in an increasingly complex global environment.

24.13 Trade Facilitation and Institutional Support

1 National Trade Facilitation Action Plan (NTFAP)

India's commitment to reducing trade transaction costs and improving export efficiency is evident in the implementation of the National Trade Facilitation Action Plan (NTFAP). Introduced in 2017 and updated for 2020–2023, the NTFAP outlines a structured set of goals and timelines aimed at simplifying customs procedures, reducing average release times for goods, and enhancing coordination among various trade-related agencies. Through digital documentation, transparency in procedures, and infrastructure upgrades, the NTFAP has enabled India to make notable improvements in trade rankings, particularly in the World Bank's Logistics Performance Index. These reforms have supported India's vision of becoming a global export hub by streamlining the overall trading environment.

2 Role of DGFT and ICEGATE

The Directorate General of Foreign Trade (DGFT) plays a pivotal role in formulating and implementing India's Foreign Trade Policy. With the adoption of digital governance tools, the DGFT portal now offers real-time electronic issuance of Importer-Exporter Codes (IECs), monitoring of incentive applications, and integration with banking and customs systems. In parallel, the Indian Customs Electronic Gateway (ICEGATE) has revolutionized customs operations by enabling e-filing, e-payment, and end-to-end electronic tracking of consignments. These platforms have reduced manual interventions, increased transparency,

and significantly cut down on time and cost for exporters and importers alike, thereby aligning India's export ecosystem with global benchmarks.

3 National Logistics Policy and Infrastructure Support

To address India's high logistics costs—estimated at 13–14% of GDP—the government unveiled the National Logistics Policy (NLP) in 2022. The policy focuses on creating a seamless and technology-enabled logistics ecosystem to enhance trade competitiveness. Core initiatives under NLP include the development of multimodal logistics parks, digital platforms like the Unified Logistics Interface Platform (ULIP), and better integration of road, rail, air, and port infrastructure through the PM Gati Shakti Master Plan. Investments in Dedicated Freight Corridors (DFCs), the Sagarmala port modernization initiative, and air cargo enhancements like the Krishi Udan Scheme have further strengthened trade infrastructure, particularly for time-sensitive and perishable exports.

4 Institutional Mechanisms: EPCs, SEZs, and Boards

India's export architecture is supported by a diverse network of institutional bodies that cater to sectoral and product-specific requirements. Export Promotion Councils (EPCs) such as EEPC India (Engineering), Pharmexcil (Pharmaceuticals), and the Federation of Indian Export Organisations (FIEO) provide exporters with market intelligence, training, trade facilitation, and support in international compliance. Special Economic Zones (SEZs), which offer tax exemptions and world-class infrastructure, contribute to nearly 30% of India's merchandise exports. Additionally, commodity boards like the Tea Board, Coffee Board, and Spices Board play a strategic role in branding, R&D, and international market promotion of India's traditional export products.

5 e-Commerce, Digital Trade, and MSME Integration

The rising share of cross-border e-commerce in global trade has prompted India to establish regulatory and promotional frameworks that support online exporters. The Foreign Trade Policy (FTP) 2023 emphasizes the establishment of e-commerce export hubs, simplified procedures for low-value shipments, and faster tax refund mechanisms. Given that MSMEs account for around 45% of India's exports, digital integration initiatives such as the Open Network for Digital Commerce (ONDC), the Trade Receivables Discounting System (TReDS), and Udyam Registration have been instrumental in improving market access and

liquidity. These efforts ensure that smaller enterprises can participate meaningfully in global supply chains and benefit from international demand.

6 WTO Trade Facilitation Agreement (TFA) Compliance

In alignment with its global commitments, India ratified the WTO Trade Facilitation Agreement (TFA) in 2016 and has since made substantial progress in its implementation. The establishment of the National Committee on Trade Facilitation (NCTF) has led to better inter-ministerial coordination and policy execution. Measures such as the introduction of a Risk Management System (RMS) for customs, Authorized Economic Operator (AEO) status for trusted exporters, and time-release studies for ports have enhanced transparency, predictability, and ease of trading across borders. These reforms not only comply with global standards but also improve India's reputation as a reliable trading partner.

7 One District One Product (ODOP) and District as Export Hub (DEH)

The One District One Product (ODOP) initiative, aligned with the District as Export Hub (DEH) strategy, is a novel approach to regionalizing export growth. It aims to identify niche products across districts with export potential and build end-to-end export capacity through branding, packaging, certification, and logistics support. District Export Action Plans (DEAPs) are prepared in collaboration with state and district-level administrations to operationalize this initiative. By aligning local entrepreneurship with national export ambitions, ODOP and DEH are helping to decentralize export growth, ensuring that Tier-2 and Tier-3 cities become active participants in global commerce.

India's export and BoP performance have been significantly enhanced by an evolving trade facilitation ecosystem and strong institutional support mechanisms. Digitized customs processes, integrated logistics platforms, export promotion councils, and MSME-focused digital initiatives have streamlined trade operations while widening participation across sectors and regions. Strategic alignment with WTO norms and localized initiatives such as ODOP further add depth and inclusivity to India's external trade strategy. As global trade becomes increasingly digital and decentralized, the continued modernization and coordination of India's trade facilitation architecture will be critical in realizing its goal of becoming a \$2 trillion export economy.

24.14 Challenges in India's Foreign Trade

India's foreign trade has experienced significant transformation since the 1991 liberalisation, evolving from an import-substitution model to a globally integrated trade economy. While this progress has led to higher exports, enhanced market access, and robust foreign exchange reserves, several structural and emerging challenges continue to constrain India's trade potential. These challenges span across **logistical inefficiencies, export competitiveness, import dependence, policy uncertainty, and external vulnerabilities**, requiring coordinated and forward-looking responses.

One of the most persistent issues is **India's heavy reliance on imports for critical commodities**, especially **crude oil, electronics, and defense equipment**. Crude oil alone constitutes nearly 25% of the import bill, exposing the economy to global oil price volatility and geopolitical risks. Similarly, the large import of electronics, particularly semiconductors, underscores the weakness in India's high-tech manufacturing ecosystem. Despite initiatives like the National Electronics Policy and the Semiconductor Mission, backward linkages and R&D capabilities remain underdeveloped.

Another major challenge is the **stagnation in export competitiveness**. While India has seen growth in sectors like engineering goods, pharmaceuticals, and IT services, its share in global merchandise exports remains below 2%. This is due in part to **high logistics costs** (13–14% of GDP), **delays in customs clearance**, and **fragmented supply chains**. The lack of economies of scale in MSMEs, inconsistent power supply, and high compliance burdens further erode price competitiveness.

India's trade policy environment has also faced criticism for being **inconsistent and unpredictable**, especially with respect to **export bans** (e.g., on wheat, sugar, and rice), **frequent tariff adjustments**, and **delayed GST refunds**. Such measures, often intended to manage domestic inflation, create uncertainty for exporters and dent India's reputation as a reliable supplier in global markets. This is particularly detrimental in sectors like agriculture and textiles, where global buyers demand long-term supply commitments.

In the **services sector**, though IT and business process outsourcing remain robust, **new challenges have emerged**, including global protectionism, tighter visa norms, and rising competition from Eastern Europe, the Philippines, and Africa. The evolving digital trade regime, with data localization requirements and cross-border taxation issues, may also impact India's services exports in the coming years.

Infrastructure and trade facilitation bottlenecks continue to limit export efficiency. While policies like the National Logistics Policy and Gati Shakti aim to reduce cost and improve multi-modal connectivity, implementation gaps remain at the state and district levels. Port congestion, last-mile delivery delays, and limited cold storage capacity, especially for agricultural exports, affect India's ability to serve global markets efficiently.

India's **inadequate integration into global value chains (GVCs)** also restricts its potential to become a major export hub. High import tariffs, restrictive local content norms, and weak investment in product standards and certification discourage integration with multinational supply networks. Unlike Vietnam or Bangladesh, India has not leveraged preferential trade agreements as effectively to gain market access and attract export-oriented FDI.

Lastly, **geopolitical uncertainties and global economic headwinds**—including the Ukraine war, supply chain disruptions, rising protectionism, and climate-linked trade policies—pose new risks. The EU's proposed Carbon Border Adjustment Mechanism (CBAM) and the shift towards green sourcing could adversely affect India's carbon-intensive exports unless sustainability standards are adopted quickly.

In sum, while India has made commendable strides in foreign trade, it continues to face **deep-rooted structural constraints and evolving global challenges**. Addressing these requires a multi-pronged strategy encompassing manufacturing competitiveness, trade facilitation, export policy coherence, and global diplomatic engagement. Strengthening the trade ecosystem at both macro and micro levels will be essential for India to achieve its goal of becoming a \$2 trillion export economy by 2030.

24.15: Way Forward and Strategic Recommendations

India's journey from a crisis-hit economy in 1991 to one of the world's largest trade and reserve economies is marked by resilience and reform. However, as global trade dynamics evolve rapidly, the next phase of India's foreign trade and BoP strategy must be guided by a **long-term, integrated vision** that promotes competitiveness, sustainability, and inclusivity. To sustain growth, minimize vulnerabilities, and achieve the ambitious target of USD 2 trillion in exports by 2030, a multi-dimensional and proactive approach is essential.

First and foremost, **strengthening domestic manufacturing capacity** is critical. The Production-Linked Incentive (PLI) schemes must be expanded beyond current sectors to include advanced technologies such as green energy, semiconductors, precision engineering,

and medical devices. A stronger domestic supply chain base will reduce import dependence on electronics, critical minerals, and intermediate goods, thereby narrowing the trade deficit. Enhancing R&D spending, promoting public-private partnerships, and incentivizing product diversification are also necessary for value-added export growth.

Second, India must deepen its participation in **global value chains (GVCs)**. This requires not only tariff rationalisation and trade facilitation but also upgrading domestic standards, certifications, and logistics networks. Entering into high-quality Free Trade Agreements (FTAs)—especially with the European Union, UK, Canada, and ASEAN—can provide Indian exporters with access to new markets while attracting export-oriented FDI. FTAs should be calibrated to protect sensitive sectors while leveraging India’s comparative strengths in services, pharmaceuticals, and agro-processing.

Third, addressing **logistics and infrastructure bottlenecks** is imperative. Full operationalisation of the National Logistics Policy (NLP) and PM Gati Shakti Master Plan must be prioritised, with special emphasis on multimodal connectivity, integrated warehousing, and last-mile delivery. Developing trade corridors, dry ports, and cold chain infrastructure—particularly in agri-export zones—can help make Indian exports more time-efficient and cost-effective. Public investment should also be complemented by targeted private sector participation in logistics innovation.

Fourth, India must maintain **macroeconomic and BoP resilience** through prudent forex reserve management, measured capital account liberalisation, and stable exchange rate policies. The RBI should continue to intervene judiciously to smooth volatility, while fiscal authorities ensure that the current account deficit remains within sustainable limits. Policies to attract long-term FDI, especially in greenfield and infrastructure projects, are crucial to fund the deficit without adding external debt pressure.

In the realm of **services trade**, the government must ensure that India retains its global leadership in IT-BPM while expanding in sunrise sectors such as fintech, legal process outsourcing, healthcare, education, and digital entertainment. Institutional support from NASSCOM, STPI, and MEA trade missions can help Indian service exporters navigate new digital trade rules, data localization challenges, and international standards. Digital trade diplomacy, especially in the context of WTO e-commerce negotiations and cross-border data flows, will be key to protecting India’s interest in the services domain.

At the policy level, India must adopt a **predictable and transparent export strategy**. Avoiding sudden export bans, ensuring timely GST refunds, and maintaining consistent duty structures can improve India's credibility as a reliable trading partner. Continued support to MSMEs through credit facilitation, technology upgradation, and digital onboarding will ensure that the gains of trade growth are more equitably distributed across regions and social groups.

Moreover, **sustainability and climate-readiness** must be mainstreamed into India's trade strategy. As global buyers increasingly demand environmentally responsible sourcing, India must invest in green manufacturing, energy-efficient ports, and carbon-neutral supply chains. Compliance with global frameworks like the EU's Carbon Border Adjustment Mechanism (CBAM) and adoption of ESG standards will not only future-proof exports but also open up new markets for green goods and services.

Finally, the government must promote **district-level and sector-specific export strategies** under the "One District One Product" and "Districts as Export Hubs" schemes. Decentralising trade policymaking, enabling local skill development, and integrating hinterlands with global markets will make India's trade landscape more inclusive and dynamic.

In conclusion, India stands at a crucial inflection point in its foreign trade journey. By leveraging digital technology, improving logistics, strengthening manufacturing, and securing global market access through smart diplomacy, India can transform from a reactive trading nation to a **strategic trade power**. A forward-looking and adaptive trade policy ecosystem—grounded in economic resilience, institutional coordination, and global competitiveness—will be key to securing India's external sector for the decades ahead.

Check Your Progress

Q1. What were the main causes of the 1991 Balance of Payments crisis in India?

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Q2. Name two major changes introduced in India's Foreign Trade Policy after 1991.

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Q3. Explain National Trade Facilitation Action Plan (NTEAP)?

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24.16 Let us sum up

This lesson has provided a comprehensive analysis of the evolution, structure, and reform trajectory of India's foreign trade and Balance of Payments (BoP) since 1991. It began with an overview of the liberalisation-era policy shift, highlighting how trade policy evolved from a restrictive import-substitution model to one driven by outward orientation and global competitiveness. The structural composition of India's trade has seen a marked shift from traditional exports like agriculture and textiles to engineering goods, pharmaceuticals, petroleum products, and IT services. The lesson also reviewed changes in the direction of trade, with India diversifying export destinations beyond traditional markets to newer geographies in Asia, Africa, and Latin America.

The 1991 BoP crisis served as a turning point, leading to wide-ranging reforms in the current and capital accounts, exchange rate management, and foreign investment policies. India's BoP has since stabilised due to a robust services surplus, strong remittances, and prudent foreign exchange reserve management. However, several structural challenges persist, including high import dependence on oil and electronics, subdued export competitiveness, inadequate trade infrastructure, and exposure to global uncertainties.

The lesson also explored India's policy framework for managing the BoP and promoting exports, including trade facilitation measures, institutional mechanisms like DGFT, SEZs, EPCs, and new-age tools such as the National Logistics Policy, e-commerce hubs, and MSME digitisation. Looking forward, the lesson outlines a strategic roadmap focusing on building manufacturing capacity, deepening global value chain participation, pursuing

balanced FTAs, and adopting green trade standards to ensure India's sustained integration with the global economy.

24.17 Keywords

- **Balance of Payments (BoP):** A systematic record of all economic transactions between residents of a country and the rest of the world during a given period, usually classified into current and capital accounts.
- **Current Account:** A section of the BoP that includes trade in goods and services, net income from abroad, and current transfers like remittances.
- **Capital Account:** Part of the BoP that records cross-border investments and borrowings, including FDI, FPI, and External Commercial Borrowings.
- **Global Value Chains (GVCs):** International production networks where different stages of the production process are located across different countries.
- **ICEGATE:** The Indian Customs Electronic Gateway, a digital platform for customs clearance and documentation for importers and exporters.
- **Make in India:** A flagship initiative launched in 2014 to encourage domestic manufacturing and attract foreign investment.
- **Non-Resident Indian (NRI) Deposits:** Foreign currency or rupee deposits made by Indian citizens living abroad, contributing to capital inflows.
- **Production-Linked Incentive (PLI) Scheme:** A government scheme offering financial incentives to companies based on output to boost domestic manufacturing and exports.
- **Special Economic Zones (SEZs):** Designated areas with tax breaks and regulatory exemptions to promote export-oriented industrialization.
- **Trade Deficit:** A condition when a country's imports exceed its exports, resulting in a negative trade balance.
- **Trade Facilitation:** Reforms aimed at simplifying customs procedures, reducing costs, and improving efficiency in cross-border trade.
- **Unified Logistics Interface Platform (ULIP):** A digital interface under the National Logistics Policy for integrating various transport and logistics platforms.

- **World Trade Organization (WTO):** An international organization that regulates trade between nations and enforces multilateral trade agreements.

24.18 Suggestive Readings

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– Useful for comparing India's export-import data, trade logistics, and global rankings.
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– Annual performance report of India's trade, SEZs, EPCs, and institutional developments.
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– Data and insights on India's services trade, especially IT and BPO exports.

24.19 Hints to Check Your Progress

CYP-I

Q1. Refer to section 24.8

Q2. 24.4

Q3. 24.13

24.20 Examination Oriented Questions

1. Critically examine the causes and consequences of the 1991 Balance of Payments crisis in India. How did it shape the future course of India's trade and economic policy?
2. Discuss the structural changes in the composition of India's foreign trade since 1991. Highlight shifts in export and import patterns with reference to key sectors.
3. Evaluate the effectiveness of India's Foreign Trade Policy (FTP), particularly FTP 2023, in promoting exports and ensuring ease of doing business for exporters.
4. Analyze India's participation in global value chains (GVCs). What are the main obstacles to deeper integration, and how can India overcome them?
5. Explain the role of trade facilitation and digital infrastructure in enhancing India's export competitiveness. Illustrate your answer with examples from the National Logistics Policy and ICEGATE.
6. Assess the impact of services exports—particularly IT and financial services—on India's Balance of Payments performance. How sustainable is this reliance on the services sector?
7. What are the major external sector challenges India faces in the 2020s? Discuss in the context of geopolitical tensions, sustainability concerns, and rising protectionism.

8. Propose a comprehensive strategy for reducing India's trade deficit while enhancing long-term export capacity. Your answer should touch upon manufacturing, FTAs, MSME support, and innovation.

Structure

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25.0 Objectives

The main objectives of this lesson are to enable you to:

- Analyze the nature and dimensions of economic reforms introduced in India since 1991.
- Examine the concept, indicators, and evolution of human development in India over time.
- Explore regional development patterns and disparities across Indian states.
- Investigate the interconnections between economic growth, human development, and regional equity.
- Assess the impact of post-reform policies on human and regional development outcomes.
- Critically evaluate the policy measures implemented to promote inclusive and balanced development.
- Identify the challenges and limitations faced in achieving equitable human and regional progress.
- Suggest a strategic path forward to ensure sustainable and inclusive growth in India.

25.1 Learning Outcomes

After going through this lesson, the learner will be able to:

- Define and describe the meaning and scope of economic reforms in India.
- Explain key human development indicators and assess their relevance in the Indian context.
- Interpret trends in human development before and after the reforms.
- Compare and contrast regional development patterns and recognize factors contributing to regional disparities.
- Analyze the linkages between economic reforms, human development, and regional equity.
- Evaluate the success and shortcomings of policy interventions aimed at inclusive development.

- Formulate informed opinions on the effectiveness of current strategies and propose suitable recommendations.
- Develop a comprehensive understanding of the challenges hindering equitable and sustainable development in India.

25.2 Introduction

Dear learner, this lesson explores the interrelationship between economic reforms and regional & human development in India. It attempts to analyze whether the reforms have translated into broader developmental gains across regions and among different population groups. It will trace the historical evolution of economic reforms, evaluate their impact on human development outcomes (education, health, employment), and examine persistent regional inequalities. The lesson also discusses key policy interventions such as the Aspirational Districts Programme, Skill India Mission, and Ayushman Bharat, and assesses their effectiveness in promoting inclusive and balanced development. The central inquiry of this lesson is: Have economic reforms fostered human development and reduced regional disparities in India—or have they amplified pre-existing inequalities? This exploration is essential to shaping future development policy that goes beyond economic growth to prioritize equity, inclusion, and capability expansion.

25.3 Prologue

India's journey of economic transformation since the 1991 reforms has been one of remarkable dynamism and complexity. The economic crisis of 1990–91, marked by a severe balance of payments shortfall, fiscal imbalances, and stagnating growth, triggered a structural shift in India's development trajectory. The adoption of the Liberalization, Privatization, and Globalization (LPG) model marked a departure from the Nehruvian era of state-led growth and ushered in an era of market-oriented reforms aimed at enhancing efficiency, competitiveness, and global integration (Ahluwalia, 2002; Panagariya, 2008).

While the reforms have delivered substantial macroeconomic benefits—reflected in higher GDP growth rates, expanding trade, and growing foreign investments—they have also raised critical questions about inclusiveness, equity, and regional balance. The uneven distribution of reform benefits has deepened disparities between states, urban and rural areas, and various socio-economic groups. Moreover, despite impressive economic growth, India's human development indicators, such as access to quality education, health care, and decent

employment, have not improved at a commensurate pace, particularly in lagging regions like Bihar, Jharkhand, Odisha, and the North-Eastern states (UNDP, 2020; Government of India, 2024)

25.3.1 Economic Reforms: Meaning and Dimensions

Economic reforms refer to a set of policy measures undertaken to liberalize the economy, reduce state intervention, and foster market efficiency. In India, the reforms initiated in 1991 were catalyzed by a severe balance of payments crisis and a broader consensus on the need for structural transformation. These reforms are generally categorized into three pillars:

- **Liberalization:** Deregulation of industries, reduction of tariffs, and opening up of domestic markets.
- **Privatization:** Disinvestment of public sector enterprises and promoting private sector participation.
- **Globalization:** Integration with the global economy through trade liberalization, foreign investment flows, and technological collaboration.

These policies aimed to enhance economic efficiency, promote competitiveness, and attract foreign investment. However, they did not explicitly address human development or regional equity, leaving these outcomes contingent on broader policy frameworks and governance mechanisms (Joshi & Little, 1996).

25.3.2 Human Development: Concept and Indicators

Human development goes beyond income-based metrics and focuses on expanding people's capabilities and opportunities. Introduced by the United Nations Development Programme (UNDP) in the 1990s, the Human Development Index (HDI) combines:

- **Health (life expectancy at birth),**
- **Education (mean years of schooling and expected years of schooling), and**
- **Standard of living (per capita GNI in PPP terms).**

Other complementary indicators include the Gender Development Index (GDI), Multidimensional Poverty Index (MPI), and Inequality-adjusted HDI (IHDI). Human development prioritizes well-being, empowerment, and freedom of choice, as articulated by

Amartya Sen's capability approach (Sen, 1999). It argues that true development should enhance individuals' freedoms to lead the kind of life they value.

25.3.3 Regional Development and Disparities

Regional development refers to the balanced growth of various geographic areas to reduce disparities and promote equitable access to resources, infrastructure, and opportunities. In India, regional inequality manifests in differences in:

- Per capita income
- Infrastructure development
- Industrialization levels
- Literacy and health outcomes
- Social inclusion and governance capacity

These disparities are shaped by historical legacies, natural resource distribution, policy neglect, and differences in state-level governance (Rao & Singh, 2005). Addressing regional imbalances has been a stated goal of Indian planning since the 1950s, yet reforms post-1991 have sometimes exacerbated inter-state inequality, with richer states benefiting more due to better initial conditions.

25.3.4 Interlinkages: Growth, Human Development, and Regional Equity

Economic growth is often assumed to be a driver of human development and regional convergence. However, the empirical experience shows that growth does not automatically translate into improved human development or balanced regional outcomes. For instance:

- States with high GDP growth like Gujarat or Maharashtra may lag in social indicators such as child nutrition or female literacy.
- Some states like Kerala demonstrate high human development despite modest economic growth rates, due to investments in health, education, and social justice.

Thus, development outcomes depend not only on growth rates but on the distribution of growth, public policy choices, and governance mechanisms.

25.4 Human Development Trends in India (Pre and Post-Reform Era)

The evolution of human development in India has been closely intertwined with the country’s economic trajectory. While economic reforms launched in 1991 accelerated GDP growth and market integration, their impact on human development outcomes—such as education, health, nutrition, and gender equality—has been uneven. This section explores the quantitative and qualitative shifts in human development indicators in India across the pre- and post-reform periods.

Education Indicators: Progress with Gaps

Education is a key pillar of human development. Since the reforms, India has made notable progress in improving literacy rates, school enrolment, and gender parity in education. Government schemes such as the Sarva Shiksha Abhiyan (SSA), RTE Act (2009), and Mid-Day Meal Scheme have played a significant role.

Table 1: Education Indicators: Progress with Gaps

Indicator	1990	2011	2022
Literacy Rate (Total)	52.2%	74.0%	77.7% (PLFS)
Female Literacy Rate	39.3%	65.5%	70.3% (PLFS)
Gross Enrollment Ratio (Primary)	82.6%	113.6%	102.0%
Gender Parity Index (Primary)	0.76	0.96	1.03

Source: Census of India, UDISE+, Ministry of Education, PLFS 2022–23

However, quality concerns remain. Dropout rates at secondary level are high, and learning outcomes remain poor in rural and underprivileged regions (ASER Report, 2023). Moreover, access to higher education continues to be limited for marginalized communities.

Health Outcomes: Mixed Achievements

India has recorded major improvements in life expectancy, maternal health, and infant survival since 1991, thanks to public health initiatives and improved healthcare access. Programmes like National Health Mission (NHM), Ayushman Bharat, and the expansion of immunization have contributed to these gains.

Table 2 Health Outcomes: Mixed Achievements

Indicator	1990	2011	2022
Life Expectancy at Birth	58.3 years	67.9 years	70.9 years
Infant Mortality Rate (per 1,000)	80	44	28
Maternal Mortality Ratio (per 100,000)	437	215	97
Immunization Coverage (DPT3)	~60%	72%	89%

Source: Sample Registration System (SRS), Ministry of Health and Family Welfare, WHO

Yet disparities persist between urban and rural regions, and among states. For example, Kerala and Tamil Nadu lead in health indicators, while Bihar, Uttar Pradesh, and Madhya Pradesh lag significantly.

Poverty and Nutrition: From Decline to Plateaus

India witnessed a significant reduction in poverty levels during the high-growth phase following reforms. As per the Tendulkar Committee methodology, the national poverty rate declined from over 45% in 1993–94 to about 21.9% in 2011–12. Recent estimates from NITI Aayog (2024) suggest that multidimensional poverty fell to 11.3% by 2022–23, driven by improvements in access to housing, sanitation, electricity, and cooking fuel.

However, nutrition remains a critical concern. As per NFHS-5 (2019–21):

- 35.5% of children under five are stunted
- 19.3% are wasted
- 32.1% are underweight

Economic growth has not sufficiently translated into nutritional security, particularly for women and children in economically weaker sections.

Gender Development: Advances and Structural Barriers

Post-reform India has seen increased female literacy, greater political participation, and financial inclusion (e.g., via PMJDY and SHGs). The Gender Development Index (GDI) for India improved marginally, yet:

- Female labor force participation remains below 25% (PLFS 2022–23)

- Gender wage gaps persist across sectors
- Women continue to bear disproportionate unpaid care burdens

Schemes like Beti Bachao Beti Padhao, MUDRA Yojana, and PM Matru Vandana Yojana have created positive momentum, but implementation remains uneven.

Human Development Index (HDI) Trends

India's HDI has consistently improved, but remains in the medium human development category.

Table 3 Human Development Index (HDI) Trends

Year	HDI Value	Global Rank
1990	0.429	~130
2010	0.545	~119
2021	0.633	132

Source: UNDP Human Development Reports (1990–2023)

While HDI growth reflects broad gains in income, education, and life expectancy, inter-state HDI disparities are stark. Kerala (0.782) ranks much higher than states like Bihar (0.548) and Uttar Pradesh (0.578).

25.5 Regional Disparities in Development

One of the most persistent challenges in India's development trajectory has been the wide and growing regional disparities. These disparities have historical roots but became more pronounced in the post-1991 economic reform period. Liberalization created conditions that allowed already developed regions to leverage their infrastructure, human capital, and institutional capacity to attract private and foreign investments. Conversely, less-developed states and union territories struggled to compete, resulting in a sharpening of the regional development divide.

Divergence in State Income: NSDP Rankings

A key measure of regional economic performance is the per capita Net State Domestic Product (NSDP). The data for 2022–23 reveal significant gaps in per capita income across

Indian states and UTs. The top five regions (Sikkim, Goa, Delhi, Chandigarh, Telangana) all report per capita NSDP above ₹3 lakh, while bottom-ranked states like Bihar, Jharkhand, and Uttar Pradesh have values below ₹1 lakh.

A comprehensive table of NSDP rankings for 33 Indian states and union territories is shown below:

Table 4: Divergence in State Income: NSDP Rankings

Rank	State / UT	Per Capita NSDP (₹)
1	Sikkim	520,466
2	Goa	492,648
3	Delhi	430,120
4	Chandigarh	399,654
5	Telangana	312,522
6	Karnataka	304,474
7	Haryana	296,592
8	Tamil Nadu	277,802
9	Gujarat	272,451
10	Andaman & Nicobar Islands	258,151
11	Kerala	252,662
12	Maharashtra	252,389
13	Puducherry	245,180
14	Uttarakhand	230,994
15	Andhra Pradesh	219,881
16	Himachal Pradesh	218,788
17	Mizoram	215,144
18	Arunachal Pradesh	199,992
19	Punjab	181,678
20	Tripura	157,364
21	Rajasthan	150,653
22	Nagaland	145,537

23	Odisha	143,768
24	West Bengal	139,442
25	Chhattisgarh	137,329
26	Madhya Pradesh	132,010
27	Jammu & Kashmir (incl. Ladakh)	130,492
28	Meghalaya	123,896
29	Assam	119,308
30	Manipur	111,853
31	Uttar Pradesh	104,126
32	Jharkhand	96,449
33	Bihar	53,478

Source: Wikipedia compilation of RBI/NSDP data for 2022–23

States like Sikkim and Goa, despite smaller populations, benefit from niche industries, high tourism revenues, and state-level investment strategies. Bihar, Uttar Pradesh, and Jharkhand remain economically disadvantaged due to historical underinvestment, low industrialization, and poor infrastructure. The North-Eastern states show mixed outcomes—Mizoram and Sikkim rank high, while Manipur and Assam fall behind.

Infrastructure and Industrial Gaps

Infrastructure deficits are a major cause of regional disparities. Southern and Western states have attracted higher industrial investment due to:

- Better transport connectivity (e.g., port infrastructure in Gujarat and Tamil Nadu)
- Established industrial corridors (e.g., Delhi-Mumbai Industrial Corridor)
- SEZs and digital connectivity hubs (e.g., Hyderabad, Bengaluru)

Meanwhile, Eastern India and the North-East continue to suffer from logistical challenges, poor rail-road integration, and high disaster vulnerability, limiting their development potential.

Social Sector Disparities

There are also wide differences in educational and health outcomes:

- Kerala has a literacy rate above 94% and IMR of just 6, while Bihar's literacy is under 70% and IMR remains high.
- Southern states have better health infrastructure and outcomes compared to the BIMARU states (Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh).

These disparities affect human capital formation and perpetuate cycles of low productivity and poverty in lagging regions.

Urban–Rural and Intra-State Inequality

Disparities are not limited to inter-state variations:

- Urban areas contribute over 60% of GDP, but only accommodate 35% of the population.
- Within states, metropolitan districts far outpace rural ones—e.g., Bangalore Urban vs. Raichur (Karnataka), Chennai vs. Ariyalur (Tamil Nadu).

This internal imbalance drives migration, urban slum growth, and growing demands on urban services, exacerbating development tensions.

Structural Causes of Regional Inequality

The key drivers of regional disparity include:

- Historical policy neglect in backward areas
- Geographical isolation and ecological vulnerability
- Institutional and governance deficits
- Unequal public investment, including delay in implementation of centrally-sponsored schemes
- Limited fiscal devolution and autonomy at the state level

Consequences and Developmental Implications

Unaddressed regional inequalities result in:

- Social and political unrest (e.g., demands for statehood or special status)

- Underutilized demographic potential
- Migration pressures and overcrowding in urban centres
- Challenges to federal cooperation and balanced national growth

Hence, regional planning and fiscal equalization mechanisms are essential for achieving inclusive development.

25. 6 Impact of Economic Reforms on Human Development

India's economic reforms since 1991 were primarily aimed at liberalizing the economy and enhancing macroeconomic efficiency. While these reforms accelerated GDP growth and boosted investment, their effect on **human development**—defined in terms of health, education, employment, and gender equity—has been complex and regionally uneven. This section examines the extent to which the reforms have led to improvements in key human development indicators and whether they have translated into equitable outcomes for all sections of society.

In the domain of **education**, the post-reform period saw significant gains in access and enrolment, supported by both public interventions and increased household aspirations. The launch of major initiatives such as the *Sarva Shiksha Abhiyan* in 2001, the *Right to Education Act* in 2009, and the *National Education Policy* in 2020 signaled the government's commitment to improving school education. Literacy rates rose from 52.2% in 1991 to 77.7% in 2022, and gross enrolment ratios at the primary level have surpassed 100%. Gender parity has also been achieved in many states. However, learning outcomes remain poor, particularly in rural and under-resourced areas, as highlighted by successive *ASER Reports*. Dropout rates at secondary and senior secondary levels persist, and wide disparities in quality, access to digital infrastructure, and outcomes remain a concern, especially for marginalized communities.

In the health sector, reforms have produced incremental but uneven gains. Government spending on health has historically remained low, hovering around 2.1% of GDP in 2022–23. However, flagship programmes such as the *National Rural Health Mission*, *Ayushman Bharat*, and the *PM-ABHIM* scheme have contributed to improvements in life expectancy, maternal health, and child survival rates. Life expectancy increased from 58.3 years in 1990 to 70.9 years in 2022, while the infant mortality rate dropped from 80 to 28 per 1,000 live births over the same period. Institutional deliveries and immunization coverage have seen

notable improvements. Nonetheless, public health outcomes vary significantly across states: Kerala and Tamil Nadu outperform others, while Bihar, Madhya Pradesh, and Uttar Pradesh continue to lag in both maternal and child health metrics.

Employment, a critical dimension of human development, presents one of the most challenging post-reform outcomes. Despite robust economic growth, India experienced what economists have termed “jobless growth.” Structural transformation reduced agriculture’s share in GDP from 29% in 1991 to about 15.4% in 2022–23, but the sector still employs nearly 46% of the workforce. Meanwhile, the formal sector has not absorbed labor at the expected pace. Unemployment declined to 3.2% in 2023 according to the *PLFS*, but underemployment, wage stagnation, and low job quality remain pressing issues. While schemes like *MGNREGA*, *Skill India*, and *Start-up India* have provided some relief, educated youth and women continue to face limited employment opportunities, especially in rural and semi-urban areas.

The impact of reforms on **gender development** has been mixed. There has been progress in female literacy, maternal health, and access to financial services. The female literacy rate rose from 39.3% in 1991 to 70.3% in 2022. Policy initiatives such as *Beti Bachao Beti Padhao*, *MUDRA loans for women entrepreneurs*, and large-scale Self-Help Group (SHG) movements under NRLM have empowered millions of women economically and socially. However, critical challenges remain. The female labor force participation rate remains low at 24%, and women face systemic discrimination in wages, occupational mobility, and access to productive assets. Social norms and unpaid care responsibilities continue to restrict women’s agency, particularly in rural and conservative regions.

Poverty reduction has been one of the more positive outcomes of the reforms, particularly between 2005 and 2015. According to the *Tendulkar Committee*, the poverty ratio declined from 45% in 1993–94 to 21.9% in 2011–12. More recent estimates by *NITI Aayog* show that the Multidimensional Poverty Index (MPI) dropped from 25% in 2015–16 to 11.3% in 2019–21, with more than 13.5 crore people lifted out of multidimensional poverty. These gains were driven by enhanced access to sanitation (*Swachh Bharat*), housing (*PMAY*), LPG connections (*Ujjwala*), and health care. Nevertheless, vulnerabilities persist for urban informal workers, migrant laborers, and marginalized groups. The COVID-19 pandemic temporarily reversed several poverty-alleviation gains, highlighting the fragility of these improvements.

Lastly, the reforms have had a transformative impact on **digital and financial inclusion**, particularly in the past decade. The *Jan Dhan–Aadhaar–Mobile (JAM)* trinity enabled direct benefit transfers (DBTs), improving the efficiency of welfare delivery and reducing leakages. Over 50 crore accounts have been opened under *PM Jan Dhan Yojana*, with a majority owned by women. Digital payment platforms, especially UPI, have democratized access to financial services, even in rural areas. However, a digital divide persists, especially in tribal, remote, and low-literacy regions. Access to digital education, telemedicine, and online banking remains limited without investments in digital literacy and rural internet infrastructure.

In summary, while economic reforms have laid the groundwork for significant progress in human development, the benefits have not been evenly distributed. Successes in education, health, poverty reduction, and inclusion are evident but continue to be offset by employment precarity, gender disparities, and regional imbalances. The next phase of reforms must prioritize human capital formation, social protection, and equity to make India's growth truly inclusive and sustainable.

25.7 Impact of Economic Reforms on Regional Development

The liberalization of the Indian economy in 1991 fundamentally transformed the framework of regional development. Prior to the reforms, India followed a planning-led model that included centrally determined resource allocation aimed at reducing regional inequalities. However, the post-reform shift toward market-oriented policies reduced direct state intervention in resource distribution, leading to a development trajectory that disproportionately benefited already-advantaged states. As a result, the economic landscape of India became increasingly spatially unequal, with growth clustering in regions that had stronger infrastructure, better institutions, and more skilled labor.

A key feature of this uneven development has been the concentration of private investment in economically stronger states. Liberalized industrial and trade policies facilitated capital mobility, but capital naturally gravitated towards states offering better returns on investment. Maharashtra, Karnataka, Tamil Nadu, Gujarat, and the Delhi NCR region accounted for over 65% of total foreign direct investment (FDI) inflows between 2000 and 2023. These states were better positioned to capitalize on the reforms due to pre-existing advantages such as urbanization, port access, a skilled workforce, and proactive state-level governance. On the other hand, backward states like Bihar, Jharkhand, and Chhattisgarh struggled to attract

investment due to weak infrastructure, administrative inefficiencies, and low human capital, further widening the regional development divide.

Infrastructure development, which has been a key pillar of India's growth strategy post-reforms, has also reinforced regional inequality. Large-scale national projects such as the Golden Quadrilateral, dedicated freight corridors, and industrial corridors primarily benefited already connected and industrialized regions. Similarly, urban-centric schemes like the Smart Cities Mission and AMRUT have largely focused on Tier-1 and Tier-2 cities, bypassing smaller towns and rural areas. While rural infrastructure programs have been introduced, they have not received the same level of funding or implementation rigor. Consequently, core-periphery patterns of growth have emerged, where central nodes of economic activity continue to expand while peripheral regions lag behind.

Another significant outcome of economic reforms is the evolution of fiscal federalism. The abolition of the Planning Commission and the rise of NITI Aayog marked a shift from directive to cooperative planning. While this has increased the autonomy of states to design and implement their own development strategies, it has also placed a premium on performance. Wealthier and reform-oriented states have been able to attract greater central support through performance-based grants and rankings, while weaker states have struggled to compete. This shift has thus diminished the redistributive role of the central government, making poorer states increasingly dependent on their own limited fiscal capacities.

The reforms have also fostered a model of competitive federalism, where states compete to attract investment by improving their business environments, offering tax incentives, simplifying regulations, and ranking high on the Ease of Doing Business Index. States like Telangana, Gujarat, and Andhra Pradesh have successfully adopted this model, creating industrial parks, SEZs, and digital infrastructure to lure investors. However, many states with high levels of poverty, such as Odisha, Madhya Pradesh, and Rajasthan, have been less successful in leveraging this competitive environment due to institutional and structural bottlenecks.

Urbanization, too, has accelerated post-reforms, with major cities becoming engines of growth. However, this has led to further intra-state imbalances, as capital and employment opportunities are increasingly concentrated in urban clusters, creating pressure on urban infrastructure and widening the urban-rural gap. Informal settlements, pollution, and service

delivery deficits have emerged as key challenges in megacities, while rural areas continue to face stagnation and distress-driven migration.

To address these imbalances, several regional development programmes have been implemented, such as the Backward Regions Grant Fund (BRGF), Aspirational Districts Programme (ADP), and special financial packages for the North-East. These initiatives have aimed to improve governance, infrastructure, and human capital in lagging regions. However, their effectiveness has been limited due to fragmented implementation, capacity constraints at the local level, and lack of robust monitoring and evaluation mechanisms. While localized gains have been observed in select aspirational districts, these programmes have not significantly altered the broader trajectory of regional disparity.

Empirical studies based on GSDP and HDI data confirm that inter-state inequality has increased in the post-reform period. The coefficient of variation in per capita Net State Domestic Product (NSDP) has grown since 1991, highlighting the trend of divergence rather than convergence in regional incomes. This contradicts the neoclassical expectation that market forces would enable poorer regions to catch up over time.

In conclusion, while economic reforms have catalyzed national growth and created dynamic economic hubs, they have also contributed to widening regional disparities. States with favorable initial conditions have advanced rapidly, while others have lagged despite targeted interventions. The challenge ahead lies in designing **a new regional development framework** that balances market efficiency with spatial equity, strengthens fiscal federalism, and enables lagging regions to build institutional and human capacity to participate more fully in India's growth story.

25.8 Policy Interventions for Inclusive Human and Regional Development

As economic reforms deepened regional disparities and left gaps in human development, successive Indian governments recognized the need for targeted policy interventions to ensure more equitable outcomes. These interventions have aimed to address both social capability deficits—in education, health, and livelihoods—and regional imbalances arising from structural disadvantages. Over time, the focus of public policy has shifted from uniform, centralized planning to area-specific, demand-driven strategies intended to promote inclusion, empowerment, and localized development.

One of the most prominent initiatives to reduce regional backwardness is the Aspirational Districts Programme (ADP), launched in 2018 by NITI Aayog. Covering 112 of India's most developmentally challenged districts, the ADP seeks to transform governance and service delivery through real-time monitoring, convergence of schemes, and district-level performance incentives. It uses a "Champions of Change" dashboard to track progress across five key areas: health, education, agriculture, financial inclusion, and infrastructure. While the programme has improved data transparency and administrative accountability, its impact on deeper structural change remains contingent on the capacity of local governments and sustained political commitment.

In the realm of employment and skill development, the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) and the Skill India Mission have played a critical role in bridging the demand-supply gap in the labour market. These programmes aim to empower rural youth with market-relevant skills, improve employability, and enable sustainable livelihoods. Coupled with the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which guarantees 100 days of unskilled wage employment to rural households, these schemes have provided important safety nets, particularly in backward and drought-prone regions. However, challenges persist in matching training with job market demand, especially in tribal and remote areas where formal employment opportunities remain scarce.

In the sphere of human development, a number of flagship schemes have attempted to address long-standing social deprivations. Ayushman Bharat—the world's largest public health insurance scheme—has expanded access to secondary and tertiary care, especially in underserved districts. PM POSHAN (Mid-Day Meal Scheme), Samagra Shiksha, and the NEP 2020 have sought to universalize access to quality education, especially for children from disadvantaged backgrounds. On the gender front, initiatives such as Beti Bachao Beti Padhao, PM Matru Vandana Yojana, and SHG-based financial inclusion under DAY-NRLM have improved women's visibility in the development process. However, many of these schemes face implementation bottlenecks—such as fund delays, staff shortages, and local governance limitations—which dilute their transformative potential.

In terms of infrastructure-led regional development, targeted schemes such as Pradhan Mantri Gram Sadak Yojana (PMGSY) and Rural Electrification (SAUBHAGYA) have played a significant role in connecting rural areas to growth centres. The North Eastern Region Vision

2020, along with the North East Special Infrastructure Development Scheme (NESIDS), has focused on addressing chronic underinvestment in the North-East. Additionally, the government has encouraged private investment in backward areas through industrial incentives, special packages for hill states and border regions, and the creation of Special Economic Zones (SEZs). Nonetheless, the success of these efforts has varied widely, largely depending on local political stability, state capacity, and the degree of community participation.

From a fiscal standpoint, the Finance Commissions have played a role in promoting equity by recommending formula-based transfers from the Centre to states. The introduction of the 14th Finance Commission's increased tax devolution (42%) and the shift towards performance-based incentives for states were significant moves toward strengthening cooperative federalism. However, concerns have been raised about the declining share of grants for backward regions and the discontinuation of the Backward Regions Grant Fund (BRGF), which earlier served as a key redistributive instrument.

Additionally, digital inclusion and governance innovations have helped improve the reach and quality of public services in backward regions. Platforms such as JAM (Jan Dhan–Aadhaar–Mobile) trinity have enabled Direct Benefit Transfers (DBT), improving welfare targeting and transparency. Schemes such as Digital India, Common Service Centres (CSCs), and e-Gram Swaraj have aimed to bridge the digital divide in rural governance. However, infrastructural limitations—such as internet access and electricity reliability—continue to hinder effective implementation in remote and tribal belts.

Despite these efforts, challenges in inter-departmental coordination, capacity constraints at the local level, and short-term political priorities often undermine the long-term goals of these interventions. Moreover, while most policies focus on output-based performance metrics, there is a growing consensus on the need to shift toward outcome-based, people-centric development that emphasizes sustainability, equity, and empowerment.

In conclusion, India's policy landscape is replete with schemes that address both human and regional development deficits. However, for these policies to be truly inclusive and transformative, they must be grounded in decentralized planning, context-sensitive implementation, and robust monitoring mechanisms. Building institutional capacity at the district and panchayat levels, ensuring convergence among ministries, and fostering

community ownership will be key to ensuring that economic reforms deliver not just growth, but also equity and dignity for all citizens.

25.9 Challenges and Critique

While India's post-1991 economic reforms undoubtedly enhanced growth, liberalized markets, and attracted foreign investment, they have also drawn criticism for failing to deliver equitable and inclusive development across regions and socio-economic groups. The uneven impact of reforms on human and regional development reveals several structural, institutional, and policy-related challenges that continue to impede India's journey toward sustainable and inclusive growth.

One of the foremost critiques is the persistence of growth without commensurate employment. While India witnessed an average annual GDP growth rate exceeding 6% between 1991 and 2020, employment growth lagged significantly, leading to what has been widely described as “jobless growth.” The structural shift from agriculture to services bypassed large sections of the labor force, particularly those with low education and skills. Informal employment dominates the labor market, and reforms have done little to formalize jobs or improve working conditions. Despite the presence of skilling schemes, mismatch between training and market demand continues to prevent gainful employment for millions.

Another significant concern is the **widening regional disparity**. States with stronger institutions, better infrastructure, and higher human capital—such as Maharashtra, Karnataka, Gujarat, and Tamil Nadu—have surged ahead, while states like Bihar, Jharkhand, Odisha, and many North-Eastern states have lagged behind. The weakening of centralized planning and the withdrawal of redistributive schemes such as the Backward Regions Grant Fund (BRGF) have reduced the state's capacity to support lagging regions. Competitive federalism, while promoting efficiency, has sometimes intensified inequality by allowing better-performing states to attract disproportionate public and private investments.

The underfunding and fragmentation of social sector spending is another major issue. Despite improvements in health and education, public expenditure in these sectors remains below global standards. Health expenditure has hovered around 1.5–2% of GDP, and education around 3–4%, far lower than the recommended levels of 6%. Many programmes suffer from implementation deficits, delays in fund disbursement, and poor monitoring. The top-down design of centrally sponsored schemes also limits contextual flexibility and responsiveness to local needs.

From a human development perspective, reforms have not adequately addressed inequality and exclusion. Multidimensional poverty, though reduced, continues to affect millions, especially women, Dalits, Adivasis, and people with disabilities. While schemes like MGNREGA and the Public Distribution System (PDS) have helped, access remains uneven, especially in conflict-prone, tribal, or remote regions. Financial inclusion through Jan Dhan accounts and digital payments has improved, but the digital divide remains a significant barrier for meaningful participation by the poor and marginalized.

The reforms have also led to the commercialization of essential services like health and education. Private hospitals and schools have mushroomed, especially in urban areas, raising concerns about quality, affordability, and access. Health shocks and education costs are among the leading causes of debt and impoverishment among low-income households. The state's failure to regulate private providers and ensure quality standards has exacerbated inequality in access to basic services.

A further critique lies in the governance and institutional capacity deficits that continue to hamper the delivery of development programmes. Many districts lack adequately trained personnel, data systems, and financial management capabilities. While schemes like the Aspirational Districts Programme (ADP) have tried to improve district-level performance, success is uneven and heavily dependent on local leadership and administrative competence.

Moreover, there is insufficient integration of environmental sustainability into human and regional development planning. Rapid urbanization, industrialization, and infrastructure development post-1991 have led to environmental degradation, displacement, and loss of livelihoods—particularly for tribal and forest-dwelling communities. Development that is not ecologically sustainable risks exacerbating social and economic vulnerabilities in the long run.

Finally, policy design has often prioritized output metrics (e.g., number of toilets built, schools constructed) over outcomes (e.g., reduction in malnutrition, improved learning levels). The emphasis on quantitative achievement, driven by political optics and central mandates, frequently overlooks the quality and long-term impact of interventions. Additionally, many development schemes lack participatory planning and local accountability, weakening community ownership and sustainability.

In summary, while economic reforms have achieved important milestones in growth and liberalization, they fall short on the metrics of inclusion, equity, and long-term capability

enhancement. To ensure that development is not just fast but also fair, India must strengthen its institutions, rethink its fiscal and policy priorities, and integrate social justice and environmental sustainability into the very core of its reform agenda.

25.10 Way Forward

As India completes over three decades of economic reforms, it is increasingly evident that sustained economic growth alone is insufficient to guarantee inclusive development. While liberalization has created dynamic growth centers and enhanced macroeconomic stability, it has also deepened regional disparities, left critical gaps in human development, and raised questions about the social sustainability of India's reform trajectory. The next phase of development must prioritize equity, inclusion, and resilience—by embedding human and regional development goals into the core of the economic reform agenda.

A critical starting point is to redefine growth to focus on human capabilities. Investment in healthcare, education, nutrition, and social protection must be treated not as welfare expenditures, but as essential components of national productivity and social justice. This requires increasing public spending on health to at least 3% of GDP and on education to 6% of GDP, as recommended by national and international expert bodies. Special attention must be paid to marginalized groups—women, Scheduled Castes, Scheduled Tribes, persons with disabilities, and religious minorities—to ensure that development reaches the most vulnerable.

Second, regional equity must be restored as a central policy priority. While competitive federalism has incentivized efficient governance in many states, it must be complemented by cooperative mechanisms that ensure backward regions receive adequate public investment, institutional support, and targeted fiscal transfers. Reviving instruments like the Backward Regions Grant Fund (BRGF) or introducing performance-linked equalization grants through the Finance Commission can help balance asymmetries. Strengthening the capacity of local institutions and integrating decentralized planning into flagship programmes will be key to addressing intra-state disparities.

Third, employment generation must be restored to the center of economic policymaking. India needs to move beyond jobless growth by incentivizing labor-intensive industries, supporting the rural non-farm economy, and investing in green and care economies. Skilling initiatives under Skill India and DDU-GKY must be closely aligned with emerging sectoral demands, including climate-resilient agriculture, digital services, and the informal

manufacturing sector. Expanding social security for informal and gig workers through schemes like e-Shram is equally important.

Fourth, gender-sensitive planning must be institutionalized across sectors. Despite various targeted schemes, women's labor force participation remains low, and wage gaps persist. Budgeting processes must include mandatory Gender Budget Statements, and policies must be assessed through a gender lens at all levels—from urban infrastructure to digital access to agricultural extension. Expanding child care, safety in public spaces, and access to assets such as land and credit will empower women and boost overall development outcomes.

Fifth, there is an urgent need to embed environmental sustainability into development planning, especially in regions vulnerable to climate change, natural disasters, and ecological degradation. Economic reforms must be accompanied by ecological reforms. Promoting clean energy transitions, investing in climate-smart agriculture, and integrating environmental indicators into state and district planning dashboards will help align growth with sustainability. This is particularly important for protecting the livelihoods of forest dwellers, coastal communities, and farmers in drought- and flood-prone areas.

Sixth, India must invest in data systems and outcome-based governance to make development efforts more responsive and accountable. Platforms like the *Aspirational Districts Dashboard* and *Real-Time Monitoring Systems* must be scaled up and adapted across sectors. Strengthening state capacity—especially at the district and panchayat levels—through digital tools, training, and institutional support will enable better delivery of services and outcomes. Civil society organizations, academic institutions, and community-based organizations must be integrated into planning and evaluation processes.

Finally, a rights-based approach to development—rooted in constitutional values of justice, equality, and dignity—must guide India's reform agenda. Ensuring access to food, housing, education, healthcare, and employment as legal and enforceable rights can serve as a safeguard against market exclusion and institutional apathy. The synergy between rights-based policies (like the Right to Education and the National Food Security Act) and economic reforms must be strengthened, not seen as conflicting priorities.

In conclusion, the path forward for India lies not in reversing economic reforms, but in deepening them through a human development lens. A reform process that is equitable, regionally balanced, gender-sensitive, ecologically sustainable, and institutionally grounded will not only promote inclusive prosperity but also ensure that India's demographic dividend

is transformed into a development dividend. The ultimate goal must be to build a society where every individual, regardless of geography or identity, can access the freedoms, capabilities, and opportunities necessary to lead a life of dignity and purpose.

Check Your Progress

Q1. Mention any four major indicators of human development as used by UNDP or Government of India?

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Q2. State two major causes of regional disparities in development in India.

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Q3. Briefly explain the interlinkages between economic growth, human development, and regional equity?

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25.11 Let Us Sum Up

This lesson examined the complex interplay between **economic reforms** and **regional and human development** in India. It began by tracing the evolution of reforms since 1991 and establishing a theoretical framework linking liberalization, privatization, and globalization (LPG) with human capabilities and regional equity. The lesson highlighted how reforms accelerated economic growth and opened up markets, but also produced **uneven outcomes** across states and social groups.

Human development indicators—such as literacy, life expectancy, maternal health, and gender equity—have improved in aggregate terms, but disparities remain across regions and population segments. Similarly, while some states like Gujarat, Maharashtra, and Tamil Nadu have surged ahead economically, others like Bihar, Odisha, and the North-East continue to face structural disadvantages. Case studies revealed that development is deeply contextual, shaped by governance, institutional capacity, and historical legacies.

Various policy interventions, including the Aspirational Districts Programme, Skill India, Ayushman Bharat, and MGNREGA, were introduced to address these disparities. However, gaps in funding, coordination, and local implementation continue to limit their effectiveness. The lesson concluded by identifying key challenges such as jobless growth, social inequality, and underinvestment in human capital—and proposed a **forward-looking strategy** emphasizing fiscal equity, outcome-based governance, gender sensitivity, and ecological sustainability.

25.12 Keywords

- **Liberalization:** Removal of government restrictions on economic activities and private sector participation.
- **Privatization:** Transfer of ownership and management of enterprises from the public sector to private hands.
- **Globalization:** Increasing interconnectedness of economies through trade, investment, and information flows.
- **Human Development Index (HDI):** A composite index measuring life expectancy, education, and per capita income.
- **Regional Disparity:** Unequal distribution of economic and social development across different regions or states.
- **Multidimensional Poverty Index (MPI):** A measure of poverty that accounts for multiple deprivations in health, education, and living standards.
- **Competitive Federalism:** A model where states compete to attract investment and improve governance.
- **Aspirational Districts Programme (ADP):** A government initiative targeting the development of India's most backward districts using data-driven governance.

- **Financial Inclusion:** Access to affordable financial services such as banking, credit, insurance, and digital payments.
- **JAM Trinity:** Integration of Jan Dhan bank accounts, Aadhaar IDs, and mobile numbers for efficient subsidy delivery.

25.13 Suggested Readings

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25.14 Hints to Check Your Progress

CYP-I

Q.1. Refer to section 25.3.2

Q2. Refer to section 25.3.3

Q3. Refer to section 25.3.4

25.15 Examination Oriented Questions

1. Critically examine the impact of economic reforms on human development in India with the help of relevant data and programmes.
2. Discuss the causes and consequences of regional disparities in India post-1991. What policy measures have been introduced to address them?
3. Analyze the effectiveness of the Aspirational Districts Programme in promoting inclusive regional development.
4. Compare and contrast the development trajectories of Kerala and Bihar in the context of post-reform India.
5. Suggest a set of policy reforms needed to make India's economic growth more inclusive and regionally balanced.

