



## India's Path to Inclusive Economic Growth

*This editorial is based on “[India's economic growth is not inclusive. It is a concentrated accumulation of wealth](#)” which was published in The Indian Express on 11/06/2025. The article brings into picture the stark contrast between India's \$3.9 trillion economy and the deep-rooted inequality, stressing the need for inclusive growth to ensure real progress for all citizens.*

**For Prelims:** [Inclusive Growth](#), [Sustainable Development](#), [Monetary Policy](#), [Fiscal Policy](#), [Fourth-largest economy](#), [World Inequality Report](#), [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#), [Right to Education \(RTE\) Act](#), [National Food Security Act](#). [Micro, Small, and Medium Enterprises](#).

**For Mains:** India's Journey Towards Inclusive Growth, Issues Hindering Inclusive Growth.

India's celebrated status as the world's [fourth-largest economy](#) with a **\$3.9 trillion GDP** masks a harsh reality of extreme inequality and widespread deprivation. While the **top 1% controls over 40% of national wealth**, the average Indian survives on less than Rs 5,600 per month when elite wealth is excluded. India ranks dismally on human development indicators—**134th on HDI and 111th on Global Hunger Index**—revealing that GDP numbers do not translate to genuine prosperity for ordinary citizens. Moving forward, India needs dedicated efforts to ensure that its economic achievements create meaningful opportunities and [inclusive growth](#).

### What has been the Trajectory of India's Pursuit of Inclusive Growth?

- **Post-Independence Era (1947-1970s):** In the early years after independence, India adopted a **socialist-oriented economic model** focused on **state-led industrialization, [land reforms](#), and poverty alleviation**.
  - The focus was on improving the conditions of the marginalized through planned economic development, with the Green Revolution playing a key role in increasing food production and rural employment.
  - The [Five-Year Plans](#), especially the 11th and 12th, emphasized inclusive growth.
- **Economic Reforms (1991-2000s):** The 1991 economic liberalization marked a significant shift in India's growth trajectory.
  - While the **liberalization of the economy spurred rapid growth, it also widened the inequality gap**.
  - The benefits of economic growth were more pronounced in urban areas, leaving rural and poorer regions behind.
  - However, the **reforms set the stage for increasing trade, foreign direct investment**

(FDI), and industrial output, contributing to overall national growth.

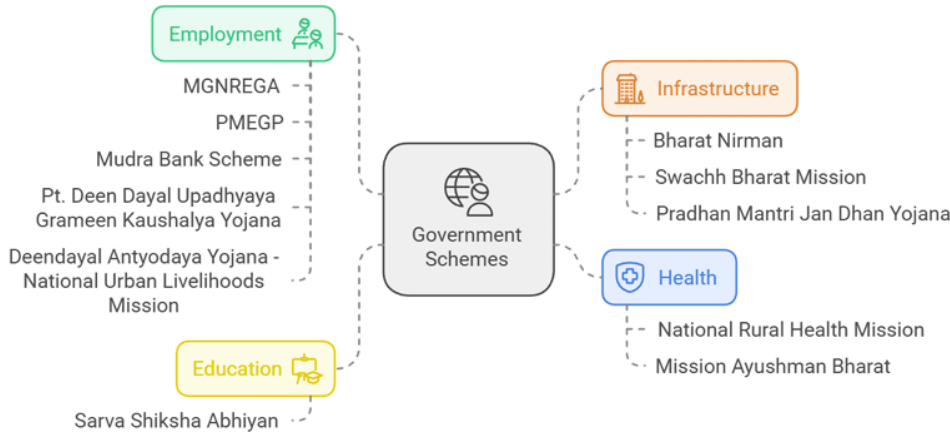
- **Rights-Based Approach (2005-2015):** In the mid-2000s, India shifted towards a rights-based approach to development.
  - Programs like the [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#) and the [Right to Education \(RTE\) Act](#) were introduced to directly address social inclusion.
  - The government aimed at reducing poverty and empowering marginalized sections through guaranteed employment and access to education, although challenges in implementation remained.
- **Current Era (2015-Present):** In recent years, the focus has shifted towards digital and financial inclusion, with initiatives like the **Pradhan Mantri Jan Dhan Yojana (PMJDY)**, the [Digital India campaign](#), and [Ayushman Bharat](#).
  - These programs are designed to expand access to banking, healthcare, and digital services, particularly in rural and underserved urban areas.
  - Additionally, **India's push for renewable energy, infrastructure development, and entrepreneurship** through initiatives like [Startup India](#) reflect the government's emphasis on broad-based economic participation.

## What are the Key Issues Hindering Inclusive Growth in India?

- **Persistent Poverty and Inequality:** Despite economic growth, inequality in India has widened significantly, leaving millions trapped in poverty.
  - The **richest 1% of the population controls 53%** of the country's wealth, while the **bottom 50% of Indians hold a mere 4.1%**.
  - This stark wealth gap shows that growth has not trickled down to the majority of the population.
  - While government welfare programs like the [National Food Security Act \(NFSA\)](#) **benefit 80 crore people**, the wealth distribution remains disproportionately skewed, highlighting systemic barriers to equitable prosperity.
- **Large Informal Workforce:** A major barrier to inclusive growth in India is the dominance of the informal economy, **which accounts for 90% of the workforce**.
  - These workers lack access to social security, fair wages, and formal employment benefits.
  - The [International Labour Organization \(ILO\)](#) **highlights that informal workers are vulnerable to exploitation and economic shocks**, with no safety nets like pensions or healthcare.
    - For true inclusion, policies must focus on formalizing this vast workforce and improving labor laws to ensure basic protections.
- **Regional Disparities:** India's economic growth has been uneven, with substantial imbalances between states.
  - For instance, the **per capita Gross State Domestic Product (GSDP) in Bihar is roughly one-fifth that of Maharashtra**, underscoring stark regional economic differences.
  - These disparities hinder the country's ability to foster nationwide inclusive growth, as poorer states struggle to provide basic infrastructure and social services.
- **Gender Inequality:** Gender inequality continues to be a significant hurdle in India's inclusive growth trajectory.
  - Women, particularly in rural areas, are overwhelmingly employed in the informal sector, where wages are lower and job security is nonexistent.
  - According to the [World Inequality Report \(2022\)](#), **women earn just 18% of the income men do**, despite making up a significant portion of the labor force.
    - **India's rank of 135th out of 146 countries on the [Global Gender Gap Index \(2022\)](#)** highlights the depth of this issue, necessitating policies to ensure equal access to employment and credit for women.
- **Low Financial Literacy:** Financial literacy in India remains low, with **only 27% of the population financially literate, according to the RBI**.
  - This lack of knowledge limits individuals' ability to participate fully in the financial ecosystem, hindering savings, investments, and access to credit.
  - **Financial inclusion initiatives like PM Jan Dhan Yojana** have made strides, but more efforts are needed to educate and empower the masses, particularly in rural and

marginalized communities, to make informed financial decisions.

- **Infrastructure Gaps:** Despite significant improvements in infrastructure, India still faces considerable gaps in basic services like electricity, healthcare, and education.
  - **Approximately 25% of Indians still lack access to electricity**, and many rural areas suffer from inadequate healthcare and educational facilities.
  - While initiatives like **PM Saubhagya and Ayushman Bharat** aim to address these issues, the quality and reach of infrastructure remain inconsistent, especially in rural and remote areas.



## What Measures can be Adopted to Promote Inclusive Growth in India?

- **Expanding Employment Opportunities through MSMEs and Skill Development:** To tackle unemployment and underemployment, India should focus on the growth of **Micro, Small, and Medium Enterprises (MSMEs)**, which are key drivers of job creation.
  - Strengthening MSMEs through easier access to credit, technology, and infrastructure can generate millions of jobs, particularly in rural and semi-urban areas.
  - Additionally, focusing on **skill development programs like PMKVY (Pradhan Mantri Kaushal Vikas Yojana)** and expanding vocational training will help the workforce adapt to evolving market needs, boosting employability and income levels for marginalized groups.
- **Strengthening Social Security and Welfare Schemes: Universal social security systems must be strengthened to cover the informal workforce**, which constitutes 90% of the Indian labor market.
  - Additionally, **targeted subsidies and direct benefit transfers (DBT) through the JAM trinity (Jan Dhan, Aadhaar, Mobile)** can effectively reach marginalized populations, improving their economic resilience.
- **Bridging Regional Disparities through Infrastructure Development:** To address the vast regional imbalances, India needs to prioritize investments in infrastructure and social services in underserved states.
  - Programs like **Gati Shakti and the National Logistics Policy** can enhance connectivity, while infrastructure development focused on rural education, healthcare, and energy access will foster economic integration.
  - By reducing the infrastructure gaps between states, India can create more balanced opportunities for employment and enterprise, particularly in lagging regions.
- **Promoting Gender Equity in the Workforce:** Gender inclusion must be prioritized in all economic sectors.
  - To achieve this, **policies should ensure equal pay, access to finance, and career opportunities for women.**
  - Additionally, addressing cultural and social barriers to women's participation in the workforce, such as **child care support and workplace safety**, will help women move into more formal and remunerative roles, contributing to inclusive growth.
- **Digital and Financial Inclusion through Technology:** Expanding digital access and literacy is essential for empowering marginalized communities and ensuring equitable participation in the

economy.

- Strengthening initiatives like the **PMGDISHA (Pradhan Mantri Gramin Digital Saksharta Abhiyan)** to enhance digital literacy, especially in rural areas, can bridge the gap between the urban-rural divide.
- Additionally, enhancing credit access through the **PM MUDRA Yojana** will facilitate the growth of small enterprises and individual entrepreneurs.
- **Strengthening Public-Private Partnerships (PPPs) for Development:** The government should promote **public-private partnerships (PPPs)** in sectors like **healthcare, education, and infrastructure**.
  - Encouraging private investment in these sectors through strategic PPP models can accelerate the **delivery of critical services to underserved areas, fostering more inclusive growth**.
  - Moreover, collaboration between the public and private sectors can bring innovation, resources, and expertise, ensuring that economic development is sustainable and equitable across all regions of the country.
- **Climate-Smart and Sustainable Growth Models:** Given the environmental challenges India faces, promoting sustainable and inclusive growth means **integrating climate resilience into economic planning**.
  - Adopting green technologies in **agriculture, manufacturing, and energy will not only create new economic opportunities but also address issues of environmental degradation** and resource depletion.
    - Encouraging the adoption of renewable energy through incentives for solar power and electric vehicles, and pushing for a circular economy, will help mitigate climate impacts while promoting inclusive, eco-friendly growth.
- **Ensuring Transparency and Accountability in Governance:** Corruption and inefficiency often hinder the reach of welfare programs and inclusive growth.
  - Strengthening the **institutional framework for transparency, accountability, and governance through measures like the Jan Vishwas Bill** and the digitization of government services will ensure that the benefits of economic growth are more widely distributed.
  - **Improving public service delivery, simplifying compliance processes, and reducing bureaucratic hurdles** will make welfare schemes more effective and inclusive.

## Conclusion:

India's economic growth must be accompanied by a **clear focus on inclusivity to ensure that prosperity reaches all sections of society**. While recent strides in GDP and welfare schemes are commendable, the deepening inequality, poverty, and social disparities require urgent attention. To achieve true growth, policies should prioritize **equitable wealth distribution, employment generation, and social security, alongside bridging regional and gender gaps**.

### **Drishti Mains Question:**

Inclusive growth is central to achieving sustainable and equitable development. Analyze the key elements of inclusive growth in India, the challenges that hinder its realization, and the measures required to promote an inclusive economy for all sections of society

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

### **Prelims**

**Q. In the 'Index of Eight Core Industries', which one of the following is given the highest weight? (2015)**

(a) Coal production

- (b) Electricity generation
- (c) Fertilizer production
- (d) Steel production

**Ans: (b)**

**Q. Increase in absolute and per capita real GNP do not connote a higher level of economic development, if: (2018)**

- (a) Industrial output fails to keep pace with agricultural output.
- (b) Agricultural output fails to keep pace with industrial output
- (c) Poverty and unemployment increase.
- (d) Imports grow faster than exports.

**Ans: (c)**

**Q. In a given year in India, official poverty lines are higher in some States than in others because: (2019)**

- (a) Poverty rates vary from State to State
- (b) Price levels vary from State to State
- (c) Gross State Product varies from State to State
- (d) Quality of public distribution varies from State to State

**Ans: (b)**

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### **Mains**

**Q.1** "Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product(GDP) in the post-reform period" Give reasons. How far the recent changes in Industrial Policy capable of increasing the industrial growth rate? (2017)

**Q.2** Normally countries shift from agriculture to industry and then later to services, but India shifted directly from agriculture to services. What are the reasons for the huge growth of services vis-a-vis the industry in the country? Can India become a developed country without a strong industrial base? (2014)