



From Growth to Inclusive Development: State, Society and the Changing Development Paradigm in India

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ABSTRACT

For much of its post-independence history, India's development strategy was organised around a single, overriding objective: raising the rate of growth of national income. The underlying premise was that a rising tide would, sooner or later, lift all boats, and that redistribution could be deferred until a sufficiently large economic surplus had been generated. Three decades after the 1991 liberalisation, that premise looks increasingly threadbare. India is today the world's fifth-largest economy and among its fastest-growing large economies, yet it continues to be home to a substantial share of the world's poor, a highly skewed distribution of wealth, and wide disparities across states, castes, genders and rural-urban divides. This paper traces the conceptual shift from a narrow, output-centred notion of economic growth to a broader, capability- and opportunity-centred notion of inclusive growth, and examines how this shift has played out in Indian policy since the early 1990s. Using secondary data drawn from the Ministry of Statistics and Programme Implementation, the Reserve Bank of India, NITI Aayog, the United Nations Development Programme and independent research bodies, the paper documents trends in GDP growth, sectoral transformation, poverty, human development, financial inclusion and inequality between the early 1990s and 2023. It finds that India has made genuine and measurable progress in reducing absolute deprivation most strikingly, roughly 135 million people are estimated to have exited multidimensional poverty between 2015-16 and 2019-21 even as the concentration of income and wealth at the very top of the distribution has intensified. The paper argues that inclusive growth in India is best understood not as a rejection of growth but as a reorientation of its purpose: growth remains necessary, but it is no longer treated as sufficient.



INTRODUCTION

India's economic story since independence can be read as a slow, often contested, renegotiation of what 'development' is actually meant to achieve. In the decades immediately following 1947, planners largely equated development with growth: the faster the economy expanded, it was assumed, the sooner poverty, illiteracy and ill-health would recede on their own. The Mahalanobis strategy of the Second Five Year Plan, with its emphasis on heavy industry and capital goods, was built on precisely this logic that a larger economic pie would eventually be shared out, even if the mechanism for sharing was left somewhat vague. The record of the following four decades complicated this assumption considerably. Growth under the 'licence-permit raj' was modest by later standards commentators later labelled it the 'Hindu rate of growth', averaging roughly 3.5 per cent a year between the 1950s and late 1970s — and even where growth did occur, its benefits were unevenly distributed across regions, castes and income groups. The structural reforms of 1991, undertaken under balance-of-payments duress, opened the economy to trade and investment and ushered in a period of markedly higher growth. Yet the reforms also coincided with a growing public and academic unease about whether higher growth was, by itself, delivering broad-based welfare gains, or whether it was disproportionately benefiting those already well positioned to capture its returns.

It is against this backdrop that the language of Indian planning shifted, gradually but unmistakably, from 'growth' to 'inclusive growth'. The Eleventh Five Year Plan (2007-2012) was explicitly titled 'Towards Faster and More Inclusive Growth', and the phrase has since become a fixture of budget speeches, NITI Aayog strategy documents and academic commentary. The shift reflects a wider global reorientation in development thinking associated with Amartya Sen's capability approach, the Human Development Reports of the UNDP, and the World Bank's own turn toward 'shared prosperity' that treats growth as an instrument for expanding human freedom and opportunity, rather than as an end in itself. This paper asks three connected questions. First, how has the conceptual understanding of development in India evolved from an output-centred to a more broadly welfare-centred framework? Second, what does the empirical record of the period 1991-2023 actually show about the relationship between growth and inclusion in India has faster growth been accompanied by faster or slower progress on poverty, human development and equity? Third, what does the Indian policy architecture built around 'inclusive growth' actually consist of, and where does it fall short? The paper draws on official statistics from the Ministry of Statistics and Programme Implementation (MoSPI), the Reserve Bank of India (RBI), NITI Aayog, and international sources including the World Bank and UNDP, supplemented by independent research from bodies such as the World Inequality Lab and Oxfam India, to build an evidence-based account of India's changing development trajectory. The paper is organised as follows. Section 2 reviews the relevant literature on growth and inclusive growth, both global and India-specific. Section 3 sets out the conceptual framework distinguishing economic growth from inclusive growth. Section 4 documents India's growth trajectory and structural transformation since 1991. Section 5 is the empirical core of the paper, examining five dimensions of inclusive growth poverty, human development, inequality, employment and financial inclusion along with gender and regional disparities. Section 6 traces the evolution of India's policy architecture for inclusive growth. Section 7 discusses persistent challenges, Section 8 offers policy recommendations, and Section 9 concludes.

2. Literature Review

The theoretical starting point for most discussions of growth and welfare remains the Kuznets hypothesis, which posited an inverted-U relationship between income levels and inequality: inequality would rise in the early stages of industrialisation before eventually falling as an economy matured. Kuznets's own data were drawn chiefly from the United States and Western Europe, and later researchers have questioned how well the hypothesis travels to late-developing economies such as India, where structural transformation has often bypassed labour-intensive manufacturing altogether in favour of a comparatively capital- and skill-intensive services boom. A second influential strand is Amartya Sen's capability approach, developed across a series of works from the 1980s onward and applied specifically to India in collaboration with Jean Dreze. Sen and Dreze argued that income growth matters primarily insofar as it expands people's substantive freedoms to be well-nourished, to be educated, to participate in the life of the community and that these capabilities depend as much on public provision of health, education and social security as on private income. Their comparative work contrasting Indian states, and India with countries such as China, Sri Lanka and Bangladesh, was instrumental in shifting Indian policy discourse toward human development indicators alongside GDP.



The term 'inclusive growth' itself gained currency in the 2000s through the work of the Asian Development Bank and the World Bank, which sought a formulation broader than poverty reduction alone. The World Bank's Commission on Growth and Development, in its 2008 report, defined inclusive growth as growth that is broad-based across sectors, inclusive of a large part of the country's labour force, and sustained over long periods explicitly linking the pace of growth to the breadth of its participation. Ali and Son (2007), writing for the Asian Development Bank, proposed measuring inclusiveness through a 'social opportunity function' that combines average opportunities available to a population with how equally those opportunities are distributed, rather than relying on income-based inequality measures alone.

In the Indian context, the Planning Commission's approach papers for the Eleventh and Twelfth Five Year Plans provide the clearest official articulation of inclusive growth, defining it in terms of poverty reduction, employment generation, access to essential services, reduction of regional disparities, and empowerment of historically disadvantaged groups including Scheduled Castes, Scheduled Tribes, minorities and women. Ahluwalia (2011), reflecting on the Eleventh Plan period, argued that India's growth acceleration after 2003 was accompanied by a faster-than-expected decline in poverty, but cautioned that jobless or job-poor growth in organised manufacturing remained a serious constraint on genuine inclusion. A parallel literature has focused on measurement. The UNDP's Human Development Index, introduced in 1990, and its multidimensional successor the Multidimensional Poverty Index (MPI), developed with the Oxford Poverty and Human Development Initiative (OPHI), reoriented the empirical study of deprivation away from income poverty lines toward a broader set of health, education and living-standard indicators. NITI Aayog's adoption of a National MPI from 2021 onward represents the institutionalisation of this approach within Indian policymaking. On inequality specifically, the World Inequality Lab's long-run reconstructions of Indian income and wealth shares – most notably the work associated with Thomas Piketty, Lucas Chancel, Nitin Kumar Bharti and collaborators – have documented a sharp rise in top income and wealth shares since the 1980s, with the top one per cent's share of national income by the early 2020s reportedly higher than at any point since the introduction of income tax in 1922. This literature suggests three broad conclusions relevant to the present paper. First, growth and inclusion are not automatically linked; the relationship depends heavily on the sectoral composition of growth, the extent of public investment in human capital, and the design of redistributive institutions. Second, measuring inclusion requires moving beyond a single income-based poverty line toward multidimensional indicators of capability and opportunity. Third, India's own experience since 1991 offers a particularly instructive and still unfolding case study of how a large, diverse, federal democracy has attempted to reconcile rapid growth with the political and moral imperative of broad-based development.

3. Conceptual Framework: From Growth to Inclusive Growth

3.1 Economic Growth: A Narrow Metric

Economic growth, in its conventional sense, refers to a sustained increase in an economy's output of goods and services, typically measured as the annual percentage change in real Gross Domestic Product (GDP) or Gross National Income. As a metric, GDP growth has considerable analytical convenience: it is comparatively easy to measure, allows cross-country and cross-time comparison, and correlates, at a broad level, with rising average living standards. However, GDP growth is, by construction, silent on distribution. An economy can register robust aggregate growth while the median household experiences stagnant or even falling real income, if gains are concentrated among a narrow section of the population. GDP also excludes non-market activity such as unpaid care work, says nothing about environmental sustainability, and treats expenditure on remedying social harms – such as pollution clean-up or crime – as a positive contribution to output.

3.2 Inclusive Growth: A Broader Construct

Inclusive growth extends the growth question by asking not only how fast an economy is expanding but who is participating in, and benefiting from, that expansion. Definitions vary somewhat across institutions, but common threads include: broad-based participation in the growth process across sectors and regions; equality of opportunity in access to markets, resources and an unbiased regulatory environment; and improvements in non-income dimensions of welfare such as health, education, and social protection. The Planning Commission's approach to the Twelfth Five Year Plan (2012-2017) captured this multidimensionality



by defining faster, more inclusive and sustainable growth around explicit monitorable targets spanning poverty, employment, health, education, infrastructure and environment, rather than a growth-rate target alone.

3.3 Distinguishing Inclusive Growth from Related Concepts

It is useful to distinguish inclusive growth from two related but narrower ideas. Pro-poor growth focuses specifically on whether the incomes of the poor grow faster than average incomes, and is typically assessed using growth-incidence curves that plot income growth rates across percentiles of the income distribution. Inclusive growth is broader still, encompassing not just income gains for the poor but the distribution of opportunity across the whole population, including the middle class, and extending beyond income to capabilities such as health and education. Redistribution, meanwhile, refers to the transfer of existing income or assets from one group to another through taxation and transfer payments, for instance and is one possible instrument for achieving inclusive growth, but is conceptually distinct from the pattern of growth itself.

3.4 A Working Framework for This Paper

This paper adopts a working framework in which inclusive growth is assessed along five interlinked dimensions: (i) the pace and sectoral composition of growth itself; (ii) the reduction of absolute and multidimensional poverty; (iii) improvements in human development health, education and standard of living; (iv) trends in income and wealth inequality; and (v) the breadth of access to productive opportunity, captured here through employment quality and financial inclusion. Gender and regional disparities are treated as cross-cutting dimensions that intersect with each of the five. This framework is deliberately eclectic, drawing on the capability approach for its normative orientation, on the Asian Development Bank's social-opportunity framing for its attention to distribution, and on India's own official planning documents for the specific indicators tracked in Section 5.

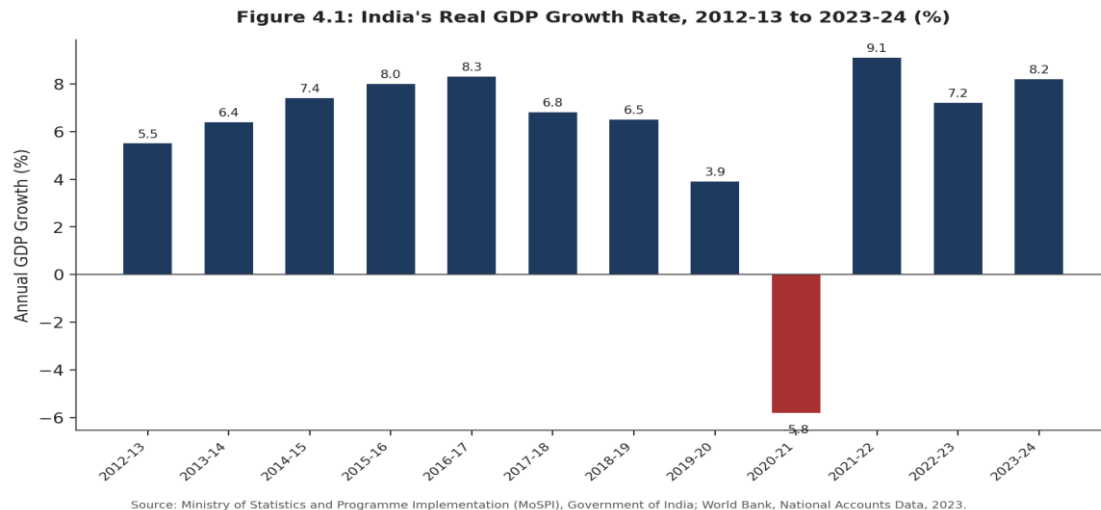
4. India's Growth Trajectory, 1991-2023

India's growth trajectory since the 1991 balance-of-payments crisis and the reforms that followed can be divided, broadly, into four phases. The first, from 1992 to roughly 2002, was a period of moderate acceleration, with GDP growth averaging around 5.5 to 6 per cent a year as the economy adjusted to trade liberalisation, industrial delicensing and a more market-determined exchange rate. The second phase, from about 2003 to 2011, was India's strongest sustained growth period, with GDP growth averaging close to 8 per cent annually, driven by a global commodity and credit boom, rising investment rates, and a services-sector expansion particularly in information technology and business process outsourcing that positioned India as a significant exporter of high-skill services. The third phase, from around 2012 to 2019, was one of more moderate and somewhat uneven growth, affected by a domestic banking-sector stress cycle (the so-called 'twin balance sheet' problem of over-leveraged corporates and undercapitalised public-sector banks), as well as global headwinds. The fourth phase begins with the sharp contraction of 2020-21 caused by the COVID-19 pandemic and nationwide lockdowns, followed by a strong statistical rebound and a return to growth rates among the highest of any large economy in the years to 2023, with the World Bank's India Development Update noting that India was one of the fastest-growing major economies in 2022-23, expanding at 7.2 per cent.

Table 4.1: Key Macroeconomic Indicators, India, Selected Years (1991-2023)

Indicator	1991	2004-05	2011-12	2019-20	2022-23
Real GDP growth (% , annual)	1.1	7.9	6.6	3.9	7.2
GDP (current US\$, approx., trillion)	0.27	0.72	1.82	2.83	3.55
GDP per capita (current US\$, approx.)	310	660	1,460	2,100	2,480
Share of agriculture in GVA (%)	~30	19.0	18.5	14.9	18.4
Share of services in GVA (%)	~40	52.1	55.0	59.5	54.0
Gross fixed capital formation (% of GDP)	22.6	32.0	34.3	28.1	29.2

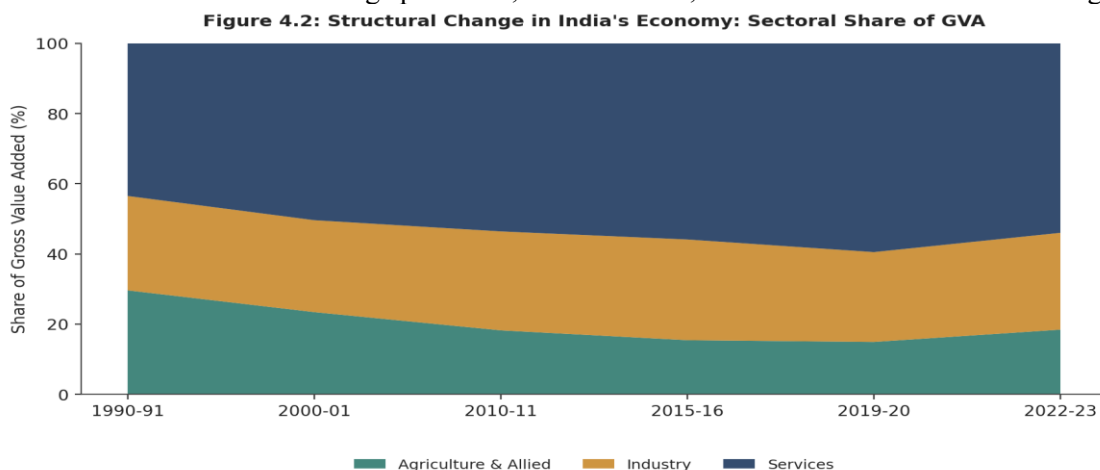
Source: Ministry of Statistics and Programme Implementation, National Accounts Statistics; Reserve Bank of India, Handbook of Statistics on Indian Economy; World Bank, World Development Indicators (2023).
Figures for 1991 are approximate, drawn from RBI historical series.



Note: Figures are annual real GDP growth rates at market prices; 2020-21 reflects the pandemic-induced contraction.

4.1 Structural Transformation

Alongside the acceleration in aggregate growth, the Indian economy has undergone significant structural change in the composition of output, if not always in the composition of employment. The share of agriculture and allied activities in gross value added has fallen from close to 30 per cent at the time of liberalisation to under 15 per cent by 2019-20 — although it rose again during the pandemic years as agriculture proved comparatively resilient to lockdowns. The share of services has correspondingly risen to roughly half of GVA, making India something of an outlier among developing economies in having 'leapfrogged' from an agriculture-dominated economy toward a services-dominated one without passing through as prolonged a labour-intensive manufacturing phase as, for instance, China or the East Asian 'tiger' economies.



Source: Central Statistics Office / MoSPI, National Accounts Statistics, various years (author's compilation from official series).

This pattern of structural change carries important implications for inclusive growth. Because services growth in India has been disproportionately concentrated in skill- and capital-intensive sub-sectors such as information technology, finance and telecommunications, its capacity to absorb the large numbers of workers

still employed in low-productivity agriculture has been limited. Agriculture, despite its shrinking share of output, still employed around 42-45 per cent of India's workforce through the 2010s, according to Periodic Labour Force Survey data — a persistent structural mismatch between where output is generated and where the workforce remains concentrated, and one of the central reasons why aggregate growth has not automatically translated into proportionate gains in household incomes for a large share of the population.

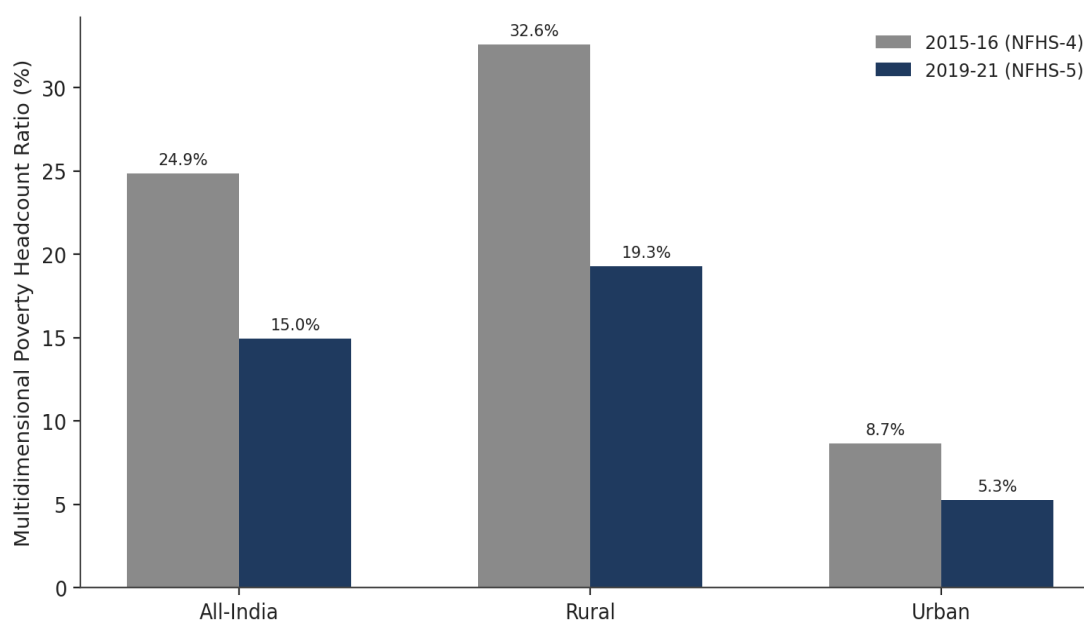
5. Dimensions of Inclusive Growth in India

This section examines the empirical record across five dimensions identified in the conceptual framework: poverty and multidimensional deprivation, human development, inequality, employment, and financial inclusion, followed by a discussion of gender and regional disparities as cross-cutting concerns.

5.1 Poverty and Multidimensional Deprivation

Estimating poverty in India has long been a contested statistical and political exercise, complicated by the absence of an official large-sample consumption expenditure survey between 2011-12 and the release of factsheets from the 2022-23 Household Consumption Expenditure Survey. In the absence of a continuous, comparable income-poverty series, the National Multidimensional Poverty Index (MPI), developed by NITI Aayog in partnership with the UNDP and the Oxford Poverty and Human Development Initiative, has become the principal official tool for tracking deprivation. The National MPI combines twelve indicators across health, education and standard of living to classify a household as multidimensionally poor if it is deprived across at least one-third of a weighted set of indicators. NITI Aayog's second progress review, published in July 2023 and based on the National Family Health Survey rounds of 2015-16 (NFHS-4) and 2019-21 (NFHS-5), found that the share of India's population classified as multidimensionally poor fell from 24.85 per cent to 14.96 per cent over this period — a reduction that, at 2021 population levels, corresponds to approximately 135.5 million people moving out of multidimensional poverty in roughly five years. The decline was considerably faster in rural India, where the poverty headcount ratio fell from 32.59 to 19.28 per cent, than in urban India, where it fell from 8.65 to 5.27 per cent, indicating some narrowing — though not elimination — of the rural-urban deprivation gap. States that began the period with the highest poverty levels, notably Bihar, Uttar Pradesh and Madhya Pradesh, recorded the largest absolute reductions, consistent with a pattern of convergence.

Figure 5.1: Decline in Multidimensional Poverty in India, 2015-16 to 2019-21



Source: NITI Aayog, National Multidimensional Poverty Index: A Progress Review 2023.

Source: NITI Aayog, *National Multidimensional Poverty Index: A Progress Review 2023*, based on NFHS-4 and NFHS-5 data.

Table 5.1: Contribution of Deprivation Indicators to the Decline in Multidimensional Poverty, 2015-16 to 2019-21

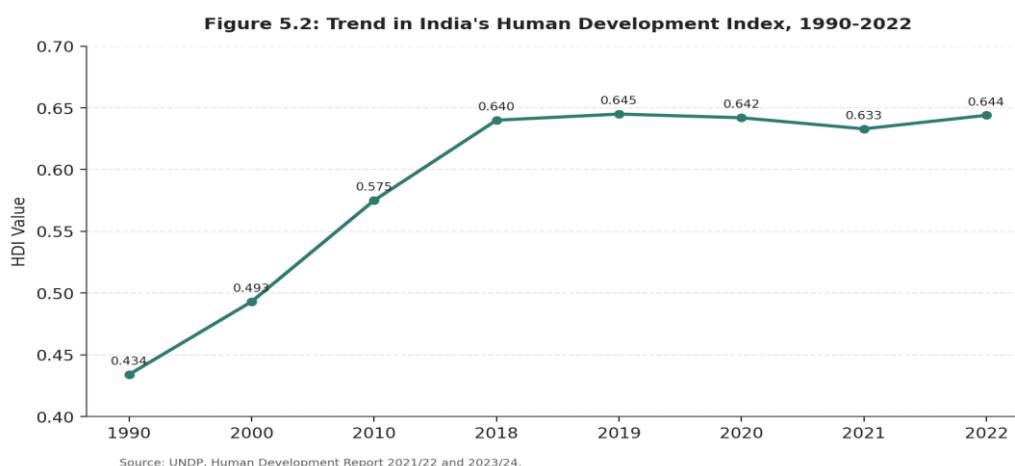
Indicator	Nature of Improvement
Nutrition	Substantial reduction in nutritional deprivation among children and adults
Years of schooling	Rising share of households with at least one member completing six years of schooling
Sanitation	Sharp expansion of access to improved sanitation facilities, aided by the Swachh Bharat Mission
Cooking fuel	Wider access to clean cooking fuel, aided by the Pradhan Mantri Ujjwala Yojana
Bank accounts	Near-universal formal bank account ownership following the Jan Dhan Yojana
Housing	Improvement in housing quality indicators under national housing schemes

Source: NITI Aayog (2023), *National Multidimensional Poverty Index: A Progress Review 2023*; author's summary.

These gains notwithstanding, India's absolute number of multidimensionally poor persons — even after the recorded decline — remains among the largest of any country in the world in sheer numbers, a reflection of India's population scale. The 2022-23 Household Consumption Expenditure Survey factsheet also suggested a marked decline in extreme income poverty relative to 2011-12, with average monthly per capita expenditure roughly doubling in nominal terms and rural-urban consumption gaps narrowing, though independent researchers have cautioned that changes in survey methodology make direct comparison with the earlier 2011-12 round difficult.

5.2 Human Development

The Human Development Index (HDI), which combines life expectancy, educational attainment and gross national income per capita into a single composite measure, provides a broader lens on welfare than income poverty alone. India's HDI value rose from 0.434 in 1990 to 0.644 by 2022, an increase of roughly 48 per cent over three decades, placing the country in the UNDP's 'medium human development' category and 134th out of 193 countries in the 2023-24 Human Development Report. Notably, India's HDI value dipped slightly in 2020 and 2021 — from 0.645 in 2019 to 0.633 in 2021 — reflecting the pandemic's impact on life expectancy, before recovering in 2022 as life expectancy, expected years of schooling and per capita income all improved.



Source: UNDP, *Human Development Report*, various editions (1990-2022 series as revised in HDR 2023-24).

India has also shown improvement on gender-specific human development measures. The Gender Inequality Index (GII), which captures disparities in reproductive health, empowerment and labour-market participation, stood at 0.437 for India in the 2023-24 Human Development Report — better than both the global average of 0.462 and the South Asian regional average, ranking India 108th out of 166 countries on this measure. Even so, India continues to exhibit a wide gender gap in labour-force participation, discussed further in Section 5.6.

5.3 Income and Wealth Inequality

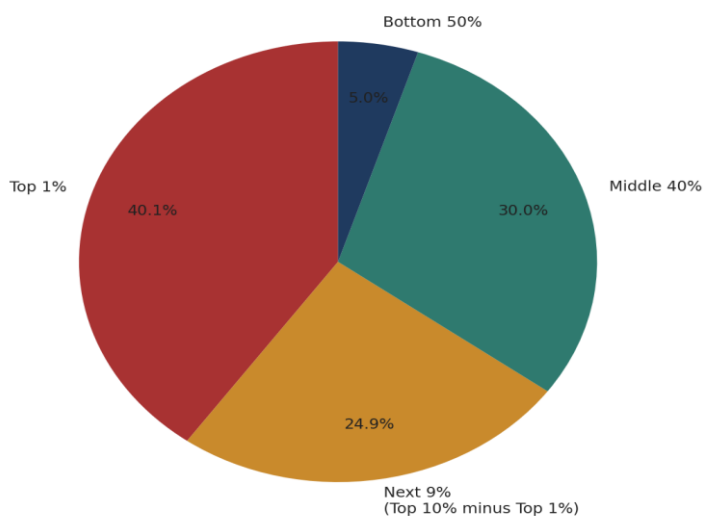
Perhaps the most striking counterpoint to India's progress on poverty and human development is the trajectory of income and wealth concentration at the top of the distribution. Long-run reconstructions by the World Inequality Lab indicate that the share of national income accruing to the top one per cent of Indian earners rose from around six per cent in the early 1980s to over twenty per cent by the early 2020s — a level the researchers describe as higher than at any point since the introduction of income tax in India in 1922, including under British colonial rule. Correspondingly, Oxfam India's 'Survival of the Richest' report, released to coincide with the World Economic Forum in January 2023, found that the top one per cent of India's population held more than forty per cent of the country's total wealth as of 2021, while the bottom half of the population — some 700 million people — held roughly three per cent.

Table 5.2: Distribution of Income and Wealth in India, Early 2020s (Approximate Shares)

Population Group	Share of National Income (%)	Share of National Wealth (%)
Top 1%	22	40
Top 10%	57	65
Middle 40%	27-30	27-30
Bottom 50%	13	3-5

Source: World Inequality Lab, *Income and Wealth Inequality in India, 1922-2023* (2024 working paper using 2022-23 data); Oxfam India, *Survival of the Richest: The India Story* (2023). Figures are approximate and drawn from independent research estimates rather than official government statistics, which do not currently publish comparable top-share series.

Figure 5.3: Share of National Wealth by Population Group, India, 2022-23



Source: Oxfam India, *Survival of the Richest: The India Story*, 2023 (approximate wealth shares).

Source: Oxfam India (2023); author's illustrative allocation of approximate wealth shares.



India's Gini coefficient for consumption expenditure the more conventional, if less comprehensive, official measure of inequality has generally been estimated in the range of 0.35 to 0.41 depending on the data source and whether income or consumption is used as the underlying welfare measure, a level that is moderate by international standards for consumption-based Gini estimates but understates the true extent of inequality because consumption tends to be far more equally distributed than income or wealth. The coexistence of a falling multidimensional poverty rate with a rising concentration of income and wealth at the very top is one of the defining, and most debated, features of India's development experience in the 2010s and early 2020s: it suggests that growth has been broad enough to lift a very large number of people above basic thresholds of deprivation, while simultaneously delivering disproportionate gains to a narrow segment at the top of the distribution.

5.4 Employment and the Labour Market

Employment is, in many respects, the most direct channel through which growth can be made inclusive, since wages and self-employment income constitute the primary source of livelihood for the great majority of Indian households. India's labour market has, however, exhibited several structural weaknesses that have limited the inclusiveness of the growth process. First, the phenomenon frequently described as 'jobless growth' periods in which output expands considerably faster than formal employment has recurred across several sub-periods since the 1990s, particularly in organised manufacturing. Second, informality remains pervasive: a large majority of India's workforce continues to be employed in the informal sector, without access to social security, written contracts, or predictable wages. Third, female labour-force participation in India has remained low by international and even regional comparison, though Periodic Labour Force Survey data suggest some recovery in recent years, partly attributed to rising participation in unpaid or low-remunerated rural activity as well as some genuine gains in non-farm female employment.

The Periodic Labour Force Survey (PLFS), introduced in 2017-18 to replace the less frequent quinquennial employment-unemployment surveys, has improved the timeliness of India's labour statistics considerably. PLFS data through 2022-23 point to a declining unemployment rate alongside a rising labour-force participation rate, though researchers have noted that much of the increase in participation, particularly among women, has occurred in self-employment and unpaid family work rather than regular salaried employment a pattern that complicates any simple reading of the numbers as unambiguous labour-market improvement.

5.5 Financial Inclusion

Financial inclusion has been one of the more unambiguous success stories of India's inclusive-growth policy architecture over the past decade. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in August 2014, sought to provide every Indian household with access to a basic bank account, and by 2023 more than 500 million accounts had been opened under the scheme, according to Ministry of Finance data, dramatically narrowing the gap in formal account ownership between richer and poorer households, and between men and women. This expansion of the banking footprint, combined with the Unified Payments Interface (UPI) and the broader 'JAM trinity' of Jan Dhan accounts, Aadhaar biometric identification, and mobile connectivity, has enabled a substantial shift of government welfare transfers from cash and in-kind distribution toward Direct Benefit Transfer (DBT), which the government credits with reducing leakage in schemes ranging from cooking-gas subsidies to old-age pensions.

Financial inclusion of this kind matters for inclusive growth in at least two ways: it reduces the transaction costs and corruption associated with delivering welfare benefits to poor households, and it provides a foundation a bank account, a digital identity, a payment rail on which further access to credit, insurance and savings instruments can potentially be built. Access alone, however, does not guarantee usage; a meaningful share of Jan Dhan accounts have historically remained dormant or maintained very low balances, underscoring that formal account ownership is a necessary but not sufficient condition for genuine financial inclusion.

5.6 Gender and Regional Disparities

Two cross-cutting dimensions merit separate attention. On gender, India's Gender Inequality Index performance, noted above, sits alongside continuing gaps in labour-force participation, wages and asset ownership; Oxfam India's 2023 report noted that female workers in India earned considerably less than their

male counterparts for comparable work, and that the great majority of employed women remained in informal or casual work rather than regular salaried positions. On region, inter-state disparities in per capita income, poverty and human development remain wide: southern and western states such as Kerala, Tamil Nadu, Karnataka, Maharashtra and Gujarat have generally recorded higher per capita incomes and stronger human development outcomes than states in the so-called 'BIMARU' belt Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh although, as noted in Section 5.1, several of these lagging states have also recorded the fastest recent improvements in multidimensional poverty, suggesting a degree of convergence is underway even as absolute gaps remain substantial.

6. Evolution of India's Policy Architecture for Inclusive Growth

India's policy framework for translating growth into broad-based welfare has evolved through several distinct phases, tracking the conceptual shift discussed in Section 3.

6.1 The Planning Era: Growth with Redistribution as an Afterthought

The Five Year Plans from 1951 through the 1980s pursued growth and poverty alleviation as largely separate tracks, with targeted anti-poverty programmes such as the Integrated Rural Development Programme launched in 1978 layered onto a broader industrial and agricultural growth strategy rather than integrated with it. The green revolution of the late 1960s and 1970s, concentrated in a handful of states, delivered substantial agricultural output gains but also widened regional disparities between irrigated, input-intensive areas and rain-fed regions left behind.

6.2 Post-1991 Reforms and the Rise of Explicit Inclusion Targets

The 1991 reforms initially emphasised macroeconomic stabilisation and liberalisation, with distributional concerns addressed mainly through continuation of existing anti-poverty schemes. Over the following decade, however, as growth accelerated without a commensurate acceleration in poverty reduction in several states, policy language began to shift. The Ninth Plan (1997-2002) explicitly adopted 'growth with social justice and equality' as an objective, and the Tenth Plan (2002-2007) introduced monitorable targets for poverty, literacy and infant mortality alongside the growth-rate target. The most explicit articulation came with the Eleventh Plan (2007-2012), titled 'Towards Faster and More Inclusive Growth', which for the first time treated inclusiveness as a co-equal objective with the growth rate itself, embedding this in specific targets for poverty reduction, employment generation, gender gaps in literacy and wage rates, and access to banking.

6.3 NITI Aayog and the Post-2014 Architecture

The replacement of the Planning Commission with NITI Aayog (National Institution for Transforming India) in January 2015 marked an institutional shift away from centralised five-year planning toward a model emphasising 'cooperative and competitive federalism', with states given a larger role in designing development strategies suited to their own circumstances. NITI Aayog has since taken on a central role in monitoring inclusive-growth outcomes, notably through its Sustainable Development Goals (SDG) India Index, which ranks states and union territories on progress toward the SDGs, and the National Multidimensional Poverty Index discussed in Section 5.1. Alongside this institutional shift, the period from 2014 onward has seen the launch of a set of large-scale flagship schemes explicitly targeting different dimensions of inclusion, several of which are summarised in Table 6.1.

Table 6.1: Selected Flagship Schemes for Inclusive Growth, India (Launched 2014 Onward)

Scheme	Year Launched	Primary Objective
Pradhan Mantri Jan Dhan Yojana (PMJDY)	2014	Universal access to basic banking and financial services
Swachh Bharat Mission	2014	Universal sanitation coverage and elimination of open defecation
Pradhan Mantri Ujjwala Yojana	2016	Access to clean cooking fuel (LPG) for poor households



Pradhan Mantri Awas Yojana	2015	Affordable housing for rural and urban poor ('Housing for All')
Ayushman Bharat / PM-JAY	2018	Health insurance cover for economically vulnerable households
Pradhan Mantri Fasal Bima Yojana	2016	Crop insurance to reduce agrarian income risk
Pradhan Mantri Mudra Yojana	2015	Collateral-free micro-credit for small and micro enterprises
Pradhan Mantri Garib Kalyan Anna Yojana	2020	Free foodgrain to poor households (pandemic response, extended)
Digital India / Direct Benefit Transfer	2015	Digitisation of welfare delivery to reduce leakage

Source: Compiled by author from Government of India ministry websites and NITI Aayog documentation, 2023.

6.4 Fiscal Federalism and Convergence

Alongside centrally sponsored schemes, India's fiscal architecture has attempted to channel resources toward less-developed states through the Finance Commission's tax-devolution formula, which weights indicators such as income distance and population alongside area and demographic performance, and through special-category status and additional central assistance for particular states. The extent to which this fiscal architecture has actually narrowed inter-state disparities remains contested in the literature, with some studies finding evidence of income convergence across states since the mid-2000s and others finding persistent or even widening gaps, particularly in human-development outcomes.

7. Persistent Challenges

Despite the progress documented in Section 5 and the policy architecture described in Section 6, several structural challenges continue to constrain the inclusiveness of India's growth process.

7.1 The Employment Deficit

India's labour force continues to grow by several million entrants each year, and the economy has struggled to generate a sufficient volume of well-paid, formal-sector jobs to absorb this growth. The concentration of employment in low-productivity agriculture and informal services, discussed in Section 5.4, means that a large share of the workforce remains outside the reach of labour protections, social security and stable incomes, even where aggregate employment statistics show improvement.

7.2 Human Capital Gaps

Although school enrolment in India is now close to universal at the primary level, learning outcomes remain a serious concern; successive rounds of the Annual Status of Education Report (ASER), conducted by the NGO Pratham, have documented persistently low levels of basic reading and arithmetic proficiency among children enrolled in government schools. On health, while indicators such as infant and maternal mortality have improved substantially since the 1990s, out-of-pocket health expenditure remains high relative to many peer economies, pushing an estimated tens of millions of Indians into poverty each year due to medical costs, according to research cited in Oxfam India's 2023 report.

7.3 Concentration of Wealth and Weak Progressive Taxation

As discussed in Section 5.3, the concentration of income and wealth among the top one per cent has intensified even as poverty has declined. India's tax system remains comparatively reliant on indirect taxation the Goods and Services Tax, introduced in 2017, is broadly regressive in its incidence, falling more heavily as a share of income on poorer households while direct taxation of high incomes and, in particular, of inherited wealth and capital gains, remains comparatively light by international standards. Independent researchers, including those associated with Oxfam India and the World Inequality Lab, have argued that this fiscal



structure limits the redistributive capacity of the Indian state relative to the scale of wealth concentration observed.

7.4 Regional and Rural-Urban Divides

Notwithstanding some convergence in poverty reduction rates, gaps in per capita income, infrastructure and human development between India's more and less developed states, and between rural and urban areas, remain wide. Migration from lagging to leading states and from rural to urban areas continues to be an important, if imperfect, mechanism for redistributing opportunity, but migrant workers frequently lack access to social protection, housing and local welfare entitlements in destination states a vulnerability starkly exposed during the 2020 COVID-19 lockdown, when large numbers of interstate migrant workers were left without income or means to return home.

7.5 Data and Measurement Gaps

Finally, the quality and continuity of India's welfare-relevant statistics has itself become a constraint on evidence-based policymaking. The absence of a comparable large-sample consumption expenditure survey between 2011-12 and 2022-23, and methodological changes between survey rounds, have made it difficult to construct a continuous, comparable income-poverty time series for much of the past decade, forcing researchers and policymakers to rely more heavily on proxy indicators such as the National MPI.

8. Policy Recommendations and the Way Forward

Building on the evidence and challenges discussed above, this section sets out a set of policy directions oriented toward deepening the inclusiveness of India's growth process over the coming decade.

1. Prioritise labour-intensive manufacturing and services. Given the scale of India's working-age population, sustained employment generation requires a deliberate push toward labour-intensive manufacturing sub-sectors — such as apparel, footwear, food processing and light engineering — alongside continued growth in labour-absorbing services such as tourism, logistics and construction, complementing rather than displacing the capital- and skill-intensive services that have driven growth to date.
2. Strengthen human capital investment, with a focus on learning outcomes and health quality. Public spending on education and health should be increased and better targeted toward improving the quality of outcomes foundational literacy and numeracy in schools, and the availability and quality of primary healthcare rather than inputs alone, building on the access gains already achieved.
3. Extend social protection to informal workers. The large share of India's workforce employed informally requires portable, contributory social security mechanisms building on initiatives such as the e-Shram portal for unorganised workers that follow workers across employers and states, including migrant workers who currently fall through gaps in state-specific welfare systems.
4. Reassess the progressivity of the tax system. Given the scale of wealth and income concentration documented in Section 5.3, there is a case for examining the relative burden of direct and indirect taxation, and for strengthening the taxation of high incomes, capital gains and inherited wealth, so that fiscal policy can play a more active redistributive role alongside expenditure-side welfare schemes.
5. Deepen fiscal transfers toward lagging states, while strengthening their capacity to spend effectively. Convergence in poverty outcomes across states, noted in Section 5.1, suggests continued potential for catch-up growth in lagging regions, provided fiscal transfers are matched by administrative capacity-building so that allocated funds translate into delivered outcomes.
6. Close the gender gap in labour-force participation. Policies addressing care-work burdens including expansion of accessible childcare, safe public transport, and workplace facilities alongside continued investment in girls' secondary and higher education, are central to raising female labour-force participation from its currently low base.



7. Improve the continuity and quality of welfare-relevant statistics. Regular, comparable large-sample consumption expenditure surveys, alongside continued refinement of the National MPI and labour-force surveys, are essential infrastructure for evidence-based policymaking and independent scrutiny of the inclusive-growth agenda.

None of these recommendations is novel in isolation; each has been proposed, in some form, in official planning documents, Economic Survey chapters, or independent research over the past decade. What the evidence in this paper suggests is less a need for new instruments than for sustained, well-resourced implementation of an agenda whose broad contours are already reasonably well understood and a willingness to confront the more politically difficult elements, particularly around taxation of wealth, that have so far received comparatively less attention than expenditure-side welfare schemes.

9. CONCLUSION

This paper has traced the evolution of India's development thinking from a growth-centred paradigm toward a broader, more explicitly inclusive framework, and has examined what this shift has meant in practice over the three decades since the 1991 reforms. The empirical picture that emerges is neither a simple success story nor a simple failure. On one hand, India has recorded genuine, measurable progress in reducing absolute deprivation: roughly 135 million people are estimated to have exited multidimensional poverty between 2015-16 and 2019-21 alone, human development indicators have improved steadily over three decades, and financial inclusion has expanded dramatically through a combination of banking-access and digital-payment initiatives. On the other hand, the concentration of income and wealth at the top of the distribution has intensified over the same period, employment generation has lagged behind the pace of output growth, and wide regional and gender disparities persist. The central argument of this paper is that these two trends are not contradictory so much as they reflect the incomplete nature of India's transition from growth to inclusive growth. Growth has been necessary, and often sufficient, to lift very large numbers of people above basic thresholds of multidimensional deprivation, particularly where it has been accompanied by deliberate public investment in sanitation, cooking fuel, banking access and housing. It has been considerably less sufficient, on the evidence reviewed here, in ensuring that the gains from growth are shared proportionately across the income distribution, or in generating the volume of well-paid formal employment that a labour force of India's scale requires. Looking ahead to India's stated ambition of becoming a developed economy by 2047—the centenary of independence—the experience of the past three decades suggests that sustaining high growth rates will remain necessary but will not, by itself, be sufficient to achieve that ambition in a genuinely inclusive sense. The policy architecture already exists, in outline, to pursue a more balanced path: what remains is the sustained political and fiscal commitment to implement it at the scale India's population and its aspirations demand.

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