



Mains Practice Question

Q. “India’s rapid economic growth has not translated into equitable development”. Analyze the key structural challenges hindering inclusive growth and suggest policy measures to bridge the gap. **(250 words)**

19 Feb, 2025 GS Paper 3 Economy

Approach

- Introduce the answer by briefing how India’s rapid economic growth has not translated into equitable development
- Highlight Key Structural Challenges Hindering Inclusive Growth
- Suggest Policy Measures to Bridge the Gap
- Conclude suitably.

Introduction

India’s economy grew by **7.2% in FY23**, yet income and wealth inequality persist. According to Credit Suisse, the **top 1% owns 53% of the national wealth**. While economic growth has been impressive, **inclusive development—ensuring equal opportunities and access to resources for all sections of society—remains a challenge**.

Body

Key Structural Challenges Hindering Inclusive Growth:

- **Persistent Poverty and Inequality:**
 - The **richest 1% control 53%** of India’s wealth, while the **bottom 50% hold just 4.1%** (Credit Suisse Report).
 - **High income disparity** limits social mobility and economic inclusivity.
- **Large Informal Workforce and Unemployment:**
 - **90% of India's workforce is informal**, lacking job security, social protection, and fair wages (ILO).
 - **Unemployment rate remains high**, especially among youth and women, with underemployment being a major issue.
- **Regional Disparities:**
 - Significant economic **gaps between states** (e.g., **Bihar’s per capita GSDP is 1/5th of Maharashtra’s**).
 - Unequal infrastructure development leads to uneven access to opportunities.
- **Gender Inequality in Workforce Participation:**
 - **81.8% of women work in the informal economy** (ILO).
 - **Labour income disparity** - men earn 82%, while women earn only 18% (World Inequality Report, 2022).
 - **India ranked 135th out of 146 countries in the Global Gender Gap Index (2022)**.
- **Low Financial Literacy and Digital Divide:**

- **Only 27% of India's population is financially literate**, affecting their ability to access credit and savings.
- **Limited digital infrastructure in rural areas** restricts access to banking and welfare schemes.
- **Gaps in Social Infrastructure (Health & Education):**
 - **Human Development Index (2023) - India ranked 134th out of 193 countries.**
 - **Insufficient healthcare facilities**, especially in rural areas.
 - **Learning outcomes in schools remain poor**, affecting long-term economic mobility.
- **Inadequate Infrastructure and Basic Services:**
 - A quarter of India's population lacks access to electricity.
 - Poor rural connectivity, housing, and sanitation widen the urban-rural divide.

Policy Measures to Bridge the Gap:

- **Employment Creation and Workforce Formalization:**
 - **Boost MSMEs** (e.g., PMEGP) and **expand skilling programs** (e.g., PMKVY) to improve job opportunities.
 - **Implement Labour Codes effectively** to bring informal workers into the formal sector.
- **Strengthening Social Security and Welfare Schemes:**
 - **Universalize social security** through schemes like **PMSYM (Pension) and Ayushman Bharat (Healthcare)**.
 - **Strengthen MGNREGA** by increasing wage rates and workdays to support rural employment.
- **Financial and Digital Inclusion:**
 - **Expand digital banking and credit access** through JAM Trinity, RuPay, and UPI.
 - **Enhance financial literacy programs** to empower marginalized communities.
- **Reducing Regional Disparities:**
 - **Invest in infrastructure in backward states** to improve connectivity and economic activity.
 - **Targeted development programs** for lagging regions, focusing on industries and services.
 - **The World Bank estimates a 10% increase in broadband penetration can boost GDP growth by 1.38%.**
- **Improving Education and Healthcare:**
 - **Strengthen school education initiatives** like **Samagra Shiksha** to improve learning outcomes.
 - **Expand healthcare access** through **Ayushman Bharat**, with a focus on rural areas.
- **Promoting Gender Equity in Employment:**
 - **Ensure equal access to credit and entrepreneurship support for women** (e.g., Mudra Yojana).
 - **Increase female workforce participation** by ensuring workplace safety, maternity benefits, and flexible working conditions.

Conclusion

Achieving **inclusive growth** is essential for **sustainable development**, aligning with **SDGs 1 (No Poverty), 5 (Gender Equality), 8 (Decent Work & Economic Growth), and 10 (Reduced Inequalities)**. **Targeted policy interventions in employment, social security, financial inclusion, and infrastructure** can bridge the existing development gaps.