



ASYMMETRIC PATTERNS OF NON LINEAR ECONOMIC DEVELOPMENT IN INDIA: AN EXPLORATORY STUDY

Rabinder Prasad

Senior IAS Faculty and Visiting Professor.

Life member of Indian Economic Association (IEA).

Life member of The Indian Econometric Society (TIES).

Life member of Indian Mathematical Society (IMS).

**Currently Attached as Faculty, Department of Economics, Panskura Banamali College
(Autonomous), Midnapore, West Bengal.*

Abstract

Although 21st century India grabs the international limelight and hogs world attention as one of the fastest emerging economies in the era of globalization, however, there are glaring contrasts and remarkable contradictions in the ocean of economic prosperity. The economic journey of India is Nonlinear since Independence due to several factors such as hostile neighboring countries responsible for continuous resource depletion due to trade off on defense allocations as well as due to a troublesome colonial history which deteriorated and eroded the fundamental pattern of self sufficient economy by linking up the agricultural economy through the process of exploitation. The present paper attempts to critically examine and analyze the trends, dimensions and ramifications associated with the economic development in contemporary India since independence. The fundamental objective of the present paper is to examine and scrutinize the major challenges with profound insights beyond the horizon of conventional thinking patterns and to understand the real inherent core economic paradox in contemporary India. The highlights of the incumbent government policy revealed through the current union budget 2025-26 allocations and thrust areas are strong indicators of macroeconomic roadmap ahead.

JEL Classification: I32, I25, D31, N35.

Key Words: Poverty, Education and economic development, Inequality, India.

Introduction

Undoubtedly, for quite a long time, India has been aspiring to become a five trillion economy as well as an economic superpower. Although India has already made great improvements in achieving higher growth rates, however, its distributional impact is dismal. Larger and larger wealth is being concentrated in the hands of smaller and smaller number of affluent circles, while the economic conditions of poor are deteriorating day by day. The overall comprehensive scenario about general education, public health, hunger, rising inequality, income and employment are not at all encouraging in several backward districts across the country particularly in north east and feudal states. Therefore in order to become a real economic superpower it is necessary to implement an inclusive economic growth trajectory. A real superpower within India can only emerge when hunger is completely wiped out, everybody can get decent employment, each and every citizen of the country can afford required human capital and quality health care can become a public good in real terms. Thus, this exploratory study wants to enquire into India's performance trajectories in different dimensions like- education, income, employment and inequality. On the basis of those trajectories this exploratory study wants to identify the larger obstacles, hindrances, barriers, problems, difficulties and those challenges which have been the main bottlenecks within the Indian economic framework. To mitigate and eliminate



these problems and challenges in order to emerge as a real inclusive super power India, this theoretical and exploratory study also want to prescribes the necessary steps to be taken for effective implementation. The study is based on secondary data collected from reputed sources such as periodicals, journals and academic texts.

Literature Review

The earliest reference of modern education system in India originated from Macaulay Minutes (February 1835) when English education was introduced and subsequently Charles Wood Dispatch (1854) laid the foundation of modern education during Indo-British Rule. Thereafter, several committees were set up from time to time for further educational reforms. However during the Round Table Conference in London (1931) Mahatma Gandhi pointed out the ineffectiveness of the primary education system of India and the low percentage of literacy rate among Indian people. He blamed the Colonial educational policy of the British Government responsible for the pathetic situation in the field of mass education. He proposed his scheme of Basic Education (Nai Talim) in a well formulated approach to education in 1937 in his newspaper "Harijan". An All India education conference was held in Wardha on 22nd and 23rd October, 1937 and Gandhi himself presided over the Wardha educational conference. In this context, Dr Zakir Hussain Committee was formed with prominent Indian leaders as members who finally emphasized the process of education throughout this period should have some manual and productive work and ability should be developed to engage them with handicraft work according to the environment of the child.

"Learning by doing" was the fundamental principle of Basic education. Gandhi believed in action and hence his concepts of basic education can be classified as activity method or practical method. It was mainly a method of co-relation between theory and practice activity through craft like gardening, weaving, spinning, carpentry, etc. He believed in establishing a balance between the body, the mind and spirit. This is best done when education is given through handicrafts. In nutshell, Gandhi wanted a sort of vocational training oriented education system, instead of just giving certificates and degrees, which would generate employability skills and source of livelihood opportunities to the younger generations. However post-independence successive governments did not implement Gandhi approaches in true spirit which reflects in the existence of mass poverty, illiteracy, gender discrimination, hunger, inequality and unemployment.

In recent past, several prominent government schemes such as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was enacted in 2005, aimed at improving living standards of the rural poor and providing social security to them by giving the adult members of every household at least one hundred days of guaranteed wage employment of unskilled manual work in a financial year. MSME Act was introduced in 2006. Despite various government schemes and programmes economic anomalies perpetuate and Trickle Down Effect has not been attained with distributive justice.

The celebrated studies -"Indian Income Inequality, 1922-2015: From British Raj to Billionaire Raj?" by Lucas Chancel and Thomas Piketty corroborates about the rising inequality. According to their benchmark estimates, the top 1 percent of earners captured less than 21 percent of total income in the late 1930s, before dropping to 6 percent in the early 1980s and rising to 22 percent in the recent period. Using the same data, Banerjee and Piketty (2005) showed that the share of fiscal income accruing to the top 1 percent earners shrank substantially from the mid1950s to the mid1980s, from about 13 percent of fiscal income, to less than 5 percent in the early 1980s. The trend was reversed in



the mid-1980s, when pro-business, market deregulation policies were implemented. The share of fiscal held of the top 1 percent doubled from approximately 5 percent to 10 percent in 2000.

Removal of poverty has always been a big slogan in several five year plans of the successive central governments since independence. However, still millions of Indians live below the poverty line. The Planning Commission had set up Task Force/Expert Group from time to time to review the methodology. These include the Task force under the chairmanship of Y.K. Alagh in 1977; the Expert Groups under the chairmanship of D.T. Lakdawala in 1989 and Suresh. D. Tendulkar in 2005. In June 2012, the Government of India had appointed an Expert Group (C. Rangarajan as Chairman) to take a fresh look at the methodology for the measurement of poverty. The Committee submitted its report towards the end of June 2014.

The Expert Group (Rangarajan) estimates that the 30.9 per cent of the rural population and 26.4 per cent of the urban population was below the poverty line in 2011-12. The all-India ratio was 29.5 per cent. In rural India, 260.5 million individuals were below poverty and in urban India 102.5 million were under poverty. Totally, 363 million were below poverty in 2011-12. The state-specific poverty ratio and number of poor estimated for the year 2011-12 is given in the expert group (Rangarajan) report (GoI, 2014)

Crucial Challenges Ahead Before Contemporary India

The major Critical assessments and findings of the paper revolves around Inequality, asymmetric wealth mal distribution, hunger, poverty, gender discrimination in education, low literacy rates in backward areas , high levels of unemployment and low labor participation. It corroborates that much needed critical efforts are still required. The major findings corroborates that the income inequalities have created gulf between have and have not and widened the gap between the people of India. One India is rich which is concentrated in cities whereas another India which is poor is mainly concentrated in underdeveloped regions of the country.

During UPA Government, the Poverty line was fixed by Suresh Tendulkar committee in 2005. As per 2004-05 price index, spending less than rupees 447 a month in rural areas and rupees 578 a month in urban areas was the yardstick of being called poor. In 2005, 37% Indians (26% in urban areas and 42% in rural areas) were poor. By 2012, the situation improved in poverty alleviation and 21.9% Indians were below the poverty line. In 2012, UPA government formed a committee under Dr C Rangarajan to revise the poverty line. However the NDA government rejected the report after coming to power. We have no idea about the success of welfare schemes or poverty eradication because the NSO report is not released in 2019. The government refused to release the report of 75th Consumer Expenditure Survey (2107-18) because for the first time in more than four decades there is decline in consumer spending. Experts like K L Datta or N C Saxena believe that the government is neither coming out with any new methodology nor using the existing methodology to estimate poverty and therefore there is no official poverty estimate data in India now.

Abhijit Banerjee , Esther Duflo and Michael Kremer won the prestigious 2019 Nobel Prize in Economics for groundbreaking research into what works and what doesn't in the fight to reduce poverty. Their insights have been put into action to alleviate poverty in different parts of the globe including India.



Unemployment rate of India by current status and even before three decades there doesn't exist much difference. According to the data table and the pie chart at the time of year 1991 the Unemployment rate per 5.6%, and now in year 2021 the unemployment rate is 5.98%, so we can assert that with the passing time the growth in employment levels has not occurred. The annual change of employment and Unemployment rate of India is almost varied between 0% to 1%, which clearly shows us that the Unemployment rate is almost unchangeable. This type of growth rate is not desirable where unemployment is negatively effecting both economic growth and economic development. The highest unemployment rate was 8% In 2020 because of pandemic period otherwise it was 5.98%, in 2021 and the lowest rate was 5.247% in 2019. With the increase in the growing rate of population India needs a decreasing of Unemployment rate. The finding of the reported data shows that majority of Indians work in informal sector, so it has hampered India's development and negatively affected the work force of India.

Latest Developments

According to the latest World Bank report which got published in Times News Network, it has been categorically mentioned that in the last ten years, 171 million people have been brought above the poverty line. Over the past decade, India has significantly reduced poverty declining from 16.2% in 2011-12 to 2.3% in 2022-23, lifting 171 million people above the poverty line as stated in the report. Rural extreme poverty dropped from 18.4% to 2.8% and urban from 10.7% to 1.1%, narrowing the rural-urban gap from 7.7 to 1.7 percentage points – a 16% annual decline, according to the multi-lateral agency's Poverty and Equity Brief.

“India also transitioned into the lower-middle-income category. Using the \$3.65 per day LMIC (lower middle income country) poverty line, poverty fell from 61.8% to 28.1%, lifting 378 million people out of poverty,” said the report. It said rural poverty dropped from 69% to 32.5%, and urban poverty from 43.5% to 17.2%, reducing the rural-urban gap from 25 to 15 percentage points with a 7% annual decline. The five most populous states – Uttar Pradesh, Maharashtra, Bihar, Bengal, and Madhya Pradesh – accounted for 65% of the country's extreme poor in 2011-12 and contributed to two-thirds of the overall decline in extreme poverty by 2022-23.

The World Bank's Multidimensional Poverty Measure is at 15.5% in 2022-23. India's consumption – based Gini index improved from 28.8 in 2011-12 to 25.5 in 2022-23, though inequality may be underestimated.

Reflections through Union Budget 2025-26

The allocation for the national rural employment program has seen no increase for 2025-26, raising the spectre of a stressed year ahead for the job scheme. The budget has allocated rupees 86,000 crores to the Mahatma Gandhi National Rural Development Act (MGNREGA), the same as 2024-25. In 2023-24, the allocation for the MGNREGA was rupees 60,000 crore but additional funds were provided and the actual expenditure stood at rupees 89,153.71 crore, the budget document shows. No additional allocations for the scheme were made in 2024-25.

The government of India raised capital expenditure to rupees 1.12 Lakh crore - a piffling 1 per cent increase over last year's budget estimate of rupees 1.11 Lakh crore – clearly signaling that it expected the private sector to dip into its cash trove and grease the engines of growth. The government also spelt out a glide path to trim central government debt as a percentage of the GDP. It intends to bring it down to the level of about 50 per cent by March 31, 2031. The Fiscal Responsibility and Budget



Management Act requires the Centre and the states to try and limit their combined debt to 60 per cent of the GDP by March 2025. The break up is 40 per cent for the Centre and 20 per cent for the states. The general government debt (the Centre plus the states) had swelled to over 80 per cent of the GDP after the pandemic and has been an issue that has weighed on India's sovereign credit rating.

The budget 2025-26 has set a fiscal deficit target of 4.4 per cent of gross domestic product (GDP), down from a revised 4.8 per cent in FY25, as the government shifts its fiscal strategy towards reducing its debt-to-GDP ratio. The government attempts to balance ambition with economic prudence, growth with stability which clearly demonstrates that fiscal discipline need not come at the cost of growth.

Positioning agriculture as the first engine of growth , the Budget proposes multiple schemes to boost farming, including a special program in 100 low-productivity agricultural districts. Additionally, it proposes a six-year mission to make the country self-reliant in producing pulses, enhancing farmers' well-being and overall rural prosperity. Identifying micro, small and medium enterprises (MSME) as the second engine of growth, the government unveiled measures to give a boost to the sector by enhancing the investment and turnover limits classification of all MSMEs, and raised the credit guarantee cover for increased access to funds.

This year's Union Budget 2025-26 prioritizes critical growth engines and introduces several development measures for agriculture, urban development, the power sector, mining, and the financial sector as well as regulatory reforms, among others, that will promote global competitiveness and unlock India's massive growth potential. Overall, the 2025 Union Budget is a holistic , progressive and growth-oriented budget that rightfully focuses on its people and the economy, with an all-encompassing inclusive growth agenda.

Taking into consideration Goulet's Work (1971), We have got three basic components or core values in the wider meaning of the term 'development'. The three core values are Life-Sustenance, Self-esteem and Freedom. Life-sustenance refers to provision of the very basic needs such as food, housing, clothing, health and minimal education. Self-esteem refers to self-respect and independence. Freedom refers to the freedom from three evils- want, ignorance and poverty and misery. All these core components are interdependent. Low levels of life-sustenance cannot generate self-esteem and freedom. A lack of self-esteem and freedom becomes the roadblock to life-sustenance. A lack of self-esteem and economic imprisonment becomes a link in circular, self-perpetuating chain of poverty by producing a sense of fatalism and acceptance of the established order – the 'accommodation of poverty' as Galbraith has called it.

Economic growth is a necessary but not the sufficient condition of socio economic development. A country like India can achieve high growth rate of aggregate GNP even with a half literate adult population since there are millions of literate and highly educated people around. India can particularly do well in the industrial sector, especially in hi-techs – IT and biotechnology since the country has a large surplus of highly educated and qualified persons. But that will not solve India's deep-rooted poverty and social and economic inequality. Their removal, as Prof. Amartya Sen sees it, calls for more "Participatory Growth" on a wider basis, which is not easy to achieve across the barriers of ill health, illiteracy, severe inequalities in social, economic and political opportunities and caustic subjugation by those in the political and social hierarchy.



Conclusion

India has been ranked 130th out of 193 countries and territories in the 2025 Human Development Report (HDR), titled “A Matter of Choice: People and Possibilities in the Age of AI” released by the United Nations Development Programme (UNDP). The report noted that while India has made steady strides, Inequality continues to undercut its human development achievements.

Economics cannot be understood completely in absolute terms without understanding the world history and world politics. It's the battle of resources and battle for resources. It's a Zero Sum game. The world famous Greek philosopher Aristotle has said that, “Poverty is the parent of revolution and crime”. This statement signifies that the root cause of several socio-economic evil begins with poverty and inequality among the masses. However Poverty and inequality surfaces due to contradictory priorities, contrasting trade off and opportunity cost involved everywhere. The current paper highlights and concludes that although India has remarkably achieved a lot since independence but still there are multiple intricate challenges, hurdles, obstacles, hindrances before the Indian economy. The present study follows the exploratory research approach which leaves ample scope for further research. The present exploratory study has broadened a new horizon of thinking by emphasizing that despite India being recognized as the most prominent emerging economy, still lots of constructive economic development with distributive justice need to be done irrespective of class and creed. The compulsions of non-economic factors particularly socio-political factors also brings disequilibrium situations. The crux of the study corroborates that economic bottlenecks perhaps apparently exists like barriers hindrances obstacles but the economic reforms since 1991 have enormous potential to transform India as a developed economy and the spirit of optimism and fiscal prudence shows the way ahead towards 2047.

References

1. Maheswari V.K. (2014). The Wardha Scheme of Education in India. Retrieved from <http://www.vkmaheshwari.com/WP/?p=1402>.
2. Prabhu R K, Rao U R (1967). The Mind of Mahatma Gandhi retrieved from <https://www.mkgandhi.org/ebks/mindofmahatmagandhi.pdf>.
3. 3.)Shah P K (2017). Gandhiji's view on basic education and its present relevance. International Journal in English, Volume 3 ; Issue 4.
4. 4.) Lucas Chancel and Thomas Piketty (2019). Indian Income Inequality, 1922-2015: from British Raj to Billionaire Raj ? ,from the Review of Income and Wealth, Series65, Number S1, November 2019, DOI:10.1111/roiw.12439.
5. 5.) C.Rangarajan and S.Mahendra Dev (2020). Indira Gandhi Institute of Development Research, Mumbai (December 2020).
6. 6.) World Bank Data Report(<https://www.worldbank.org>).