

Viksit Bharat

Bridging Rhetoric with Reality

S.N. Misra*

INTRODUCTION

One of the ironies in India is the divergence in political ideology and convergence of economic philosophy of the two principal national parties—the Bharatiya Janata Party (BJP) and the Congress. Economic liberalisation and freeing the market from centralised control was kickstarted by the Congress in 1991 when Dr Manmohan Singh as the Finance Minister invoked Victor Hugo's iconic lines: 'No power on earth can stop a moment whose time has come.'¹ The power of the free market by 2000 nearly doubled savings and exports as per cent GDP, and most importantly transformed the private sector from sidekicks of public sector as 'new temples of Modern India', with the state acting as an enabler rather than a controller.

This philosophy of laissez-faire was continued by Prime Minister Narendra Modi when he assumed office in 2014. That momentum, though temporarily thwarted by the pandemic years, has continued since then and the new clarion call of 'Viksit Bharat', which plans to transform India into a developed entity by 2047, has gained salience, optimism and ignited a sense of national pride, like never before.

* Prof. S.N. Misra is Professor Emeritus and former Joint Secretary (Aerospace), Ministry of Defence, Government of India.

‘Viksit Bharat’ has four facets to it namely economic prosperity, social advancement, environmental sustainability and effective governance. It would, therefore, be relevant to analyse: (a) India’s progress in terms of economic prosperity; (b) social development; (c) stumbling blocks in terms of income inequality and unemployment; and (d) the way forward.

INDIA’S ECONOMIC PROGRESS

Human Development Index (HDI)

The Human Development Report (HDR) brought out by the United Nations Development Programme (UNDP) every year, divides nations into four categories—very high human development (62 countries); high human development (48); medium human development (40); and low human development (32). Human Development Index (HDI), a concept mooted by Nobel laureate Amartya Sen, combines per capita Gross National Income (GNI), Life Expectancy (LE) and Mean Years of Schooling (MYS), each having equal weightage to determine a country’s HDI score. Quite clearly, GNI and years of schooling play an important role in the HDI score. Table 1 shows India’s comparative position in terms of human development globally.

Table 1 Global Trend: Human Development Index (2022)

Country	HDI	Life Expectancy	Mean Years of Schooling	GNI (\$ at PPP)
Sweden	0.947	83	12.6	54489
Germany	0.942	80.6	14.1	54534
USA	0.921	77.2	13.7	64765
Japan	0.925	84.8	13.4	42274
Korea	0.925	83.7	12.5	44501
Russia	0.822	69.4	12.8	27166
China	0.768	78.2	7.6	17504
Brazil	0.754	72.8	8.1	14370
India	0.633	67.2	6.7	6590

Source: Human Development Report 2021/2022, available at <https://doi.org/10.18356/9789210016407>.

India is placed in the third category, with a ranking of 134, as per the latest HDR, while China which was lagging behind India in 1950 in terms of per capita income is now in the comity of countries with high human development, with GNI 2.6 times of India (US\$ 18025 vs US\$ 6951), but is marginally ahead of India in terms of MYS (8.1 vs 6.6). If India wants to catch up with countries with Very High Human Development (VHHD) by 2047, it will need to double its per capita GNI and improve MYS to 12, since most countries in the category of VHHD have MYS of more than 12 and per capita GNI of US\$ 10000. India has done reasonably well in LE, with a score of 68. Apart from ramping economic growth, a significantly higher level of education would be crucial for becoming ‘Viksit Bharat’.

As per the International Monetary Fund (IMF), compared to India’s global ranking of 13 in total GDP in nominal terms, it stood fifth in 2023, with US\$ 4.91 trillion. Even in terms of the share of real GDP, as against 2.7 per cent in 2000, India accounted for 5.1 per cent in 2023 as per IMF and Jeffries. Three visible vectors significantly contributed to this growth momentum (see Table 2 and Figure 3 for more details).

Table 2 GDP Ranking in Nominal US \$ terms

Rank									CY'27 GDP (\$tr)
1	US	US	US	US	US	US	US	US	\$31.5tr
2	JP	JP	CH	CH	CH	CH	CH	CH	\$23.6tr
3	GR	GR	JP	JP	JP	GR	GR	IN	\$5.4tr
4	UK	UK	GR	GR	GR	JP	IN	GR	\$5.3tr
5	FR	FR	FR	UK	UK	IN	JP	JP	\$4.9tr
6	CH	CH	UK	FR	IN	UK	UK	UK	\$4.3tr
7	IT	IT	BR	IN	FR	FR	FR	FR	\$3.5tr
8	CN	CN	IT	IT	IT	IT	BR	BR	\$2.6tr
9	MX	SP	IN	BR	CN	BR	CN	CN	\$2.5tr
10	BR	KR	RU	CN	KR	CN	IT	IT	\$2.5tr
11	SP	MX	CN	KR	RU	RU	MX	MX	\$2.3tr
12	KR	BR	SP	RU	BR	MX	RU	KR	\$2.0tr
13	IN	IN	AU	AU	AU	KR	KR	RU	\$1.9tr
	CY'00	CY'05	CY'10	CY'15	CY'20	CY'23	CY'26	CY'27	

Source: ‘GDP, Current Prices’, World Economic Outlook, 2024, available at <https://www.imf.org/external/datamapper/NGDPD@WEO/WEOWORLD>, accessed in April 2024.

As shown in Table 2, while India's global ranking was 13 in 2000, it had improved to the fifth position by 2023 and is expected to move up to the third position by 2027.

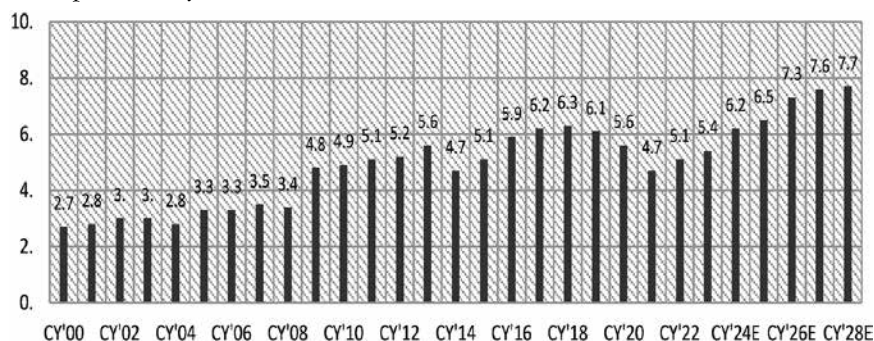


Figure 1 India's Contribution to World's GDP Growth (Real)

Source: 'GDP, Current Prices', World Economic Outlook, 2024, available at <https://www.imf.org/external/datamapper/NGDPD@WEO/WEO WORLD>, accessed in April 2024.

Table 2 also shows that the overall share of global GNI in real terms, which was 2.7 per cent in 2000 has doubled by 2023 to 5.4 per cent.

The most visible sign of India's growth story is the infrastructure sector, where compared to only 12 per cent of Capital Expenditure in 2012, it has nearly doubled (22 per cent) in recent years. The improvement hits the eye in areas like national highways with seamless toll gates and railways of late. The trend analysis is shown in Figure 2.

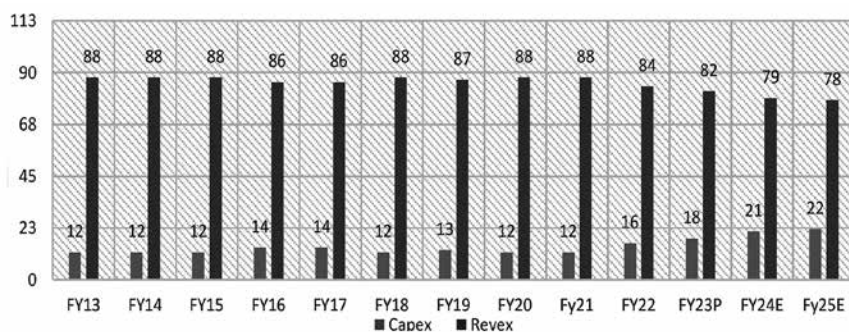


Figure 2 Capex's Share in Total Expenditure

Source: Union Budget documents, 2013–2024, Government of India.

The invisible hand is the robust GST Network with a credit-based tax system and intra-national economic marketing system. The supply chain cost has come down, and indirect tax collection (GST) has improved significantly. The fast spread of digital payment through UPI/UID is lubricating financial transactions better and plugging leakages in the payment of subsidies. No less has been the contribution of the Insolvency and Bankruptcy Code (IBC), which has brought down Gross Non-Performing Assets (NPAs) from a high of 11.2 per cent in 2018 to a modest 3.25 per cent in 2023. India is also a preferred destination for Foreign Direct Investment (FDI), with inflow increasing from US\$ 32.7 billion in 2000 to US\$ 85 billion in 2023 (see Figures 3 and 4).

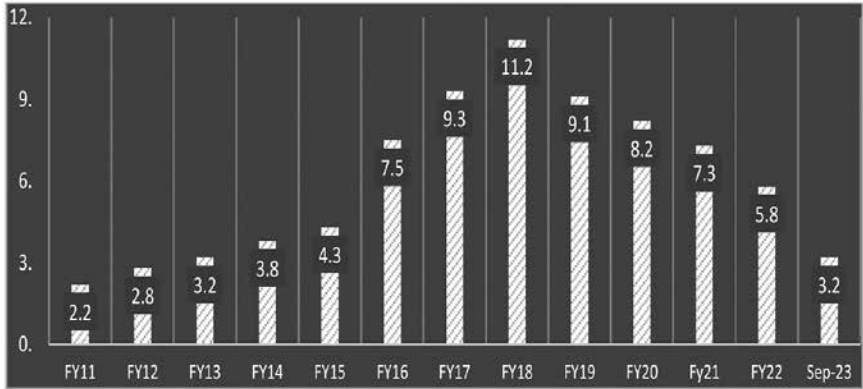


Figure 3 Declining Gross Non-Performing Assets of SCBs
(as % of Gross Advance)

Source: Reserve Bank of India Publications, available at <https://m.rbi.org.in/Scripts/PublicationsView.aspx?id=22350>.

From US\$ 2.2 billion inflow in 2000 in FDI, it has zoomed up to US\$ 82 billion by 2022.

The Social Welfare Dimension

There was a legitimate apprehension that the social welfare programmes under the Congress regime would either be scuttled or whittled down in the quest for economic efficiency. Prof. Jagadish Bhagwati, one of the economic gurus of Prime Minister Modi advised him to whittle down the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS), piloted by the Belgian left-leaning economist Jean Dreze and introduced

by the Congress to provide 100 days of work to every unskilled worker in the rural areas.

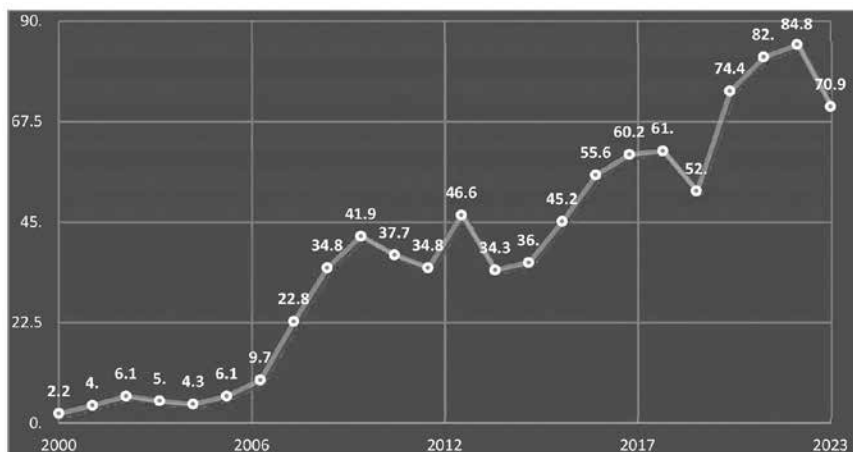


Figure 4 India's FDI since 2000 (US\$ Billion)

Source: 'India's Future: The Quest for High and Stable Growth', S&P Global, 2 August 2024, available at <https://www.spglobal.com/en/research-insights/special-reports/look-forward/india-s-future-the-quest-for-high-and-stable-growth>.

PM Modi quickly realised that inclusive growth is the catalyst for social justice, with excellent vote-catching potential. During COVID-19, when millions of migrant workers were going back to their villages, it was the additional allocation to MNREGA that mitigated the economic plight of the most vulnerable section of the society, apart from free food served to the poor. Market fundamentalism in a country driven by economic distress is poor politics and justice.

The social programmes started by the Congress were given a tremendous boost under PM Modi's watch. The provision of tap water to poor households (12.71 cr) under the 'Har Ghar Jal',² over 3.04 crore *pucca* houses to the poor,³ 11.72 cr toilets under the 'Swachh Bharat' programme,⁴ and 31.36 cr free gas connections to poor women⁵ is testimony to the commitment to social justice. Besides this, 6.27 cr patients were given treatment in hospitals free of cost, under the 'Ayushman Bharat' scheme.⁶ Under the MUDRA scheme, Rs 27.75 lakh crores was disbursed,⁷ of which 68 per cent of beneficiaries were women. About 51.6 cr Indians have Jan Dhan accounts,⁸ facilitating financial intermediation. Female labour force

participation, which had plummeted to 23.7 per cent in 2018 has recovered now to 37 per cent as per the Periodic Labour Force Participation Report (see Figure 5).

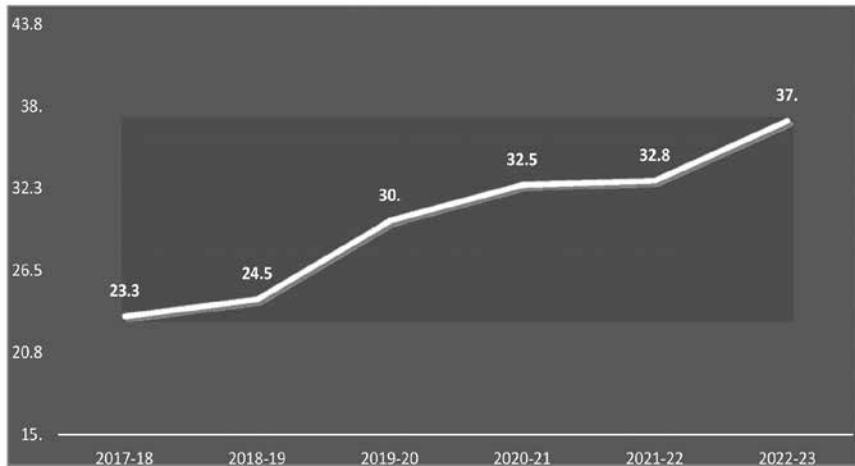


Figure 5 Female Labour Force Participation Rate (Rural & Urban), 15+ years

Source: 'Key Employment Unemployment Indicators—Periodic Labour Force Survey (PLFS)', Ministry of Statistics and Programme Implementation, Government of India, January 2023–December 2023, available at https://www.mospi.gov.in/sites/default/files/publication_reports/PLFS%20Key%20labour%20Force%20Indicators%20Calendar%20Year%202023.pdf.

The PM-Kisan Samman Nidhi scheme, started in 2019, supports 120 million farmers with assistance of Rs 6,000 per year, as of 2024. Quite clearly, faster economic growth has walked hand-in-hand with vibrant socially inclusive programmes to ink the vision of an empathetic India as a Welfare State.

THE STUMBLING BLOCKS

These legitimate economic and welfare achievements, however, obfuscate the serious challenges of unemployment, underemployment, poor quality education and skilling, access to basic nutrition for children and women, and multi-dimensional poverty that roils the Indian story somewhat. The National Family Health Survey (NFHS V) for 2019–21,⁹ shows that compared to 51.8 per cent of women being anaemic in 1999, two decades later it stands at 57

per cent. The same survey brings out that the percentage of children stunted due to persistent malnutrition and poor sanitation is 33 per cent. In terms of Multi-Dimensional Poverty (MDP) as per a report brought out by NITI Aayog against Sustainable Development Goals (SDG) targets, child mortality is as high as 28.3 per cent, clean cooking fuel is not available to 28.2 per cent, poor sanitation dogs 24.6 per cent and nutrition deficiency afflicts 21.2 per cent (see Table 3).¹⁰

Table 3 Social Parameters and Multidimensional Poverty Index: India

Parameter	% of Deprivation
Nutrition	21.2
Child Mortality	28.3
Education	23.4
Cooking Fuel	26.2
Sanitation	24.6
Drinking Water	6.2
Electricity	8.6
Housing	23.6

Source: 'National Multidimensional Poverty Index—A Progress Review 2023', Report, NITI Aayog, Government of India, 2023, available at <https://www.niti.gov.in/sites/default/files/2023-07/National-Multidimensional-Poverty-Index-2023-Final-17th-July.pdf>, accessed on 6 September 2024.

While there are large interstate disparities, with states like Kerala, having a score of 0.71 per cent, in economically developed states like Gujarat, it is 11.66 per cent as per the latest NITI Aayog report. Many states in North, Central and Eastern India are seriously deficient in MDPI components. As regards education, India's foundational learning, skilling, early childhood education is in a state of disarray, as per the National Education Policy (NEP 2020).

After India resolved to make education in the age bracket of 6–14 years a fundamental right, while in terms of universal access, it is a success story, however, in terms of learning outcomes the findings are abysmal. The latest Annual Status of Educational Survey (ASER 2023) shows how only 48 per cent of students in Class 5 can read Class 2 textbooks, 25.6 per cent can do simple arithmetic calculations and 24.5 per cent can read a simple English sentence. The trends are shown in Figure 6.

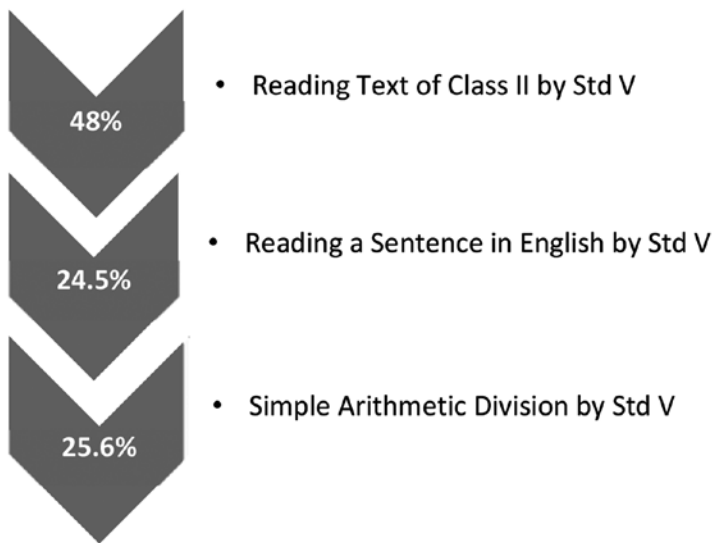


Figure 6 Dismal Learning Outcomes in Reading, Writing and Numeracy

Source: 'Annual Status of Education Report (ASER) 2023: Main Findings', Pratham Foundation, 2023, p. 35.

The vocational skills of students above the age of 15 years, when they enter the working age group, is quite poor. Quite clearly the growth story in terms of infrastructure improvements, digital payments and GST are not in sync with human development factors like quality education, skilling, nutrition and basic sanitation.

Dwindling Gross Capital Formation

Economic liberalisation has ushered in greater momentum in private sector investment. The spurt in savings has also encouraged greater investment and capital formation. It reached a crescendo in 2007–2008 when it was around 36 per cent, with the public sector contributing 8 per cent to it. But it has been decelerating since and has reached a plateau of 30 per cent for quite a few years, with private sector investment dipping from 28 per cent in 2007 to 22 per cent in 2022, while the public sector investment has remained unchanged. This is largely due to the perception of the private sector that demand is sluggish due to high levels of unemployment and underemployment (Figure 7).

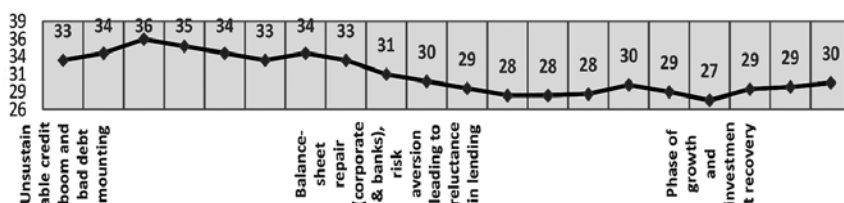


Figure 7 Trends in Investment

Source: 'Press Note on Second Advance Estimated of National Income 2023-24', National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India, 2024, available at https://www.mospi.gov.in/sites/default/files/press_release/PressNote_onGDP_SAE_Q3_FRE_SRE_TRE01032024.pdf.

Note: Data for FY24 is as per the First Advance Estimates.

The Spectre of Unemployment

This is reflected in the chronic unemployment and underemployment that affect both the rural and urban landscape. In a recently released India Employment Report,¹⁴ it has been found that the Labour Force Participation Rate (LFPR) has come down from 61.2 per cent in 2000 to 54.6 per cent in 2023. The average wages are very low for self-employed (Rs 6,843 per month) and Rs 4,712 for casual labourers (see Figure 8).

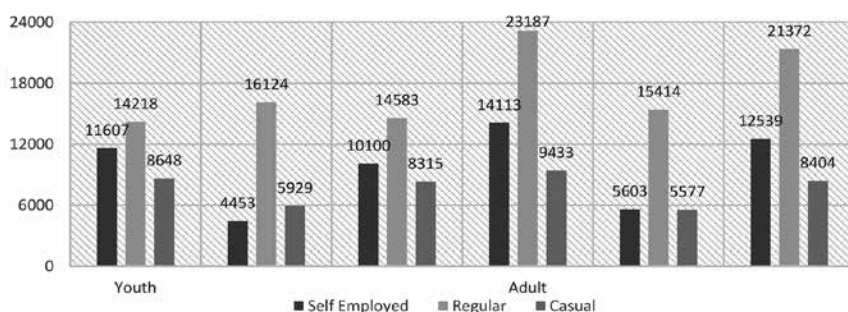


Figure 8 Average Monthly Earnings and Wages Among Youths and Adults, 2022 (Nominal Value in INR)

Source: 'India Employment Report 2024: Youth Employment, Education and Skills', International Labour Organization, 2024, available at <https://www.ilo.org/publications/india-employment-report-2024-youth-employment-education-and-skills>.

Figure 9 shows an estimate of the labour force, workforce and unemployment trend in India over the past decade. It is evident that the labour force participation has decreased over the decade instead of increasing, which resulted in the low workforce participation rate of 52.9 per cent in 2022.

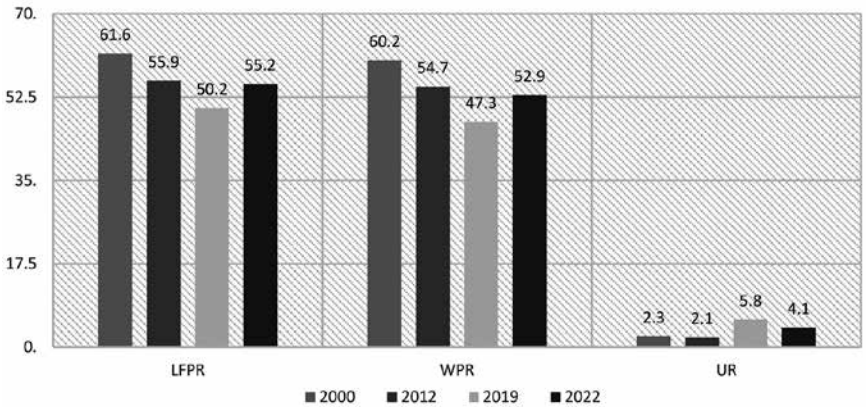


Figure 9 Labour Force Participation Rate, Worker Population Ratio, and Unemployment Rate (UPSS) among those aged 15+ (Rural & Urban Combined), 2000

Source: 'India Employment Report 2024: Youth Employment, Education and Skills', International Labour Organization, 2024, available at <https://www.ilo.org/publications/india-employment-report-2024-youth-employment-education-and-skills>.

Underemployment is another scourge that afflicts the workforce. It was Ragnar Nurkse, who called it disguised employment characterising a situation where a disproportionately higher number of the workforce is engaged in the absence of better job availability, as seen in the agricultural sector (Figure 10).

Manufacturing, which usually contributes handsomely to employment with backward linkages with other sectors, employs 12–14 per cent of the workforce, with a tendency towards capital-intensive technology. In contrast, China, which has become a global manufacturing hub employs nearly 35 per cent of the working population in manufacturing. The report rightly suggests undertaking five missions on an urgent basis, like production to be labour intensive, improving the quality of jobs, providing efficient skills, ramping up non-farm employment and greater support to SMEs.

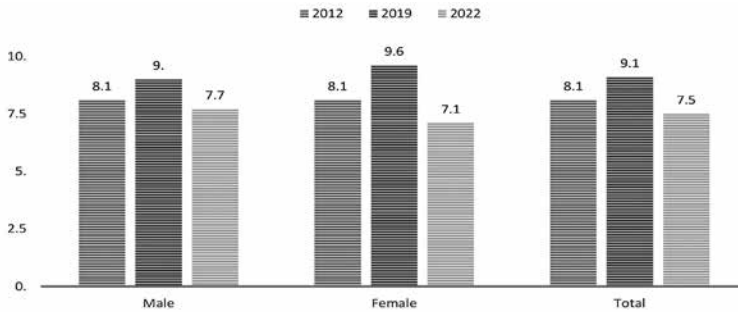


Figure 10 Underemployment (LUI) and Labour Utilisation among all persons aged 15+ by Gender, 2012, 2019, 2022 (%)

Source: 'India Employment Report 2024: Youth Employment, Education and Skills', International Labour Organization, 2024, available at <https://www.ilo.org/publications/india-employment-report-2024-youth-employment-education-and-skills>.

Rising Inequality

Article 38(2) of the Constitution of India calls upon the state to minimise inequalities in income and to endeavour to eliminate inequality of opportunity. SDG 10 calls upon countries to reduce income inequalities and adopt fiscal and social policies that promote equality. The World Inequality Report (2022)¹⁵ brings out how post 1991 (the year in which we embarked upon free market reforms), the gap in income inequality between the bottom 50 per cent and the privileged 10 per cent has widened sharply (Figure 11).

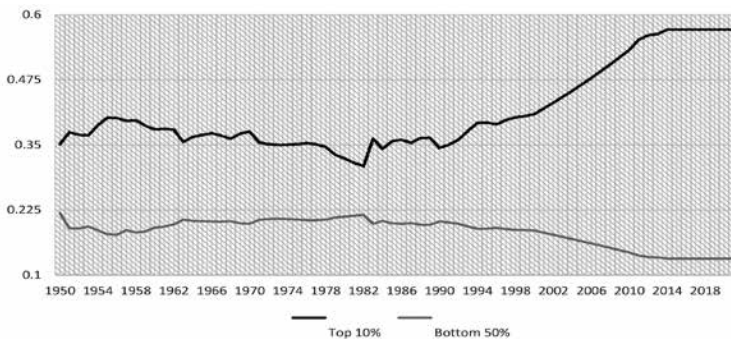


Figure 11 Trend of Income Share in National Income: India

Source: L. Chancel, T. Piketty, E. Saez and G. Zucman, 'World Inequality Report 2022', World Inequality Lab, 2021, available at https://wir2022.wid.world/www-site/uploads/2021/12/WorldInequalityReport2022_Full_Report.pdf.

THE WAY FORWARD

Ray Dalio, who is the co-Chairman of the world's biggest hedge fund, has developed a Country Power Index where parameters like education, innovation and technology, trade, infrastructure and governance are taken into account. Dalio believes that India can achieve 7 per cent growth in the next decade. But its poor score of 0.29 out of 1 is largely due to its poor score of -1.1 (out of 2) in education and -1.1(2) in innovation and technology. Even in infrastructure, its score is -0.3(2) despite the improvements noticed in the infrastructure sector lately. In contrast, China's hefty score of 0.77 out of 1 is due to its high scores in education and in innovation and technology it is 1.6 out of 2, and its infrastructure score is 2.7. See Table 4 for the details of the CPI (Country Power Index) of various countries.

Dalio writes 'What makes countries healthy and wealthy is how policymakers decide to impact the trajectory of their countries.'

A perceptive study of Indian elections from 1962 to 2014 brings out how considerations like caste and religion are overshadowing core issues like job creation and social sector investment.¹⁶ As the data clearly shows, in our quest for higher economic growth we have been clearly overlooking critical human development dimensions like raising the level of nutrition, improving public health and quality education, which is contributing to the nagging spectre of unemployment and disguised employment. For Keynes, the creation of employment by the government and boosting effective demand was the *sine qua non* of a welfare state. The fiscal policy being soft on the super-rich in terms of tax rate, is accentuating inequality and lowering purchasing power of the bottom 50 per cent of our population.

For realising the vision of 'Viksit Bharat', its wheel of growth must move in tandem with the wheel of human development. It is believed that for India to be considered a developed nation, it 'must abdicate identity politics and crony capitalism'. As the past general elections have shown, identity politics, religious fundamentalism and caste continue to be important factors in the northern part of India. However, in the southern part of India the predominant factors seem to be effective governance and deliverance of promise and grassroot leadership as seen in the case of Kerala and Tamil Nadu. The state cannot abdicate its responsibility of job creation to the private sector if it wants to make India truly developed amongst the comity of nations. Employment generation will also spur private sector investment significantly, with the government priming the pump of public employment.

Table 4 Comparative Analysis of the Status of India in Country Power Index among Selected Countries²³

Country	Score (Out of 1)	Debt burden (Score out of 2)	Education	Innovation & Technology	Military strength	Economic Output	Trade	Infrastructure	Governance
USA	0.89	-1.9	2	2.1	2	1.7	1.1	0.7	0.7
China	0.77	-0.1	1.6	1.6	0.9	1.5	2	2.7	-0.5
Japan	0.32	-1.1	0.1	0.1	-0.5	-0.1	-0.5	-0.2	0.8
Korea	0.31	0.4	0.2	0.2	-0.4	-0.9	-0.6	-1	-0.1
India	0.29	0.4	-1	-1.1	0.3	0.1	-0.7	-0.3	-1.1

Source: India - Lowy Institute Asia Power Index 2024, available at <https://power.lowyinstitute.org/countries/india/>.

NOTES

1. M. Soni, 'Throwback: When Manmohan Singh Quoted Victor Hugo in Budget Speech', *Hindustan Times*, 18 July 2024, available at <https://www.hindustantimes.com/budget/throwback-when-manmohan-singh-quoted-victor-hugo-in-budget-speech-101721286427173.html>.
2. 'Har Ghar Nal Se Jal Scheme', Press Information Bureau, Ministry of Jal Shakti, Government of India, 31 July 2023, available at <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1944411>.
3. 'Pradhan Mantri Awaas Yojana: Gramin Transforming Lives and Empowering Women', Press Information Bureau, Special Service and Features, Government of India, 14 June 2023, available at <https://pib.gov.in/PressReleasePage.aspx?PRID=1932350>.
4. 'Swachh Bharat Mission: Gramin, Department of Drinking Water and Sanitation', Department of Drinking Water and Sanitation, Ministry of Jal Shakti, Government of India, available at <https://swachhbharatmission.ddws.gov.in/>.
5. 'Pradhan Mantri Ujjwala Yojana Fuels LPG Revolution Nearly 17 Crore LPG Consumers Added in Last 9 Years', Press Information Bureau, Special Service and Features, Government of India, 20 April 2023, available at <https://pib.gov.in/PressReleasePage.aspx?PRID=1918364>.
6. '6 Crore Hospital Admissions Costing Rs 77,298 Cr Authorised Under AB PM-JAY till Nov 30: Govt to LS', *The Economic Times*, 9 December 2023, available at <https://economictimes.indiatimes.com/industry/healthcare/biotech/healthcare/6-crore-hospital-admissions-costing-rs-77298-cr-authorised-under-ab-pm-jay-till-nov-30-govt-to-ls/articleshow/105848692.cms?from=mdr>.
7. 'Over Rs 27.75 lakh crore of Loans Disbursed Under MUDRA Loan Scheme', *The Print*, 19 March 2024, available at <https://theprint.in/economy/over-rs-27-75-lakh-crore-of-loans-disbursed-under-mudra-loan-scheme/2006881/>.
8. 'Pradhan Mantri Jan Dhan Yojana (PMJDY) - National Mission for Financial Inclusion, Completes Nine Years of Successful Implementation', Press Information Bureau, Ministry of Finance, Government of India, 28 August 2023, available at <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1952793>.
9. 'National Family Health Survey (NFHS-5), 2019–21—India Report', Ministry of Health and Family Welfare, Government of India, March 2022, available at <https://dhsprogram.com/pubs/pdf/FR375/FR375.pdf>.
10. 'National Multidimensional Poverty Index—A Progress Review 2023', NITI Aayog, Government of India, 2023, available at <https://www.niti.gov.in/sites/default/files/2023-07/National-Multidimensional-Poverty-Index-2023-Final-17th-July.pdf>, accessed on 6 September 2024.
11. Ibid.
12. 'National Education Policy 2020', Ministry of Education, Government of India, 2020, available at <https://www.education.gov.in/nep/about-nep>.

13. 'Annual Status of Education Report (ASER) 2023: Main Findings', Pratham Foundation, 2023, p. 35.
14. 'India Employment Report 2024: Youth Employment, Education and Skills', International Labour Organization, 2024, available at <https://www.ilo.org/publications/india-employment-report-2024-youth-employment-education-and-skills>.
15. L. Chancel, T. Piketty, E. Saez and G. Zucman, 'World Inequality Report 2022', World Inequality Lab, 2021, available at https://wir2022.wid.world/www-site/uploads/2021/12/WorldInequalityReport2022_Full_Report.pdf.
16. A. Banerjee, A. Gethin and T. Piketty, 'Growing Cleavages in India? Evidence from the Changing Structure of Electorates, 1962–2014', *Economic & Political Weekly*, Vol. IIV, No. 11, 2019, pp. 34–35, available at <http://piketty.pse.ens.fr/files/BanerjeeGethinPiketty2019EPW.pdf>.