

INDIAN ECONOMY

AND ISSUES RELATING TO PLANNING,
MOBILIZATION OF RESOURCES, GROWTH,
DEVELOPMENT AND EMPLOYMENT



TOPIC-1-Indian Economy And Issues Relating To Planning, Mobilization Of Resources, Growth, Development And Employment.

SECTION 1: Introduction – The Indian Economy in Transition: From Scarcity to Strategy

The real test of economic policy is not just in producing growth, but in producing growth that sustains, empowers, and includes.”

— Dr. Raghuram Rajan

“India doesn’t need faster growth alone—it needs deeper, fairer, and greener growth.”

— Dr. Jean Drèze

The Indian economy, since independence, has moved through phases of **resource-scarcity socialism**, **liberalisation-led expansion**, and now a **resilience-oriented strategy**, navigating complex challenges such as **technological disruption, climate change, global supply chain shifts, and rising inequality**. As the **5th largest economy (2025)**, India’s ambitions now transcend GDP numbers—towards becoming a **sustainable, inclusive, and employment-rich \$5 trillion economy**.

However, this transition is not linear. India must simultaneously solve what economists call the **“Triple Deficit Challenge”**:

- **Resource Deficit** (tax mobilisation, credit access)
- **Capabilities Deficit** (human capital, skilling)
- **Employment Deficit** (quantity and quality of jobs)

The Indian economic model is now at a critical inflection point—where **planning has shifted from control to convergence, resource mobilisation must align with social equity, growth must prioritise sustainability, and development must guarantee dignity**.

1.1 The Long Arc of India’s Economic Transformation

India’s economic trajectory from independence to 2025 can be broadly categorized into three distinctive phases: **Centralized Planning, Economic Liberalization**, and the ongoing era of **Strategic Governance**.

(1) Era of Centralized Planning (1951–1990): Building Foundations through State Intervention

Post-independence, India embraced a socialist-inspired model focusing on centralized economic planning through the **Planning Commission** and its successive Five-Year Plans.

- **Strategic Objectives:**
 - Attaining **self-reliance** in agriculture and heavy industries.
 - Infrastructure expansion through extensive public-sector investments.
- **Key Achievements:**
 - **Industrial Base Creation:** Establishment of major public-sector enterprises such as **Steel Authority of India Ltd (SAIL), Bharat Heavy Electricals Ltd (BHEL), and Oil and Natural Gas Corporation (ONGC)**.
 - **Agricultural Revolution:** The **Green Revolution** (late 1960s) significantly boosted agricultural productivity. India’s food grain production rose from approximately **50 million tonnes** in the early 1950s to over **170 million tonnes** by the late 1980s, ensuring food security.
 - **Infrastructure Development:** Iconic projects such as the **Bhakra-Nangal Dam**, steel plants at **Bhilai, Rourkela, and Durgapur**, and a nationwide network of irrigation canals established crucial economic infrastructure.
- **Challenges and Shortcomings:**
 - **License-Permit Raj:** Excessive bureaucratic controls hampered entrepreneurial activity, restricting GDP growth to the **“Hindu rate of growth” (~3.5%)**.

- **Fiscal Deficits:** Rising subsidies and inefficiencies of public enterprises created persistent fiscal pressures.
- **Regional Disparities:** Development remained concentrated in select regions, leaving states like Bihar, Odisha, and UP significantly behind in socio-economic indicators.

Plan No.	Period	Main Objectives / Focus	Growth Target (%)	Actual Growth (%)
1st	1951–1956	Agriculture, price stability, power and transport	2.1	3.6
2nd	1956–1961	Industrialization, especially heavy industries (Nehru-Mahalanobis Model)	4.5	4.2
3rd	1961–1966	Self-reliant and self-generating economy	5.6	2.8
Plan Holiday	1966–1969	Due to war and drought, three annual plans were implemented	—	—
4th	1969–1974	Growth with stability and progressive achievement of self-reliance	5.7	3.3
5th	1974–1979	Removal of poverty (Garibi Hatao), self-reliance	4.4	4.8
Rolling Plan	1978–1980	Replaced 5th Plan (Janata Govt); later discarded	—	—
6th	1980–1985	Poverty eradication, technological self-reliance	5.2	5.7
7th	1985–1990	Modernization, social justice, productivity	5.0	6.0
Annual Plans	1990–1992	Due to economic crisis and political instability	—	—

Plan No.	Period	Main Objectives / Focus	Growth Target (%)	Actual Growth (%)
8th	1992–1997	Human resource development, liberalization reforms	5.6	6.8
9th	1997–2002	Growth with social justice and equity	6.5	5.5
10th	2002–2007	Faster, more inclusive growth; doubling per capita income	8.0	7.7
11th	2007–2012	Inclusive and sustainable growth	9.0	8.0
12th	2012–2017	Faster, sustainable, and more inclusive growth	8.0	7.5 (approx)

(2) Liberalization and Globalization (1991–2014): Unlocking Market Potential

India underwent a paradigm shift with economic liberalization reforms in 1991, marked by deregulation, privatization, and globalization.

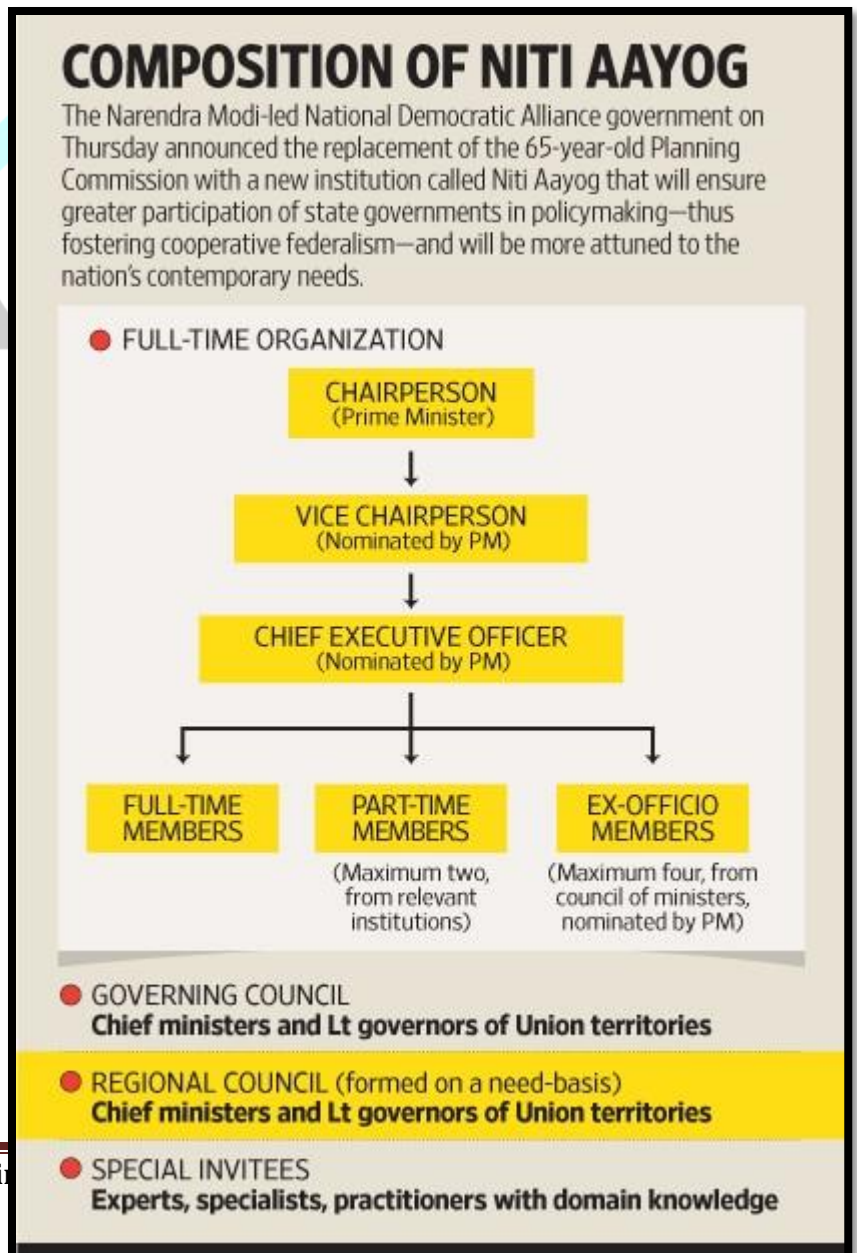
- **Strategic Objectives:**
 - Reducing government intervention and promoting market-driven economic growth.
 - Encouraging foreign investment, technological inflow, and private sector participation.
- **Key Achievements:**
 - **Robust GDP Growth:** Economic growth surged to an average of **7–8% annually** during 2003–08, driven by sectors like IT, telecom, pharmaceuticals, and automotive industries.
 - **Rise of Services Sector:** India's IT sector became globally prominent, with companies like **Infosys, Tata Consultancy Services (TCS), and Wipro** leading global outsourcing markets.
 - **Poverty Reduction:** Poverty (as per Tendulkar Committee Methodology) reduced significantly from approximately **45% (1993–94)** to around **22% (2011–12)**.
 - **Infrastructure Development:** Public-Private Partnerships (PPPs) initiated under the **National Highway Development Programme (NHDP)** and modernization of airports (Delhi, Mumbai).
- **Persistent Issues and Challenges:**
 - **Rising Inequality:** Wealth disparities widened significantly, with the top **1% population holding nearly 58% of India's wealth** by 2014 (Oxfam India report).
 - **Neglect of Agriculture:** Agricultural growth stagnated, creating deep rural distress despite overall GDP improvements.

- **Environmental Concerns:** Accelerated growth led to increased pollution and ecological degradation, especially in urban areas.
- **Global Best Practices (Relevant during this phase):**
 - **China's Special Economic Zones (SEZs):** India adopted similar concepts (SEZ Act 2005), but outcomes were mixed due to policy inconsistencies.
 - **South Korea's Chaebol Model:** Encouraging large industrial conglomerates for accelerated growth—partially inspired India's conglomerates such as Tata, Reliance, and Adani groups.

(3) Strategic Governance and Digital Revolution (2015–Present): Towards Inclusive and Sustainable Growth

With the establishment of **NITI Aayog in 2015**, India's planning shifted from centralized allocation towards decentralized, data-driven strategic planning, innovation, and cooperative federalism.

- **Strategic Objectives:**
 - Promoting **inclusive growth, sustainable development, and digital transformation.**
 - Enhancing cooperative federalism and competitive governance at state and district levels.
- **Key Achievements (as of 2025):**
 - **Digital Revolution:** Phenomenal success of **India Stack (Aadhaar, UPI, DigiLocker)** with monthly UPI transactions crossing **1100 crore in 2025 (NPCI)**, making India a global fintech leader.
 - **Aspirational Districts Programme (ADP):** Notable improvement in health and education indicators, especially in backward districts like **Shravasti (UP)** and **Simdega (Jharkhand)**, which saw around **25–30% improvement in key SDG parameters.**
 - **Infrastructure Integration (PM Gati Shakti):** Digital platforms integrating multimodal logistics, significantly reducing logistics costs from around **14% of GDP (2015) to 10% by 2025.**
- **Ongoing Challenges:**
 - **Employment Concerns:** Despite growth, unemployment rate remains high at approximately **7.8% (CMIE, 2025)**, with youth



- unemployment particularly severe at around **17%**.
- **Fiscal Sustainability:** India's fiscal deficit estimated around **5.9% of GDP (2024-25)**, necessitating urgent tax reforms and fiscal consolidation measures.
- **Regional Imbalances:** Severe income disparities continue
- **Best Practices (National & Global):**
 - **Kerala's Decentralized Planning Model:** Kerala's People's Plan Campaign, which channels around **40% of state's plan budget** directly to local bodies for tailored development.
 - **Singapore's Digital Economy Model:** Comprehensive digital transformation, smart cities integration, and digital governance serve as global benchmarks for India's Digital India and Smart Cities Mission.
 - **Germany's Vocational Training Model:** Dual vocational education system offering simultaneous on-job training and classroom education, aligning skills with market needs, influencing India's Skill India initiatives.
- **Committee Recommendations:**
 - **15th Finance Commission (2020-2025):** Recommended greater fiscal incentives for states meeting Sustainable Development Goals (SDGs), emphasizing outcome-oriented federal financial transfers.
 - **Kelkar Task Force on Fiscal Responsibility:** Suggested widening the direct tax base through digitization of land and property records.
 - **NITI Aayog Expert Panels (2020, chaired by Rajiv Kumar):** Recommended creation of specialized planning and evaluation cadres at state and district levels for efficient decentralized planning.

NITI AAYOG VS PLANNING COMMISSION

Parameters	NITI Aayog	Planning Commission
Function	NITI Aayog has not been given the mandate or powers to impose policies on States. NITI Aayog is basically a think-tank or an advisory body .	The Planning Commission had the power to impose policies on States and for the projects approved by the Planning Commission.
Allocation of Funds	The powers for allocation of funds have not been given to the NITI Aayog. The powers are with the Finance Ministry .	The Planning Commission had the power to allocate funds to the State Governments and various Central Government Ministries for various programmes and projects at National and State Levels.
Role of State Governments	In NITI Aayog, State Governments have to play a more proactive role .	State Governments did not have much role to play apart from taking part in the meetings. The State Government's role was confined to the National Development Council .
Governing Council	The Governing Council of NITI Aayog has Lieutenant Governors of Union Territories and State Chief Ministers .	The National Development Council had Lieutenant Governors and State Chief Ministers . Planning Commission had to report to the National Development Commission .
Constitutional Backing	NITI Aayog is an Executive Body as it is not mentioned in the Constitution of India, and it was not established by an Act of Parliament.	The now-defunct Planning Commission was also an Executive Body.

Conclusion: Setting the Stage for Detailed Economic Analysis

As India stands at an economic crossroads in 2025, it confronts the dual challenges of leveraging economic potential and addressing structural inequities. The subsequent sections of this detailed analysis will dive deeper into specific dimensions—economic planning evolution, resource mobilization challenges, sustainable and inclusive growth strategies, and employment generation—offering comprehensive insights for an effective policy framework.

Section 3: Mobilization of Resources – Fiscal, Financial, and Natural Capital for Sustained Development

Introduction: Mobilizing India's Economic Potential

"Resource mobilization is the backbone of sustainable growth; it is not merely about raising funds, but building capacities, managing sustainability, and ensuring equity." – Amartya Sen

Effective mobilization of resources—fiscal, financial, and natural—is essential for sustainable economic growth. As India seeks to transition from a middle-income to a developed economy, the critical challenge lies in mobilizing adequate resources to finance developmental goals, infrastructure expansion, human capital improvement, and ecological resilience. India's resource mobilization strategy must not only enhance economic capabilities but also ensure equity, ecological balance, and long-term sustainability.

3.1 Fiscal Resource Mobilization: Strengthening the Revenue Base

Strategic Importance and Current Scenario

Fiscal resources primarily comprise tax revenues (direct and indirect taxes), non-tax revenues, and disinvestment proceeds. India's tax-to-GDP ratio (~11.7% in 2025) remains lower than peer economies such as China (~19%), Brazil (~21%), indicating significant scope for improvement.

Major Initiatives and Achievements

- **Goods and Services Tax (GST):** Unification of indirect taxes; improved compliance through e-invoicing and simplified digital filing, increasing monthly GST collections averaging ₹1.6 lakh crore (2025).
- **Direct Tax Reforms:** Introduction of faceless assessment, digitized tax administration; income tax base increased from 5.6 crore taxpayers (2015) to over 9 crore by 2025.
- **Disinvestment and Monetization:** National Monetization Pipeline (NMP) mobilizing around ₹6 lakh crore (2021–2025) through monetization of infrastructure assets like highways, power grids, and airports.

Key Issues and Challenges

- **Narrow Direct Tax Base:** Only around 1.5% of Indians pay income tax; high dependency on indirect taxes, disproportionately affecting lower-income groups.
- **Fiscal Federalism Strains:** States facing reduced financial autonomy post-GST; delayed GST compensations impacting fiscal management of states like Punjab, Kerala, and West Bengal.
- **High Fiscal Deficit:** Fiscal deficit at 5.9% of GDP (2024–25), challenging India's fiscal prudence and raising debt sustainability concerns.

Best Practices: Global and National

- **Brazil's Progressive Taxation Model:** Successfully widened the tax net, ensuring higher contribution from wealthy segments through progressive taxation.
- **United Kingdom's Digital Tax Administration:** HMRC's digitized tax filing system significantly reduced tax evasion and improved compliance, a model for India's digitized tax reforms.
- **Tamil Nadu's Revenue Management:** Efficient digital tax collection and monitoring system resulted in consistently high revenue collections at state level.

3.2 Financial Resource Mobilization: Deepening Financial Markets

Strategic Importance and Current Scenario (2025)

Efficient financial resource mobilization involves raising domestic savings, expanding capital markets, and ensuring affordable credit for businesses, particularly MSMEs. By 2025, India's Gross Domestic Savings reached ~30% of GDP; Mutual Funds' Assets Under Management (AUM) surpassed ₹52 lakh crore.

Major Initiatives and Achievements

- **Financial Inclusion (Jan Dhan Yojana):** 51 crore bank accounts opened by 2025, with women accounting for 56%, promoting financial inclusion and reducing leakages through Direct Benefit Transfers (DBTs).
- **Digital Payments Revolution:** Unified Payments Interface (UPI) transactions exceeding 1100 crore monthly by 2025, significantly boosting financial inclusion and formalization of the economy.
- **Startup and SME Funding Ecosystem:** Significant expansion through government initiatives like Startup India and Atal Innovation Mission; India hosts 110 unicorns as of 2025, attracting substantial foreign investments (~\$85 billion annually).

Key Issues and Challenges

- **Credit Gap for MSMEs:** MSMEs face credit gap exceeding ₹20 lakh crore (SIDBI, 2024) due to inadequate collateral and limited formal credit accessibility.
- **Rural Financial Access:** Limited penetration of formal financial instruments; only around 18% marginal farmers have significant credit access through Kisan Credit Cards (KCC).
- **Shadow Banking and NPAs:** Rising stress in NBFC sector, with shadow banking sector liabilities exceeding ₹10 lakh crore by 2025, posing financial stability concerns.

Best Practices: Global and National

- **Germany's KfW Bank Model:** Offers targeted, subsidized credit for SMEs, crucial for India's MSME sector finance strategies.
- **South Korea's Digital Financial Inclusion:** Comprehensive digital financial platforms promoting universal financial access, informing India's digital financial inclusion efforts.
- **UP's One District One Product (ODOP):** Successfully integrated rural artisans and MSMEs into formal financial systems and markets, offering a replicable national model.

3.3 Natural Resource Mobilization: Balancing Exploitation with Sustainability

Strategic Importance and Current Scenario (2025)

India's rich natural resources—minerals, forests, biodiversity—provide enormous economic potential. Sustainable utilization and equitable distribution remain critical for inclusive and balanced economic growth.

Major Initiatives and Achievements

- **PM-KUSUM Scheme:** Promoted solar energy in agriculture, reducing dependency on fossil fuels; installation of around 35 lakh solar pumps by 2025.
- **Forest Rights Act Implementation:** Approximately 50% of land claims settled nationally by 2024, empowering tribal communities.
- **National Biofuel Policy (2022):** Enhanced blending rates of biofuels (ethanol blending achieving ~20% by 2025), reducing import dependency and emissions.

Key Issues and Challenges

- **Ecological Degradation:** Continued illegal mining (sand, coal, minerals) resulting in ecological damage, soil erosion, and biodiversity loss, particularly in Jharkhand, Odisha, Chhattisgarh.
- **Unequal Benefit Sharing:** Local and tribal populations remain marginalized from revenue generated by natural resources, leading to socio-economic disparities.

- **Water and Land Stress:** Severe water scarcity issues (Marathwada, Bundelkhand); unsustainable agriculture practices further straining resources.

Best Practices: Global and National

- **Indonesia's Community Forest Management:** Effective local participation and revenue-sharing in forest management, enhancing community livelihoods.
- **Ghana's Mineral Revenue Management:** Sovereign Wealth Fund ensuring equitable benefit-sharing from mineral resources, a model India can replicate.
- **Maharashtra's Jaluyukt Shivar Abhiyan:** Localized water conservation initiative successfully improving groundwater levels and agricultural productivity.

3.4 Expert Committee Recommendations for Effective Resource Mobilization

- **Kelkar Committee:** Recommended widening tax base via digitization of land records, property transactions, and urban GIS mapping.
- **Rangarajan Committee (2014):** Suggested reforms in poverty measurement and integrating capability enhancement strategies with resource allocation.
- **15th Finance Commission:** Advocated fiscal transfers tied to SDG achievements and ecological conservation to incentivize states towards sustainable resource utilization.

Conclusion of Section 3:

For India to achieve its vision of sustainable and equitable development, efficient mobilization of fiscal, financial, and natural resources is essential. Emulating global best practices and implementing committee recommendations can effectively address existing challenges

Section 4: Growth and Development – Dimensions, Disparities, and Sustainability

Introduction: Bridging Economic Growth with Human Development

"Development is about transforming the lives of people, not just transforming economies. True progress lies not merely in economic wealth, but in how equitably it is distributed." – Mahbub ul Haq

Economic growth and human development are interlinked yet distinct objectives. While India's GDP growth signifies quantitative economic expansion, development involves qualitative improvements in human well-being, social equity, environmental sustainability, and overall quality of life. India, in 2025, faces the critical challenge of ensuring that impressive economic growth translates into meaningful and equitable human development, addressing deep-rooted regional and social disparities.

4.1 Conceptual Understanding: Growth vs Development

- **Economic Growth:** Primarily measured by GDP expansion; India's GDP in 2025 (~\$4 trillion, fifth-largest globally) indicates quantitative success.

- Human Development:** Multidimensional improvements including education, healthcare, nutrition, gender equality, and environmental sustainability. India's Human Development Index (HDI) rank was 128 out of 191 countries in 2024 (UNDP HDI report), indicating significant scope for improvement.

Growth	Development
Growth refers to increase in size or other bodily changes which can be seen.	Development refers to the outcome of functioning of organs.
Growth is external in nature	Development is internal in nature and we can only feel it.
Growth refers to a particular part of the body	Development implies on the body as whole
Growth is quantitative in nature	Development is qualitative in nature
Growth is limited and stops at certain level of maturity	Development is a lifelong process from womb to tomb

Global Best Practices:

- Norway’s Human Development Model:** Consistently top-ranked in HDI due to robust social safety nets, equitable resource distribution, and gender parity policies.
- Bhutan’s Gross National Happiness Index:** Integrating non-economic factors such as psychological well-being, ecological sustainability, and cultural resilience.

4.2 Inclusive Growth: Dimensions and Disparities in India

Key Dimensions of Inclusive Growth:

- Regional Equity:** Equitable distribution of growth benefits across diverse regions (e.g., balancing Bihar’s per capita income of ₹43,800 against Maharashtra’s ₹2.1 lakh).
- Social Inclusion:** Ensuring marginalized communities (SC/ST, women, minorities) gain equitable access to resources, opportunities, and services.

Major Initiatives and Achievements:

- Aspirational Districts Programme (ADP):** Targeted interventions in 112 backward districts improved health and education parameters significantly; districts like Shravasti (UP) witnessed up to 30% improvement in school enrolment and immunization coverage.
- PM Awas Yojana and Ujjwala Yojana:** Enhanced housing and clean cooking fuel accessibility for marginalized sections, reducing multidimensional poverty.
- Jal Jeevan Mission (JJM):** Expanded piped water supply, covering around 13.4 crore rural households by 2025, improving rural living standards.

Persisting Challenges:

- Urban-Rural Divide:** Persistent disparity in infrastructure, healthcare, education, and digital access.

- **Gender Gap:** Low Female Labour Force Participation (23.5%), highlighting ongoing gender inequality and economic exclusion.

National Best Practices:

- **Kerala's Kudumbashree Programme:** Successfully mobilized women's Self-Help Groups (SHGs), fostering inclusive rural entrepreneurship.
- **Odisha's KALIA Scheme:** Enhanced farmers' incomes and financial security through targeted cash transfers, reducing rural distress.

4.3 Sustainable Development: Balancing Economic Ambition with Ecological Integrity

India's economic trajectory must be balanced against ecological realities, requiring sustainable utilization of natural resources and addressing climate change vulnerabilities.

Strategic Objectives:

- Transition to low-carbon economic pathways.
- Ensuring environmental conservation while driving economic growth.

Major Initiatives and Achievements:

- **Renewable Energy Expansion:** Installed renewable capacity crossed 175 GW by 2023, progressing towards 500 GW target by 2030 (International Solar Alliance, 2025).
- **National Mission for Clean Ganga (NMCG):** Improved water quality in river Ganga through extensive sewage treatment and biodiversity conservation measures.
- **PM-KUSUM Scheme:** Promoted solar-powered irrigation, reducing fossil fuel dependence and supporting sustainable agriculture.

Ongoing Challenges:

- **Climate Vulnerability:** Increasing frequency of climate-induced disasters (2024 Himachal Pradesh floods causing ₹1500 crore damages), highlighting inadequate climate resilience.
- **Water Stress:** Severe groundwater depletion in regions like Punjab, Haryana, and Marathwada due to unsustainable agricultural practices.

Global Best Practices:

- **Denmark's Green Transition:** Successfully transitioned to renewable energy (50% renewable energy use by 2030), providing a model for India's energy transition.
- **Costa Rica's Biodiversity Conservation:** Comprehensive protection of biodiversity while promoting eco-tourism and sustainable agriculture.

4.4 Committee Recommendations for Equitable and Sustainable Development

- **Rangarajan Committee (Poverty Estimation):** Recommended multidimensional poverty assessment, advocating integration of health, education, and asset ownership into development metrics.
- **NITI Aayog's Strategy for New India @75:** Emphasized balanced regional growth, digital governance, and improved social infrastructure (education, healthcare).
- **15th Finance Commission (2020-25):** Advised linking central transfers to states' performance on sustainable development goals (SDGs) to incentivize inclusive and sustainable growth.

Conclusion of Section 4:

India's pursuit of growth must transition from mere economic expansion towards holistic, inclusive, and sustainable development. Addressing regional imbalances, ensuring social equity, and achieving ecological sustainability are paramount. Global benchmarks and national best practices, combined with strategic policy recommendations, offer robust frameworks to guide India towards genuinely inclusive development.

Section 5: Employment – Structure, Challenges, and Emerging Trends

Introduction: Employment as the Pillar of Inclusive Prosperity

"Jobs are the cornerstone of a thriving economy; not just numbers, but meaningful livelihoods define a nation's true economic health."

Employment generation remains India's critical economic challenge in 2025. Despite robust economic growth, the Indian labour market struggles with the paradox of jobless growth, marked by persistently high unemployment, significant underemployment, and widespread informality. To achieve sustained inclusive development, India must not only create more jobs but also enhance job quality, skill relevance, and inclusivity, ensuring equitable opportunities for its burgeoning youth population, women, and marginalized communities.

5.1 Structure of Employment in India – Formal vs Informal Divide

Current Scenario and Dynamics (2025):

- India's labour force comprises approximately **52 crore individuals**, with around **92% engaged in informal employment**. Formal sector employment accounts for merely **8%**, limiting economic stability and social security access.
- Sectors such as agriculture, construction, retail, and informal services dominate employment, characterized by low wages, poor working conditions, and minimal social protection.

Key Initiatives and Achievements:

- **e-Shram Portal (2021–25)**: Registered over **35 crore informal workers** by 2025, enabling targeted welfare schemes like accident insurance, pensions, and health benefits.
- **PM Rozgar Protsahan Yojana (PMRPY)**: Encouraged formalization by subsidizing employers' Provident Fund contributions, benefiting approximately **2 crore workers** as of 2025.

Critical Challenges:

- Persistent informality limiting economic resilience and labour productivity.
- Limited social security coverage, with less than **15% informal workers** accessing structured social protection.

Global Best Practices:

- **Germany's Mini-Job Model**: Provides social protection to part-time and informal workers through state-supported contributions.
- **Brazil's SIMPLES System**: Facilitates formalization of small businesses, significantly reducing informality.

5.2 Jobless Growth and Underemployment – India's Persistent Economic Paradox

Current Employment Trends (2025):

- Overall unemployment rate approximately **7.8%** (CMIE, 2025), with acute youth unemployment (~17%) and underemployment significantly high in rural areas.
- Job creation rate unable to keep pace with India's annual addition of nearly **1 crore** new entrants to the labour market.

Sectoral Analysis:

- Decline in manufacturing jobs due to automation; e.g., automotive manufacturing in Tamil Nadu and Maharashtra increasingly adopting robotics, reducing manual employment.
- Limited employment elasticity in rapidly growing sectors like IT and finance, leading to skewed benefits of growth.

National and State-Level Initiatives:

- **One District One Product (ODOP), UP**: Successfully created over **6 lakh** direct and indirect jobs by integrating local MSMEs into global supply chains.
- **Atal Innovation Mission (AIM)**: Fostered innovation and startups, creating substantial indirect employment through over **10,000 Atal Tinkering Labs** and hundreds of incubation centers nationwide.

Critical Challenges:

- Mismatch between education/skill systems and labour market demands; India Skills Report (2025) indicates only **47%** of graduates possess employable skills.
- Automation and digital disruption leading to significant job displacement, particularly affecting traditional manufacturing and clerical roles.

Global Best Practices:

- **Germany's Dual Vocational Training System:** Combines practical apprenticeship with theoretical education, ensuring strong alignment between skill development and market requirements.
- **Singapore's SkillsFuture Initiative:** Lifelong learning approach providing skill upgradation support throughout career paths.

5.3 Gig Economy and Platform-Based Employment – New Opportunities and Challenges**Current Scenario and Dynamics (2025):**

- Rapid expansion of gig economy, estimated **80 lakh gig workers** in India (NITI Aayog, 2025) employed through platforms like Zomato, Swiggy, Uber, Ola, Urban Company.
- Provides flexible employment opportunities but raises issues of job security, labour rights, and regulatory uncertainty.

Major Initiatives and Policy Responses:

- **Rajasthan's Gig Workers Welfare Act (2023):** First state-level law providing social security and grievance redressal mechanisms for gig workers.
- Central government drafting **National Gig Workers Policy (2025):** aiming to extend social security and basic rights to gig and platform workers.

Challenges:

- Lack of standardized regulations on working hours, minimum wages, insurance coverage, and employment conditions.
- Platform algorithms lack transparency, leading to unfair treatment of gig workers.

Global Best Practices:

- **California's AB5 Law:** Classified gig workers as employees, ensuring minimum wage, health insurance, and protection under labour laws.
- **EU's Gig Economy Directive:** Proposed standardized protections for gig workers, promoting fair employment conditions.

5.4 Low Female Labour Force Participation (FLFP) – India's Gendered Economic Challenge**Current Scenario (2025):**

- FLFP rate alarmingly low at **23.5%** (Periodic Labour Force Survey, 2024), among the lowest globally. Economic participation of women remains constrained by social norms, safety concerns, and lack of employment opportunities.

Key Initiatives and Achievements:

- **National Rural Livelihood Mission (NRLM):** Mobilized over **8 crore women** into Self-Help Groups, facilitating entrepreneurship and rural employment.
- **Pradhan Mantri Mahila Shakti Kendra (PMMSK):** Expanded skill training and entrepreneurship support centers nationwide, enhancing women's economic participation.

Critical Challenges:

- Persistent social and cultural barriers limiting women's entry into workforce, exacerbated by inadequate workplace safety measures and limited childcare infrastructure.

- Significant wage disparities (gender pay gap ~27%) discouraging sustained female workforce participation.

Best Practices:

- **Bangladesh's Garment Industry Model:** Successfully employed millions of women, significantly improving female labour participation and economic empowerment.
- **Sweden's Gender-Inclusive Policies:** Comprehensive childcare, parental leave policies, and flexible work arrangements substantially increasing FLFP.

5.5 Recommendations from Expert Committees for Effective Employment Generation

- **National Employment Policy (proposed by Economic Survey 2023):** Suggested creation of integrated employment strategies across sectors, promoting formalization and quality job creation.
- **NITI Aayog Panel (Rajiv Kumar, 2020):** Recommended strengthening vocational education and skill training infrastructure aligned with labour market demands.
- **Standing Committee on Labour (2024):** Advocated comprehensive social security and rights protection legislation for gig and informal workers.

Conclusion of Section 5:

Addressing India's employment challenges necessitates holistic strategies that enhance not just job quantity but job quality, inclusivity, and sustainability. Leveraging global best practices, effectively implementing expert recommendations, and fostering skill alignment with labour market demands remain crucial steps towards meaningful employment generation.

Section 6: Structural Interlinkages and Policy Bottlenecks – Unlocking India's Economic Potential

Introduction: The Web of Economic Complexity

"An economy cannot flourish merely by excelling in isolated sectors; true prosperity lies in the harmonious interplay of growth, resources, employment, and sustainability." –

India's economic ecosystem is characterized by deep interlinkages between planning, resource mobilization, growth dynamics, and employment generation. While each area is critical individually, the complex interplay among them creates structural bottlenecks hindering optimal outcomes. Recognizing and resolving these bottlenecks through integrated policy reforms is imperative to unlocking India's full economic potential, fostering inclusive growth, and achieving sustainable development goals.

6.1 Fiscal Constraints and Resource Mobilization Bottlenecks

Structural Interlinkages and Current Scenario:

- Fiscal health significantly influences investment capacity in infrastructure, social sectors, and employment generation. India's fiscal deficit at **5.9% of GDP (2024–25)** places limits on developmental spending, crowding out investments essential for long-term growth.
- Low tax-to-GDP ratio (**~11.7% in 2025**) further restricts government's fiscal space, impacting resource mobilization for critical sectors like healthcare, education, and rural development.

Key Policy Bottlenecks:

- **Narrow Tax Base:** India's direct taxpayer base remains at around **1.5% of the population**. Excessive dependence on indirect taxation (GST, fuel taxes) disproportionately burdens lower-income groups.
- **GST and Federal Tensions:** Delayed GST compensations strain state finances, particularly in resource-scarce states like Punjab, Kerala, Jharkhand, affecting their capacity to undertake meaningful development projects.

Global and National Best Practices:

- **Brazil's Progressive Taxation:** Successfully broadened direct tax base through digital record-keeping and progressive taxation policies, significantly enhancing fiscal revenues.

- **UK's Digital Tax Administration:** Advanced digital tax collection improving compliance, reducing evasion—an effective model for India's ongoing digitization efforts.

6.2 Employment and Economic Growth Nexus: The Jobless Growth Conundrum

Structural Interlinkages and Current Scenario:

- Economic growth in India (GDP ~6.8% in 2025) not sufficiently translating into robust employment generation; overall unemployment remains high at around **7.8%**.
- Rapid economic expansion primarily in high-skilled sectors like IT, fintech, and pharmaceuticals, while labour-intensive sectors (manufacturing, agriculture, MSMEs) face sluggish employment growth, increasing structural unemployment.

Key Policy Bottlenecks:

- **Skill and Job Mismatch:** Approximately **47%** of Indian graduates are employable according to the India Skills Report 2025, indicating significant gaps in skill alignment with market demands.
- **Rigid Labour Laws:** Complex labour regulations continue to discourage formal employment, incentivizing employers towards informal or contractual employment.

Global and National Best Practices:

- **Germany's Dual Vocational Education:** Directly aligns education and vocational training with labour market requirements, significantly reducing structural unemployment.
- **Singapore's SkillsFuture Programme:** Lifelong learning and skill adaptation initiative, maintaining relevance of workforce skills amidst rapid technological shifts.

6.3 Ecological Sustainability and Economic Ambition: The Climate Growth Paradox

Structural Interlinkages and Current Scenario:

- Aggressive economic growth often pursued without adequate ecological safeguards, exacerbating India's vulnerability to climate risks—evident in rising frequency of ecological disasters (Himachal Pradesh floods in 2024 causing ₹1500 crore damage).
- Continued dependence on fossil fuels (coal-based energy production) despite ambitious renewable energy targets (175 GW achieved by 2023, targeting 500 GW by 2030).

Key Policy Bottlenecks:

- **Unsustainable Resource Extraction:** Rampant illegal mining (coal, sand, minerals) in Jharkhand, Odisha, Karnataka causing severe ecological damage, negatively impacting local communities.
- **Weak Enforcement of Environmental Laws:** Limited regulatory enforcement mechanisms exacerbating ecological degradation and climate vulnerability.

Global and National Best Practices:

- **Denmark's Green Transition Model:** Achieved significant renewable energy adoption (50% renewable energy by 2030), balancing economic growth and ecological sustainability effectively.
- **Costa Rica's Eco-Tourism and Conservation Strategy:** Successfully combined biodiversity conservation with economic incentives for local communities.

6.4 Regional Disparities and Planning Gaps: Persistent Development Divide

Structural Interlinkages and Current Scenario:

- Despite national economic growth, regional disparities persist, exemplified by wide gaps in per capita incomes (Bihar at ₹43,800 vs Maharashtra ₹2.1 lakh in 2025).
- Decentralized planning capacity remains weak; less than 50% of districts maintain updated SDG monitoring dashboards.

Key Policy Bottlenecks:

- **Weak Decentralized Planning Capacities:** Limited technical capacities at local and district levels undermine effective decentralized governance and targeted interventions.

- **Fragmented Implementation of Schemes:** Overlapping welfare programmes across ministries causing inefficiencies, resource wastage, and suboptimal outcomes.

Global and National Best Practices:

- **Kerala's People's Plan Campaign:** Robust decentralized planning model, channeling approximately 40% of state funds directly to local bodies, effectively addressing regional disparities.
- **Andhra Pradesh's Real-Time Governance (RTG) System:** Data-driven planning, real-time monitoring of welfare schemes, significantly enhancing policy effectiveness.

6.5 Recommendations from Expert Committees to Address Structural Bottlenecks

- **15th Finance Commission Recommendations (2020–2025):**
 - Advised fiscal incentives for states linked to performance on SDGs, strengthening fiscal federalism and ecological sustainability.
- **Kelkar Task Force on Fiscal Responsibility:**
 - Recommended widening direct tax base through digital mapping and integrated property databases, reducing fiscal pressures.
- **Rajiv Kumar-led NITI Aayog Panel (2020):**
 - Suggested creating dedicated planning and evaluation cadres at state and district levels, addressing decentralized planning weaknesses.
- **Standing Committee on Labour (2024):**
 - Advocated for comprehensive labour reforms including simplified and inclusive labour regulations to boost formal employment generation.

Conclusion of Section 6:

Addressing structural interlinkages and policy bottlenecks is essential for India's holistic economic transformation. Integrated policy reforms, inspired by national and global best practices and guided by expert committee recommendations, hold the key to overcoming these entrenched challenges. By harmonizing fiscal responsibility, employment generation, ecological sustainability, and regional equity, India can ensure sustainable and inclusive economic prosperity.

Section 7: Structural Reforms – Roadmap to a Resilient and Inclusive Indian Economy

Introduction: Reforming for the Future, Not Just the Present

"Reforms are not about fixing the present alone—they are about preparing the nation for shocks, shifts, and opportunities yet to come." – Raghuram Rajan

India's economic potential is vast, but unlocking it requires deep, coordinated, and forward-looking reforms. Structural reforms refer to foundational policy and institutional changes that improve long-term efficiency, inclusiveness, and competitiveness of the economy. In 2025, India must go beyond incremental adjustments and embrace a broad reform agenda across taxation, labour, planning, governance, environment, and education to build a resilient and inclusive economy prepared for 21st-century disruptions.

7.1 Reforming Planning and Governance Architecture

Key Issues

- Absence of statutory powers for NITI Aayog reduces its authority to enforce long-term vision.
- Weak convergence and coordination among ministries and levels of government.
- District-level planning remains fragmented and under-capacitated.

Key Reforms

- Enact a **National Development Planning Act** to institutionalize long-term visioning and outcome-based governance.

- Strengthen **District Planning and Evaluation Units (DPEUs)** with professional planning cadres trained in data analytics, budgeting, and project evaluation.
- Implement **real-time, unified performance dashboards** across ministries for scheme convergence and results tracking.

Best Practices

- **Kerala's State Planning Board:** Empowered to integrate state schemes with national priorities through participatory processes.
- **Indonesia's BAPPENAS:** A statutory national planning body that links long-term planning with annual budgeting and regional development.

7.2 Fiscal Reforms – Strengthening Federal Finances and Tax Justice

Key Issues

- India's tax-to-GDP ratio remains stagnant around 11.7%.
- Over-reliance on indirect taxes disproportionately affects the poor.
- States struggle with debt burdens, revenue deficits, and dependency on central transfers.

Key Reforms

- Introduce **Direct Tax Code 2.0** to simplify tax laws and widen the base, reducing loopholes.
- Reconstruct GST architecture to ensure **timely compensation**, widen the base (e.g., include petroleum, real estate), and allow greater flexibility for states.
- Launch a **Green Development Cess** on luxury consumption and high-polluting sectors to fund climate-resilient infrastructure.

Committee Recommendations

- **Kelkar Committee:** Proposed an integrated digital property database to track wealth and widen the tax net.
- **15th Finance Commission:** Linked tax devolution to state-level SDG and ecological performance.

7.3 Labour and Employment Reforms – Creating a Future-Ready Workforce

Key Issues

- Fragmented skill development ecosystem and low employability.
- Informality dominates labour markets (~92% of total workforce).
- Regulatory uncertainty in the gig and platform economy.

Key Reforms

- Roll out the **National Employment Policy** to align labour demand and supply across sectors.
- Implement **portable social security architecture** for informal and gig workers (linked to Aadhaar and e-Shram).
- Integrate skilling with mainstream education through **National Apprenticeship Programmes** and industry-academia partnerships.

Best Practices

- **Germany's dual vocational training system:** Provides both classroom and workplace training with private sector involvement.
- **Singapore's SkillsFuture:** Offers modular, stackable lifelong learning credits to workers across age groups.

7.4 Ecological and Climate Reforms – Sustainability as Growth Strategy

Key Issues

- Rising frequency of climate disasters and ecological degradation.

- Low integration of sustainability into infrastructure and agriculture planning.

Key Reforms

- Introduce **Climate-Responsive District Plans** integrating disaster preparedness, water resilience, and green livelihoods.
- Scale-up **Payment for Ecosystem Services (PES)** in forested regions to reward conservation communities.
- Enforce **mandatory climate impact assessments** for all centrally sponsored schemes.

Best Practices

- **Costa Rica's PES model**: Pays local communities for reforestation and biodiversity protection.
- **European Union's Green Deal**: Integrates sustainability in all economic activity, including finance and industrial policy.

7.5 Reforming Data and Digital Public Infrastructure for Smart Governance

Key Issues

- Fragmented data collection, weak MIS systems at district and state levels.
- Lack of real-time, disaggregated data for monitoring and decision-making.

Key Reforms

- Establish **India Data Grid** integrating data from health, education, agriculture, labour, and social protection into one interoperable platform.
- Mandate **Outcome Budgeting Dashboards** in all ministries and departments with AI-assisted monitoring.

Best Practices

- **Estonia's e-Government Framework**: Interlinks databases of tax, health, social protection, education for real-time governance.
- **Tamil Nadu's Chief Minister Dashboard**: Tracks key departmental KPIs and delivery timelines in real time.

Conclusion of Section 7

Structural reforms are the foundation of India's economic transformation. As the country aspires to become a developed economy by 2047, reforms must be bold, inclusive, future-focused, and people-centric. Whether it is planning, fiscal management, employment generation, or ecological sustainability—coherent and systemic changes are essential to ensure a resilient, equitable, and competitive India.

Section 8: Conclusion – Towards a Human-Centric and Future-Ready Indian Economy

Introduction: Reimagining Economic Progress for the 21st Century

"The measure of a nation's success is not how much it grows, but how widely its people thrive."

India's economic journey from the shadows of colonial exploitation to becoming the world's fifth-largest economy is both remarkable and instructive. Yet, the story of 2025 is not merely about growth statistics—it is about the moral and strategic imperative of **inclusive, resilient, and sustainable development**. The complex interplay between planning, resource mobilization, equitable growth, employment generation, and structural bottlenecks defines the contours of India's economic future.

8.1 Key Takeaways from the Comprehensive Analysis

- **Planning** must evolve into a decentralized, data-driven, and outcome-oriented process guided by cooperative federalism and long-term national vision.
- **Resource Mobilization** requires deep fiscal reform, widening the tax base, and balancing economic ambition with environmental responsibility.
- **Growth and Development** must align—economic expansion should be complemented by investments in human capital, regional equity, and ecological resilience.

- **Employment** remains India's most urgent developmental challenge. Focus must shift from merely counting jobs to ensuring quality, formality, gender inclusion, and long-term social security.
- **Structural Bottlenecks** such as policy fragmentation, informality, and fiscal stress demand coordinated and systemic reforms grounded in local capacity and global learning.
- **Reforms** are not one-time events but a continuous process of updating institutions, laws, and delivery systems in sync with global shifts and domestic aspirations.

8.2 Vision Forward – India @2047

As India marches toward its centenary of independence, the vision of a **Viksit Bharat (Developed India)** must be anchored in the following pillars:

1. **Equity-Driven Planning**: Every policy must pass the test of whether it benefits the last person in the line—bridging regional, gender, and caste-based gaps.
2. **Green and Inclusive Growth**: India must be the global leader in showing how economic expansion can coexist with climate resilience and resource justice.
3. **Jobs with Dignity**: Employment must be dignified, formal, skill-intensive, and future-ready—blending flexibility with social security.
4. **Federal and Participatory Governance**: States, districts, and local institutions must have both the capacity and autonomy to shape their development.
5. **Technology for the People**: India's digital infrastructure must go beyond apps and platforms to become engines of governance, inclusion, and empowerment.

8.3 Final Reflection

India's economic destiny is not pre-written—it will be shaped by the choices we make today. The challenge is not just to grow faster, but to grow **fairer, greener, and deeper**. In doing so, India will not only rise as an economic powerhouse but also as a compassionate and forward-looking society, leaving no one behind.

Keywords -

Jobless Growth – Economic growth that does not generate proportional employment opportunities, especially in labour-intensive sectors. **Inclusive Development** – Growth that ensures equitable access to opportunities and benefits across regions, classes, castes, and genders. **Demographic Dividend** – Economic advantage arising from a young working-age population, provided it is productively employed. **Fiscal Federalism** – Division of financial powers and responsibilities between the Union and State governments to ensure balanced development. **Outcome-Based Planning** – Governance model that focuses on measurable results and public service delivery impact rather than just budget outlays. **Informal Economy** – The part of the economy not regulated or protected by the government, often lacking job security and social benefits. **Gig Economy** – A labour market characterized by short-term contracts or freelance work as opposed to permanent jobs. **Ecological Debt** – The cost a nation incurs when it overuses its natural resources or degrades its environmental capital. **Skill Mismatch** – A gap between the skills possessed by workers and those demanded by the labour market. **SDG-Linked Governance** – Aligning government planning and budgeting processes with Sustainable Development Goals. **Tax Buoyancy** – The responsiveness of tax revenue growth to increases in GDP; low buoyancy indicates structural issues in taxation. **Green GDP** – An index that adjusts traditional GDP by accounting for environmental degradation and resource depletion. **Structural Transformation** – The reallocation of economic activity across sectors (from agriculture to manufacturing and services), associated with productivity gains. **Participatory Planning** – Bottom-up planning process involving local stakeholders, institutions, and communities in decision-making. **Digital Public Infrastructure (DPI)** – Scalable digital systems (e.g., UPI, Aadhaar, DigiLocker) that enable inclusive delivery of public services.

Model Mains Question

Q. *India is experiencing high economic growth but remains plagued by persistent unemployment, informalisation, and regional inequality. Critically examine the structural causes behind this paradox. Suggest integrated reforms that can ensure inclusive and sustainable economic development.*

Answer Writing Strategy (Directive: Critically Examine)**Introduction:**

Begin with a quote or a striking fact (e.g., "India's GDP growth is among the top five globally, yet youth unemployment remains at 17% in 2025") and briefly introduce the growth-unemployment paradox.

Body:**Part A – Structural Issues:**

- Jobless growth and low employment elasticity
- High informality (~92% workforce)
- Skewed tax structure and limited fiscal space
- Regional disparity in infrastructure and education
- Climate shocks affecting agriculture and livelihoods

Part B – Reforms and Integrated Solutions:

- Strengthening district-level planning with statutory NITI Aayog
- Direct Tax Code, GST base widening, fiscal incentives for SDG-linked governance
- Universal skilling and apprenticeship model (Germany, Singapore)
- National Gig Workers Law and portable social security
- Climate-resilient infrastructure and Payment for Ecosystem Services

Conclusion:

Wrap up by asserting that *India's economic resilience in the 21st century will be measured not just by how much it grows, but by how many it includes, empowers, and sustains.*