

# Towards a Genuine and Inclusive 'Viksit Bharat'

## *Top 7 Suggestions on Making it Happen!*



**For women, the key employment challenge is to increase female labour force participation which has been dismally low in India for a very long time and now appears, unfortunately, to be stuck at one of the lowest levels in the world.**

On the income side, rather than the aggregate size of the economy which India's government and many of its citizens keep focusing on, it is her per capita income which is the much more important metric. On this, India does worse than her poor neighbour Bangladesh. Even Vietnam which had a paltry

GDP per capita of USD 200-300 per annum in 1984 which had increased 40 times to USD 3900 in constant terms by 2023, now comes out higher on this metric than India whose GDP per capita was USD 2239 in the same year.

Even if India were to significantly increase its per capita income dramatically between now and 2047, this metric, by itself, is an inadequate indicator of a country being "developed." The World Bank, in 2024, considers a country to be high-income if its nominal GDP per capita is more than USD 14,005. While some economists believe that a country's per capita GDP should be between USD 12-15,000 for a country to be considered 'developed,' others believe it should be considerably higher, at between USD 25-30,000. India is currently significantly below even the lower end of this range and has a long way to go before it can be considered "Viksit" even on this narrow income criteria.

There is much more to "developed" country status than increased GDP per capita. To claim genuine "developed" country status, a country will need to demonstrate not just that it has met the per capita income threshold, but that it has also undergone a much broader and far-reaching political, economic and institutional transformation leading to maturity in all these areas.

In India's case, a considerable amount will need to be achieved in the next two decades if it is to come anywhere close to achieving its 'Viksit Bharat' aspiration by 2047, the centenary year of its independence.

The seven key areas discussed below seek to encapsulate both the major socio-political and economic challenges that India currently faces as well as what it will need to do both in the short and longer-term, at a minimum, if it is to move close to its 'Viksit Bharat' aspiration. The first among these areas may be regarded as the fundamental bedrock on which everything else rests. The other six areas are all equally important.

### **Mainstreaming Democratic and Secular Values and Respect for Human Rights in the Public and Private Education System**

The primary and secondary education system in the country needs to be overhauled in fundamental ways. In terms of universal access, India's

by KAMAL MALHOTRA

**A**ll of us dream about living in a peaceful, respectful and inclusive society. What will it take to make this a reality during our lifetime? How do we measure how "developed" we are?

The conventional wisdom has thus far been to use narrow statistical terms indicating a country's aggregate GDP (eg. whether we are the world's fifth or third largest economy) or even per capita income. But the absolute size of an economy is no gauge of how developed she is. It may give her some market power but little else unless other much more important metrics are in her favour.



Right to Education Act (RTE), 2009 came into force on 1 April 2010 and guarantees free and compulsory education for children between the ages of 6 and 14 years. However, there is still a long way to go if this is to reflect the reality. To enable this, India needs to start by doubling its national public expenditure on education from the current 3% to 6% of GDP. While around 6.6% of GDP is currently spent on education overall, a notable trend over the past three decades has been that private expenditure on education has been growing much faster than public expenditure with the ratio of public to private expenditure having declined during this period. This trend needs urgent reversal if the RTE Act is to be realized in practice.

In this respect, the recent 2024-25 Budget announced by Finance Minister Nirmala Sitharaman was not a budget for 'Viksit Bharat.' It has no plan to mobilize public resources (Central government plus the public sector). The public investment to GDP ratio remains 3.6%, the same as last year and lower than in 2019. **(High on Rhetoric: This is Not a Budget for Viksit Bharat, Dr Rathin Roy, The Telegraph 24 July, 2024; [www.telegraphindia.com/opinion/high-on-rhetoric-this-is-not-a-budget-for-viksit-bharat/cid/2035830](http://www.telegraphindia.com/opinion/high-on-rhetoric-this-is-not-a-budget-for-viksit-bharat/cid/2035830)).**

Consistent with key parts of the preamble to the Constitution of India, the primary but especially the secondary education system should prioritize the teaching of a comprehensive understanding of genuine secularism embedded in religious pluralism. This should, from an early age, ingrain equal respect for all religions and those who follow no religious faith, in all children. Even more importantly, they should be shown what this means in practical terms.

The education system, from kindergarten and primary school, should also place a premium on inculcating and demonstrating in practice in the classroom, what having good moral values and integrity as well as a genuine commitment to equity and communal harmony mean in terms of daily behaviour. This can be done in many ways but should include prioritizing and exposing secondary school students, through in-depth study, to both the Constitution of India the UN Charter and



**India needs to start by doubling its national public expenditure on education from the current 3% to 6% of GDP. While around 6.6% of GDP is currently spent on education overall, a notable trend over the past three decades has been that private expenditure on education has been growing much faster than public expenditure.**

their obligations, also providing examples of what this means in practical terms.

Human Rights education based on the 1948 Universal Declaration of Human Rights and an emphasis on the universality and indivisibility of civil, political, economic, social and cultural rights should also be integrated into the primary and secondary school



**A comprehensive overhaul of India's primary and secondary education system to make it more employer and vocation friendly is long overdue. In this context, Internships and Apprenticeships should be made a Right for Youth under 25 years of age.**

curriculum across the country. Gender sensitivity and respect for all women and gender non-binary individuals should also constitute an integral part of the human rights education curriculum.

### **Education Geared to Formal Jobs and Increased Employability**

It should come as no surprise that the 2021 India Skills report stated that nearly half of India's graduates are unemployable.

A comprehensive overhaul of India's primary and secondary education system to make it more employer and vocation friendly is long overdue. In this context, Internships and Apprenticeships should be made a Right for Youth under 25 years of age. This is a short-term strategy which will require making the provision of internships or apprenticeships mandatory for all private and public sector employers, including micro, small and medium enterprises (MSMEs).

While the necessary legislation to enable this, the Apprenticeship Act, has existed since 1961 and the launch of the first phase of a National Apprenticeship Promotion Scheme in 2016 reinforced the intent of that legislation, its implementation was a failure. While central and state level public enterprises fulfilled their obligations, the private corporate sector as well as MSMEs have largely ignored it.

A 2022 ILO study concluded that while apprenticeships went up as a result of the 2016



Scheme, there were still only a little more than 0.5 million apprenticeships in a workforce of 580 million in India in 2022-23 (**Periodic Labour Force Survey**). This is miniscule compared with Germany which has a 46 million workforce with at least 6 million apprenticeships.

The new internship scheme announced in the recent 2024 Budget can be considered a small step in the right direction. However, even if it were fully implemented, its impact would be miniscule in relation to the magnitude of India's challenges in this area. Full implementation is unlikely because there is very little budgetary support (equivalent to only 5% of the annual pay of the proposed employees) to back the scheme and the outcomes with respect to skilling and jobs remain unspecified. Each of India's top 500 companies is expected to employ 4000 interns annually. This is unlikely to happen.

For women, the key employment challenge is to increase female labour force participation which has been dismally low in India for a very long time and now appears, unfortunately, to be stuck at one of the lowest levels in the world. The only increase in female participation in recent years has been in unpaid informal employment, primarily in home care and livestock rearing in rural areas. The ILO does not count this as employment, but the Government of India, departing from universally accepted practice, unfortunately does. The 2024-25 Budget has no plan to address this critical challenge except to "[set] up... working women[s] hostels" and "step up" schemes using a "saturation approach." (Roy, 2024)

The Right to Internships or Apprenticeships cannot succeed if corporate private industry and MSMEs are not placed center stage and made to fulfil their obligations under the Amendment. For this to happen, central and state Governments need to have effective monitoring and enforcement mechanisms to ensure that the private and public corporate sector and MSME comply with what is expected of them and put in adequate resources into their internship and apprenticeship programs which are designed well and implemented effectively.

There are well tested industry and employer demand led models such as the mature Germanic and Swiss ones which use the duality principle emphasizing simultaneous schooling and work experience.





These schemes can be used as models with the content of India's apprenticeship schemes adapted from them. Quality assurance systems will also need to be developed and implemented. These can be adapted and implemented relatively quickly in India on scale.

Such schemes will serve as an antidote to India's current supply driven education system which does not focus on employable skills, has no employer "connect," and has no mandatory requirement for internships or apprenticeships.

## Decent Jobs in Manufacturing, Services and the Public Sector

Credible research shows that India needs to create at least 115 million new jobs between 2024-2030. Indeed, the First Deputy Managing Director of the IMF, Dr Gita Gopalan, on a recent trip to India, put the higher end of her range at 148 million jobs by 2030. Of this daunting overall number, the country will need to create a minimum of 16.5 million jobs annually till 2030 (conservatively based on the lower 115 million figure, up from 12.4 million in the last decade). At least 10.4 million of these annual jobs will need to be in the formal sector. In this context, it is important to note that 1.5 million Indian engineers graduate every year. There were also 10.76 million college graduates in 2022, an increase of 1.67 million year-on-year.

How will such a large number of jobs be created so quickly? There are no easy or quick-fix answers given the structural nature of India's acute unemployment, underemployment, unemployability, informal unpaid employment and ill-suited employment challenges, (the 3 big 'U's and the two big 'T's).

The Government will need to have clear short, medium and long term holistic strategies and policies. These will need to comprehensively address the whole political economy of the country, through both the design of new policies, where needed, and the proper implementation of many existing relevant policies especially in education, science and technology, banking and finance, agriculture, manufacturing and the labour market.

History the world over has demonstrated that a country cannot generate sufficient decent jobs without a robust manufacturing sector,

centered especially in its micro, small and medium enterprises (MSMEs). Large capitalized industry and physical infrastructure projects generate relatively little employment. In fact, most non-farm employment outside the corporate sector in India is in MSMEs, most of which are unregistered enterprises in the unorganized sector which account for 85% of India's total enterprises.

A top priority for both the medium and long-term will be to provide MSMEs with all the support they need, starting but not stopping with access to credit. Given the scale and range of problem areas, the Government's MSME Udyam registration scheme launched in July 2020 falls far short of what is needed. At best, it only allows registration on a portal and does not deal with the systemic challenges facing this sector such as access to adequate and affordable credit for all MSMEs, access to markets, technology adoption, skills development and support for regulatory compliance, to name the most important.

India cannot have inclusive growth or an inclusive society without the healthy development of its MSME sector, especially its small and medium enterprises. Moreover, the Licensing, Inspection and Compliance requirements that all levels of government continue to impose on businesses is both onerous and creates corruption opportunities. These requirements disproportionately and most acutely affect those least equipped to bear the resulting burden—small and medium enterprises.





**India's health expenditure as a percentage of GDP was only 1.9% in 2023-24. This is below even the very modest and inadequate 2% target that has been in place since 2018 and considerably below the equally unambitious 2.5% of GDP 2025 goal indicated in the 2017 National Health Policy.**

## Judicial Independence and the Rule of Law

The Indian Constitution is clear about the three pillars of our democracy: the legislature, the executive and the judiciary, as well as on the need for each of these branches of governance to be independent of each other and to serve as effective checks and balances in the overall system of governance.

An independent and robust judiciary, led by the Supreme Court, headed by the Chief Justice of India, is a critical piece of the democratic governance and justice provision architecture in the country. Unfortunately, at various times, including at the current time, many parts of the judiciary, including the Supreme Court at times, have not lived up to their Constitutional mandate and the people's expectations. This has also been true of the legislature, especially over recent years. This has begun to change only quite recently, after the 2024 General Elections, but it is too premature to judge if this will be sustained.

In addition to rectifying their ineffectiveness as a genuine and consistent check on the executive in particular, it is urgent that the judiciary genuinely enforce the many good laws and legislations which already exist in a reasonable timeframe. Key principles such as treating the accused as innocent till they are



proven guilty (rather than the opposite as is the case in the Prevention of Money Laundering Act-PMLA) and ensuring that the process does not become the punishment are essential to immediately ensure if people are to regard India's justice system as credible and effective. This is not the case at present. There continue to be unacceptable, horrendous backlogs leading to far too many undertrials languishing in jail for years and even decades without trial. There can be no "Viksit Bharat" unless all these issues are appropriately addressed.

## Universal and Free Access to Primary Health

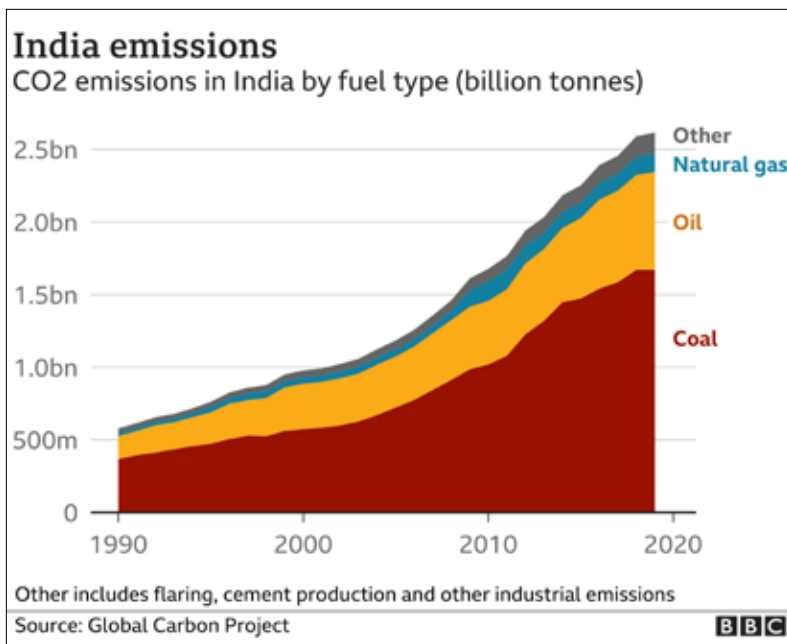
India's health expenditure as a percentage of GDP was only 1.9% in 2023-24. This is below even the very modest and inadequate 2% target that has been in place since 2018 and considerably below the equally unambitious 2.5% of GDP 2025 goal indicated in the 2017 National Health Policy. Total health expenditure in 2023-24 was an equally uninspiring 1.85% of total budget expenditure.

Ahead of the recent 2024-25 Budget announcement, experts from the Indian healthcare sector had emphasized the need for increased government spending, improved infrastructure and enhanced innovation to build a robust healthcare system in India. They also stressed the importance of addressing health threats, achieving universal health coverage and professionalizing public health institutes under autonomous state boards. Recommendations also included boosting domestic manufacturing and enhancing affordability and accessibility. Healthcare Providers -India (APHI) also emphasized the need to prioritize a comprehensive approach to building a 'Healthy India' focusing on sanitation, clean drinking water and nutrition, all areas in which India still has a long way to go if it wishes to build and sustain an inclusive society and attain 'Viksit Bharat.'

## Income and Wealth Redistribution

It has long been known that trickle-down economics does not work. Prioritizing the minting of billionaires and millionaires and hoping that some of their wealth will trickle down and be shared with the 'hoi polloi' is misplaced strategy. Trying to keep High Net Worth Individuals (HNWIs) from leaving the country because of lower or no taxes elsewhere (eg. Dubai) should also not be an overwhelming concern or major priority.

India needs to seriously consider the recommendations in the recent Thomas Piketty led report on income and wealth Inequality (**Income and Wealth Inequality in India,1922-2023: The Rise**



of the Billionaire Raj, World Inequality Lab, Working Paper No.2024/09, March 18, 2024). In the short-term, India will need to take serious measures to include a far greater percentage of its working age population than the current paltry 6%, in its income tax net. HNWI and others who have found ways to evade income taxes or understate them should be prioritized for inclusion and prosecution. There also needs to be a more progressive approach to both short-term and long-term capital gains tax and a serious consideration of an inheritance tax for millionaires and billionaires only. Land and broader agrarian reforms remain as crucial as they were more than seven decades ago, when India missed a real opportunity. They remain especially critical in areas where there are a significant number of landless labourers.

## Addressing India's Existential Energy and Climate Challenges

No country can be considered truly "Viksit" if climate change challenges remain an existential threat to its future as they currently are for India. While it has made impressive recent strides on solar and renewable energy, and together with the French, leads the International Solar Alliance, India is still heavily fossil fuel import dependent and coal continues to be a dominant polluter. New Delhi, India's capital city, is widely regarded among the most polluted in the world, and many of its other major cities are not far behind.

India needs to legislate and fully resource a Climate Bill as ambitious as the Biden-Harris misnamed but noteworthy US 2022 Inflation Reduction Act which it should learn from and adapt to its circumstances and needs. This is currently the world's most comprehensive and ambitious clean energy and climate change package, including industrial tax credits as well as the most ambitious incentives in the world to date for the deployment of carbon management technologies such as carbon capture.

## Conclusion

East and South-east Asian countries which have done well in the past half century have seen effective synchronization between their trade, industrial and social policies. Land reforms, together with enormous and effective

state intervention in primary and tertiary education, public health and other redistributive policies have also underpinned increasing domestic demand and higher productivity, paving their way to "developed" country status (eg. South Korea, Singapore, Taiwan).

India has, starting in the 1950s and spanning many decades since, has missed multiple opportunities to prioritize many of these issues. Moreover, many of its structural unemployment, underemployment and unpaid informal work-related challenges were exacerbated greatly by three self-inflicted wounds since 2016 - overnight demonetization, the somewhat hastily introduced design and fraught with difficulties implementation of the Goods and Services Tax (GST), and thirdly, its sudden response to Covid, closing down the nation overnight during its first wave in March 2020. MSMEs, thousands of whom went bankrupt, and the already poor and vulnerable migrant workers who were the most badly hit as a result of their forced mass exodus back to unpaid agricultural work, was in hindsight a retrograde step. As a result, 800 million Indians (close to 60% of its 1.4 billion population) will remain on handouts for at least the next 5 years.

**Sadly, there are no quick fixes or miracle cures for structural issues which have been ignored, paid lip service to or left unaddressed, sometimes for decades and which have been unnecessarily exacerbated in the last few years. But the suggested steps above, if implemented, can reverse course and take India closer towards an inclusive society and "Viksit Bharat" by 2047. Achieving the UNs Sustainable Development Agenda by 2030, its target year, will be a good milestone on the way. □**



### ABOUT THE AUTHOR

The author is Non-Resident Senior Fellow at the Boston University Global Development Policy Center. He also provides high level

policy advice in India and globally and writes on national political economy and global and regional geo-political and geo-economic issues. Prior to his retirement from the United Nations in late 2021, he was its Head in Vietnam, Turkey and Malaysia between 2008-2021. Earlier, he was UNDP Senior Adviser on Inclusive Globalization based in New York. Widely published, he has written six books, ten contributions to other books and more than 100 journals and other publications.