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# SIXTH IN WEALTH, 130TH IN WELLBEING: RETHINKING INDIA'S ECONOMIC POLICIES WITHIN LIMITED RESOURCES

*An essay on policy design, implementation, and the hard choices India must make*

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## ABSTRACT

India present a striking paradox: it possesses world’s sixth-largest economy, with a GDP of approximately $4.15 trillion, yet ranks 130th out of 193 nations on the United Nations Human Development Index. This essay argues that the gap between India’s economic scale and the lived wellbeing of citizens is not primarily a problem of insufficient resources, but of flawed policy design and corroded implementation. While acknowledging genuine progress-the JAM Trinity, the Unified Payments Interface, Ayushman Bharat, and a rising life expectancy-it contends that these gains have been undercut by two compounding failures. The first is conception: policies are frequently designed by officials and experts distanced from the realities of farmers, daily-wage workers, and rural communities, producing outcomes such as the water-table collapse driven by Minimum Support Price incentives and the disruption caused by demonetization. The second is deliver: a systemic “corruption equilibrium,” reinforced by weak accountability and captured oversight institutions, diverts benefits before they reach intended recipients.

The essay proposed a three-part analytical framework-maximum benefit, long-term sustainability, and minimum environmental harm-against which it evaluates eleven policy directions, including widening the tax base, extending Direct Benefit Transfers, strengthening Farmer Producer Organizations, pursuing a just green-energy transitions, and investing in civic education and women’s workforce participation. Each proposal is examined honestly for its trade-offs, recognizing that no reform is without cost. Working within India’s binding fiscal constraints, the essay concludes that closing the wealth-wellbeing gap depends less on money than on political honesty, institutional reform, and the will to measure policies by their actual outcomes.

## INTRODUCTION

India occupies a peculiar position in the world. By the size of its economy — the sixth largest on earth, with a GDP of approximately $4.15 trillion — it stands among the great powers. Yet by the measure of its people's lives, it ranks 130th out of 193 nations on the United Nations Human Development Index, nestled in the 'medium development' category alongside countries a fraction of its economic size. This is not a rounding error. It is a structural indictment.

To be fair, progress has been real. Over the last decade, India has built one of the world's most ambitious welfare delivery systems. The JAM Trinity — Jan Dhan bank accounts, Aadhaar biometric identity, and mobile connectivity — has channelled benefits directly to citizens, saving an estimated Rs. 3.48 lakh crore in leakages since 2013. The Unified Payments Interface has become a global model for digital finance. Ayushman Bharat, one of the world's largest health insurance schemes by coverage, has extended free hospital treatment to hundreds of millions. The 10,000 FPO scheme is giving farmers collective bargaining power for the first time. India's renewable energy capacity has crossed 200 gigawatts. Life expectancy has risen from 58.6 years in 1990 to 72 years today. These are not

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small achievements for a country of 1.4 billion people.

And yet these achievements, real as they are, have not been enough. The reason is not simply a shortage of money. India's tax-to-GDP ratio stands at approximately 11.7% for 2024-25 — a historic high for the country, but still below the World Bank's recommended threshold of 15% for a developing nation to adequately fund public services. Meanwhile, India's fiscal deficit target sits at approximately 4.9% of GDP — the ceiling on how much the government can borrow before risking inflation, credit rating downgrades, and spiralling interest payments that crowd out development spending for years to come. India cannot simply spend its way out of its problems. There is a hard ceiling. The only path forward is to spend far more wisely.

The argument of this essay is therefore not that India needs more money, though it needs that too. It is that India's economic problems are rooted in two compounding failures: policies that are poorly designed from the start, and an implementation system so corroded by corruption that even well-designed policies lose most of their value before reaching the people they are meant to serve. Both failures can be addressed without unlimited resources. What they require instead is something rarer — political honesty, institutional reform, and the willingness to measure policies not by their ambitions but by their actual outcomes.

## WHAT MAKES A GOOD ECONOMIC POLICY

Before diagnosing what is wrong, it is worth establishing a standard against which any policy can be honestly measured. Not all policies that claim to help people actually do. Not all spending that looks like investment is investment. A useful framework asks three questions of any economic policy.

First: does it benefit the maximum number of people? A policy that helps ten lakh people at the expense of ten crore is not, by any reasonable definition, a public good — even if those ten lakh people are more politically vocal or better organised.

Second: is it sustainable over the long term? A policy that solves today's problem by creating a larger one tomorrow is not wisdom — it is postponement. Free electricity, for instance, provides genuine relief to farmers and the poor. But it is quietly bankrupting state governments across India. Punjab, one of India's most agriculturally productive states, now spends more than it earns. The electricity subsidy that feels like relief today is consuming the budget for hospitals, schools, and roads tomorrow.

Third: does it minimise environmental damage? This question is rarely asked in Indian economic policymaking, and the omission is costly. India is estimated to lose between 5 and 6% of its GDP every year to pollution-related health costs and environmental degradation. A factory that generates employment while poisoning a river is not creating net wealth — it is transferring the cost of production onto future generations and onto those too poor to escape the pollution. Growth that destroys the conditions for life is not real growth.

These three tests — maximum benefit, long-term sustainability, minimum environmental harm — are the lens through which every policy proposal in this essay is examined.

## THE DESIGN PROBLEM: WHEN POLICIES FAIL BEFORE THEY BEGIN

A significant portion of India's policy failures are not failures of execution. They are failures of conception. The policies were always going to fail, because they were not designed to succeed for the people they claimed to serve.

Consider who designs these policies. Most major economic decisions are made by senior IAS officers and elected politicians in New Delhi — people who have spent their careers in

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government corridors, who have often never farmed land, run a small shop, or stood in a ration queue. They consult experts, but those experts are frequently credentialed academics and economists trained at elite institutions, many of whom share the same urban, upper-middle-class blind spots as the bureaucrats they advise. The voices of the people most affected by these policies — farmers, daily wage workers, small traders, women in rural areas — are heard, at best, through surveys conducted by intermediaries. At worst, they are not heard at all.

The consequences of this distance show up in policy after policy. The Minimum Support Price for agricultural crops is perhaps the most instructive example. In theory, MSP guaranteed farmers a reliable buyer for wheat and rice, protecting them from price volatility. In practice, decades of that guarantee created a *behavioural dependency* — generations of farmers in Punjab and Haryana who grew wheat and rice not purely because it made financial sense, but because it felt safe. The certainty of the government buyer became woven into the culture and identity of farming communities. Nobody modelled that response when the policy was designed. The result is a water table in parts of Punjab dropping by nearly one metre every year, as paddy cultivation consumes water at rates the land cannot replenish. A policy designed to protect farmers is now threatening the agricultural future of an entire region.

There is also the problem of scale. India has 28 states with dramatically different languages, climates, economies, and social structures. A policy calibrated for the wheat farmer of Haryana may be meaningless or harmful for the rice farmer of Kerala, the tribal cultivator of Jharkhand, or the vegetable grower of Himachal Pradesh. Central policy, almost by definition, tends toward averages — and averages, applied to a country as diverse as India, frequently serve no one particularly well.

The 2016 demonetisation illustrates what happens when a policy is rolled out nationally without adequate piloting. The initiative aimed to flush out black money by withdrawing high-denomination currency. Whatever its merits in theory, its overnight implementation across an economy where over 80% of transactions were conducted in cash produced immediate devastation among daily wage workers, street vendors, and small businesses — the most economically vulnerable people, who had no buffer to survive even a few weeks without cash income. A phased pilot in a few districts would have revealed these problems before they became a national crisis. It was never conducted.

These design failures are not always accidental. India's tax code contains hundreds of exemptions lobbied into existence by industries with the political connections to demand them. The result is a system where two companies earning identical profits can pay dramatically different tax, and where the burden falls disproportionately on the salaried middle class who cannot negotiate exemptions. Similarly, the pattern of announcing loan waivers for farmers immediately before elections, or extending free electricity subsidies right before voting, reflects a policy-making culture in which electoral incentives consistently override long-term economic rationality. These are not implementation failures. They are design choices — made deliberately, in the interests of those who make them.

Beneath these specific failures lie structural problems that bad design consistently ignores. Youth unemployment runs at approximately 16 to 17%. The top 1% of Indians own more wealth than the bottom 70% combined. Agriculture employs nearly 45% of the workforce but contributes only 15% of GDP — a gap that reflects millions of people trapped in low-productivity work because there are no other jobs available. India's female labour force participation rate is approximately 25%, one of the lowest in the world, representing an enormous reservoir of economic potential that policy barely acknowledges, let alone activates. Any honest accounting of India's economic challenges must begin with these structural realities.

## THE IMPLEMENTATION PROBLEM: THE CORRUPTION EQUILIBRIUM

Even when a policy is well designed, it must survive its journey from Parliament to the people it is meant to serve. In India, that journey is long, and it passes through many hands.

A welfare scheme announced in New Delhi must travel through central ministries, state government departments, district administrations, block-level offices, and village-level functionaries before it reaches a poor family in rural Odisha or an elderly widow in urban Bihar. At each layer, there is an opportunity — and often a system-level incentive — for money to be diverted, records to be falsified, and benefits to reach the wrong people.

What makes this more than a story of individual dishonesty is its systemic character. Corruption in India is not primarily a problem of bad people making bad choices. It is what economists call a *corruption equilibrium* — a state in which corruption has become so embedded in daily functioning that almost everyone participates in it, not always out of greed, but out of necessity. A government audit officer, whose professional purpose is to catch financial misconduct, may himself have to bribe a land registry official to complete a simple property transaction. In such a system, the line between the corrupt and the honest disappears — because the system does not permit honesty to function. Everyone is complicit, and no individual can exit the cycle alone.

This equilibrium is reinforced by the near-total absence of accountability. Whistleblowers in India face a grim arithmetic: the probability of punishment for speaking out is high; the probability of meaningful protection is low. When the institutions designed to prevent corruption — the vigilance commissions, the investigative agencies, the judiciary — are themselves subject to political pressure and institutional capture, the ordinary citizen has no safe avenue to complain. The system that is supposed to enforce accountability has become part of the problem it was designed to solve.

Technology has offered a partial answer. The Direct Benefit Transfer system — transferring cash directly into beneficiaries' bank accounts, bypassing layers of human intermediaries — has been one of India's most significant governance innovations. The cumulative savings since 2013 stand at Rs. 3.48 lakh crore. The subsidy share of government expenditure has been halved, from 16% to 9%, not because subsidies were cut, but because the money now reaches the people it is meant for rather than being skimmed along the way.

But technology is not a complete solution. Direct cash transfers assume that the recipient has a bank account, a mobile phone, financial literacy, and physical access to a bank. In remote tribal areas, in hilly districts, in communities where the nearest bank branch is forty kilometres away on an unmade road, a credit to a digital account is not meaningfully different from nothing. There are also documented cases of cash being misused or intercepted by local moneylenders. And the digitisation of delivery eliminated the ration shop network that employed millions — many of them from marginalised communities — in exchange for the efficiency gains. These trade-offs are real, and they must be accounted for honestly.

## WHAT CAN BE DONE: ELEVEN POLICY DIRECTIONS

The following proposals are grounded in what India's fiscal constraints make possible. They are also honest about their limitations — because any policy proposal that does not acknowledge its risks is not a policy proposal. It is a political advertisement.

**Widening the tax base** is the most direct way to increase government revenue without raising rates on those already paying. India's informal economy is vast — millions of

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businesses and traders operate in cash, earning significant incomes that are never declared. Bringing them into the formal system, through simplified presumptive taxation schemes and technology-assisted enforcement using GST and bank transaction data, could significantly increase the revenue available for public services. The critical caveat is that enforcement must target genuine evaders, not the street vendor earning two thousand rupees a day. The goal is to make compliance easy before making non-compliance costly.

**Removing unjustified tax exemptions** is an equally important but politically harder measure. India's tax code has been shaped over decades by industries with the access and organisation to lobby for preferential treatment. Auditing each exemption against a simple test — does it serve a genuine social purpose, or does it exist purely because a powerful lobby won a political argument — and removing those that fail would create a fairer, more revenue-productive system. The distinction matters: agricultural income tax exemptions serve a genuine protective purpose for farmers with thin margins. The policy must be surgical, not indiscriminate.

**Extending Direct Benefit Transfer** more systematically across welfare programmes is one of the clearest evidence-based improvements available. The track record is established. The savings are documented. The extension must be paired, however, with rural banking infrastructure through post offices and business correspondent networks, financial literacy programmes, and grievance mechanisms that allow beneficiaries to report non-receipt without fear of retaliation.

**Regulatory simplification** costs the government nothing and can unlock significant private investment and productivity. The consolidation of 44 central labour laws into 4 Labour Codes is a genuine improvement in principle — if implementation proceeds with integrity. The digitisation of land records, enabling farmers and small property owners to use land as collateral for formal credit, is another low-cost reform with potentially large returns. The risk that must be named honestly is that labour law simplification, if it strips away protections for minimum wages, safe working conditions, and the right to organise, shifts the gains of growth away from workers toward employers. These are not the same thing, and the two must not be conflated.

**Public-Private Partnership in infrastructure** is a tool that works in some contexts and fails badly in others. The experience of Delhi and Mumbai airports is instructive: both improved dramatically in quality after being handed to private operators, and both became significantly more expensive. National highway tolls under PPP arrangements have shown a similar pattern — rising charges, extending collection periods, and the gradual transformation of public infrastructure into private revenue streams. PPP belongs in commercial airports and freight logistics where users can afford market rates. It does not belong in rural roads, public hospitals, or water supply systems, where the users are precisely the people who cannot.

**Agricultural reform, building on the FPO scheme**, is one of the most promising directions available. The government's initiative to form 10,000 Farmer Producer Organisations is well-conceived — farmers negotiating collectively have real bargaining power that individual smallholders lack. The weakness is that formation has been treated as the end goal rather than the beginning. Many earlier FPOs became dormant because farmers lacked the skills to run them and market linkages to buyers were never established. The next phase requires connecting FPOs to the e-NAM platform, facilitating direct relationships with food processors and retailers, extending credit for storage infrastructure, and providing sustained business development support. Formation without follow-through is money spent on paperwork.

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**Decentralisation** — moving meaningful authority from New Delhi to panchayats and local bodies — is in principle one of the most powerful tools for improving policy relevance and accountability. The people who know which families in a village are genuinely poor are the people who live there. The problem is that decentralisation has repeatedly transferred not just resources but also corruption. The antidote is not to reverse decentralisation but to pair it with accountability mechanisms that have teeth: social audits where communities publicly review expenditure, as already practiced under MGNREGA; the Right to Information Act enforced locally; and digital tracking of fund flows that any citizen can access.

**The green energy transition** is unusual among economic policy choices in that it simultaneously addresses multiple problems. Every unit of solar or wind energy generated domestically reduces India's import bill for crude oil. Every coal-fired plant replaced reduces air pollution that costs India 5 to 6% of GDP in health expenditure annually. Solar electricity is now often cheaper to produce than coal-generated power, having fallen in cost by more than 85% over the past decade. The challenge is the 10 million workers whose livelihoods depend on coal in states like Jharkhand, Chhattisgarh, and Odisha. A dedicated just transition fund, financed partly by savings from reduced fuel imports, must accompany any serious shift toward renewables.

**Urban housing policy** must grapple with a tension that is easy to ignore: India's cities desperately need more affordable housing, and building more housing in already-dense cities has serious environmental costs. Bengaluru has lost 78% of its lakes in fifty years. Delhi's air quality regularly reaches levels classified as hazardous. The smarter approach is to redirect urban growth toward smaller tier-2 and tier-3 cities — Indore, Surat, Coimbatore

— where land is available, infrastructure capacity exists, and environmental headroom remains. Any urban densification must be paired with mandatory green building standards, metro rail expansion, and strict open space requirements.

**Women's workforce participation** at approximately 25% represents one of the largest and most underacknowledged constraints on India's economic growth. The Lakhpati Didi scheme, which targets one crore women entrepreneurs through Self-Help Group networks, points in the right direction. SHGs work because they operate within communities rather than against them — women organising and supporting other women in ways that feel culturally legitimate. Scaling this model, extending it with formal market linkages and credit access, and pairing it with policy changes that reduce structural barriers to women's work is not merely a social justice imperative. It is one of the highest-return economic investments India can make.

**Civic education** is the longest investment and the most essential one. A democracy produces the policies its voters demand. As long as a majority of voters reward politicians who offer free electricity before elections and punish those who propose fiscal discipline, the structural problems described in this essay will persist. An electorate that understands how government budgets work, what fiscal deficits mean, and why a loan waiver before an election costs them a hospital they needed five years later is an electorate that creates the conditions for better governance. This is a generational project, not a policy intervention, and it must be paired with the immediate and medium-term measures described above.

The pattern across every solution described here is the same. There are no perfect answers. Every policy that solves one problem risks creating another. Widening the tax base can burden small traders. Removing exemptions can hurt farmers. Direct transfers can fail where banking is absent. Regulatory reform can weaken worker protections. Private partnerships can make infrastructure unaffordable. Decentralisation can move corruption closer to home.

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The goal of good economic policy is not to find a perfect solution — it is to choose the option whose benefits most outweigh its costs, manage the downsides actively, and remain honest enough to course-correct when reality diverges from the plan.

## CONCLUSION

The reforms described in this essay do not operate on the same timeline. They require thinking across three distinct horizons simultaneously.

In the **immediate term**, the priority must be stopping the leakage of resources that already exist. Expanding Direct Benefit Transfer to remaining welfare programmes, strengthening the legal protection of whistleblowers, fast-tracking corruption cases through dedicated courts, and making government expenditure data publicly accessible so that journalists and citizens can perform the oversight that institutions have failed to provide — these are achievable within the current fiscal framework and would begin yielding results within years.

In the **medium term**, the priority is reforming how policies are made. Mandatory pilot testing before national rollout. Genuine community participation in the design of programmes that affect communities. Expert consultation that reaches beyond government-affiliated economists to include practitioners, local administrators, and the people policies are meant to serve. Selective use of private partnership in infrastructure — where users can pay — with government funding reserved for services where they cannot. Strengthening the FPO scheme with market linkages, credit facilities, and sustained management support. Pursuing the green energy transition with a just transition fund for coal-dependent workers.

In the **long term**, the foundations must be built. Investment in civic education, so that future generations of voters make better collective choices. Investment in human capital — raising health and education spending toward the 4 to 6% of GDP that comparable developing countries commit — which offers the highest long-run economic return of any public expenditure. Development of tier-2 and tier-3 cities to relieve the environmental and human pressure on existing metros. And the sustained, patient work of bringing women fully into economic life.

India does not need unlimited money to transform its economy. What it needs is considerably harder to find than money. It needs the honesty to design policies that serve people rather than power, and the systems to ensure those policies actually reach the people they promise to serve. The gap between India's sixth-place economy and its 130th-place human development rank is not a gap of resources. It is a gap of will, of design, and of delivery. The resources exist. The question — the only question that matters — is whether the will does.

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