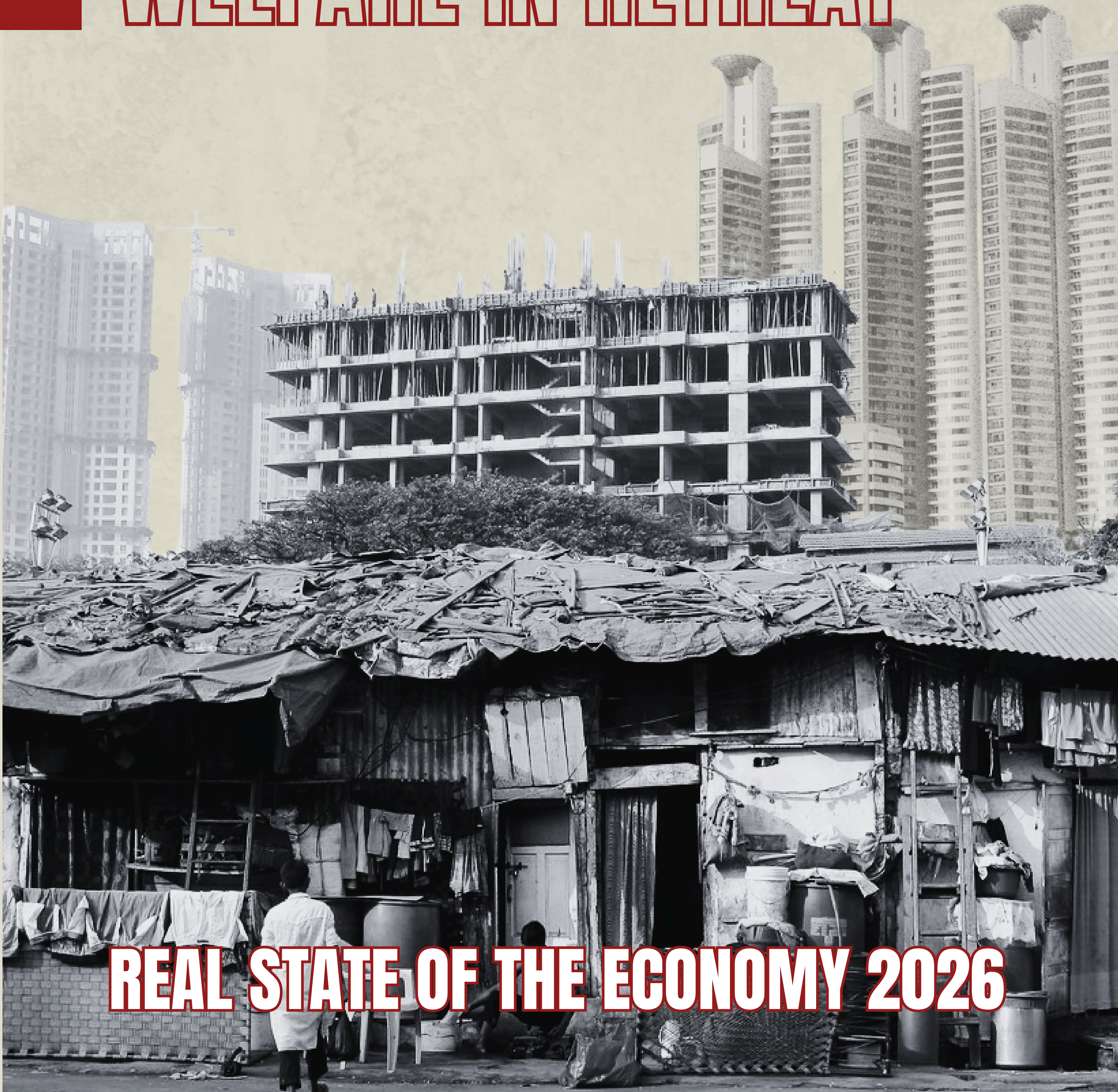
AICC RESEARCH DEPARTMENT

INEQUALITY ON THE RISE
WELFARE IN RETREAT



REAL STATE OF THE ECONOMY 2026

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Executive Summary

On paper, the Indian economy is growing at a rapid pace. In the second quarter of FY26, the government reported that real GDP grew at 8.2%, exceeding market and government expectations, while nominal GDP grew at 8.7%, indicating an inflation rate of just 0.5%. For FY26 overall, GDP growth is estimated to be 7.4%. Yet, other macroeconomic indicators and people's lived realities do not align with these statistics. The economic mismanagement of the last decade and promotion of crony capitalism have entrenched K-shaped growth, where a small sub-section of Indians corners the bulk of economic gains while the masses struggle to survive.

GDP growth above 7% should normally yield lakhs of new jobs but that has not been the case. Unemployment continues to be a major concern. Most of the job creation has been in the gig economy that is poorly regulated with workers complaining of exploitation. Post the COVID-19 pandemic, a significant number of workers returned to farms in the face of job destruction in urban India. They have chosen to remain there underemployed and underproductive, in the absence of manufacturing jobs.

When the masses face poor economic prospects, empathetic governments strengthen welfare safety nets. The Modi government has instead chosen to dismantle the carefully constructed and impactful rights-based welfare framework established by the UPA government. The repeal of the MGNREGA will have far reaching consequences on the rural economy as well as on centre-state relations. This is consistent with its gradual cutting of budgets for essential services like education and healthcare. The Modi government's push towards privatisation is starting to show in declining enrolment and increasing disease burden. The terrible tragedy in Indore, where people died due to contaminated water, should be a warning that governments need to invest more in basic services.

The process towards fixing the economy must start at ignoring the hype and hubris and taking stock of the ground realities. For this, the government must embrace transparency, welcome objective critiques, and acknowledge inconvenient facts. It is in that constructive spirit that the Indian National Congress party's Research Department presents this comprehensive overview of what ails the economy – the Real State of the Economy 2026 report. It shines a torchlight on the darker dimensions of India's economy to remind the government of the many unfulfilled tasks and ignored sections that must be addressed on priority in the year ahead.

Growth Rates vs Economic Reality

The BJP government's tenure has been marked by diminished confidence in India's economic numbers due to concerns that the government manipulates official data to suit its political agendas. An evaluation of national account statistics by the International Monetary Fund (IMF) led to India being accorded a C grade, raising concerns regarding the veracity of official data.

- In the first half of the financial year 2025-26, growth is reported to be led by manufacturing, which grew at 8.4%. Yet, during this period, the Index of Eight Core Industries registered only 2.9% growth. Such wide divergences are inexplicable and add to the doubts about the data.
- While the economy is officially hitting a sweet spot, other macroeconomic indicators also raise a red flag.
- In 2025, the rupee was amongst the worst-performing currencies in Asia with the INR-USD exchange rate crossing the 90 mark.
- Ideally, growth propels investments, but this has not been the case. Gross fixed capital formation has been hovering around the 30% of GDP mark. In four of the ten months of 2025, net Foreign Direct Investment was negative, implying that investors withdrew more money and more Indian money was invested abroad.
- The household-level situation remains precarious. Net financial savings have improved only slightly after their historic fall in FY23. Household debt as a percentage of GDP increased to 41% in FY24.
- By March 2025, there were more than 28 crore borrowers with loans pending, with the average loan amount standing at Rs. 4.8 lakhs. The average debt amount has increased 40% since March 2021.
- There are serious concerns regarding the economy falling into a debt trap. General government debt remains in the 80% range despite no productive investments in welfare.

Historic High Inequality

The limited growth of the last few years has been cornered by the government's cronies. Over the last decade, there has been an unsustainable level of market concentration dominated by a select few industrial houses. The government's policies have aided this process. Corporations have received tax cuts while the common masses have been burdened with consumption taxes.

- The World Inequality Report 2026 estimates that the top 10% of earners capture nearly 58% of the national income, while the bottom half receives only 15%. In case of wealth, the top 10% own 65% of the wealth, while the bottom half own just 6.4%. Income inequality in India currently is worse than it was during the British Raj.
- Wealth inequality is so high that the top 1% own 40% of the nation's wealth. The income gap between the different categories has not improved at all over the last decade.

- Billionaire wealth has ballooned over the years at a time when one-third of the population survives on less than Rs. 100/day.
- The middle classes have been feeling the pinch of an income squeeze. They have to rely on debt to meet expenditures, as salaries have not grown at a significant pace.
- The taxation system has favoured corporates over people. Personal income tax collections have overtaken corporate tax revenue. The share of personal income tax in total direct taxes has increased from 38.1% in FY14 to 53.4% in FY24, while corporate taxes declined from 61.9% to 46.6% over the same period.
- The government removed the wealth tax, slashed corporate tax rates, while increasing excise on fuel and burdening people with high GST rates. It was only after intense opposition that GST rates were reduced in 2025.
- Market concentration across industries has been on the rise. Former Reserve Bank of India Deputy Governor Viral Acharya has claimed that industrial concentration by five major corporate houses is contributing to persistent core inflation.

Why Is India Failing to Provide Work to Its People?

Unemployment in India remains high despite years of economic growth. Jobs are not being created where they are needed. Manufacturing and services have stopped absorbing workers, pushing more people back into agriculture and self-employment while hiding large-scale disguised unemployment. Secure, salaried jobs are steadily disappearing.

- Between 2017-18 and 2023-24, manufacturing's share of employment fell from 12.1% to 11.4%, while services declined from 31.1% to 29.7%. Over the same period, agriculture absorbed more workers, with its employment share rising from 44.1% to 46.1%, reversing the standard trajectory of structural transformation.
- Even among salaried workers, job security is weak. Nearly 40% have no written contract, and more than half receive no paid leave or social security. Work is increasingly informal, insecure, and poorly paid.
- Young people face the worst outcomes. In 2023-24, about 2.8 crore educated youth were unemployed, while nearly 10 crore stopped looking for work altogether.
- Women's rising labour force participation hides worsening job quality. Most new jobs for women are in agriculture and unpaid household work. Nearly 77% of rural women workers are employed in agriculture.
- Corporate profits have surged without creating jobs. In FY24, profits grew by over 22%, while employment increased by only 1.5%. Growth has benefited companies, not workers.
- Government employability schemes have failed to deliver. The PM Kaushal Vikas Yojana placed less than half of the youth with necessary certifications, and the Prime Minister's Internship Scheme has led to almost no permanent jobs despite large budget allocations.
- The human cost of the employment crisis is severe. Between 2018 and 2023, nearly 19,000 people died by suicide due to unemployment.

Dismantling the Right to Work

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was a lifeline for the rural poor. It was designed to make the right to work a legal entitlement, guaranteeing 100 days of local wage employment to any individual demanding work. The BJP government first undermined MGNREGA through budget cuts, delayed payments, technological barriers, and the deletion of workers. It has now dealt a body blow to the rural economy by repealing the Act. MGNREGA has been replaced with a centrally controlled, budget-capped mission, the Viksit Bharat Guarantee for Rozgar and Ajeevika Mission (VB-G RAM G), an Act that strips rural workers of an enforceable right and reduces livelihood security to a rationed, discretionary promise.

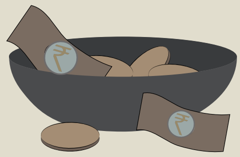
- Even before it repealed the Act, the current regime deliberately weakened MGNREGA.
- Despite evidence of demand, the budgets for the programme have declined from 2.15% of the overall budget to 1.69% in FY 2025-26. As a share of GDP, this has decreased from 0.32% to 0.24%.
- Less than 2% of households received the full 100 days of guaranteed work. The average employment was just 37.25 days up to January in FY 2025-26.
- The introduction of two technology-driven processes, the Aadhaar-Based Payment System and the National Mobile Monitoring System have led to massive exclusion of genuine workers and prevented workers from accessing their rights.
- 4.57 crore MGNREGA job cards were deleted between 2019-20 and 2024-25.
- The new VB-G RAM G Act moves from 'demand-driven' to 'normative allocations'. The Union will now pre-fix state-wise ceilings; once exhausted, states must fund additional employment themselves, making the right conditional on state finances.
- VB-G RAM G undermines fiscal federalism. The new cost-sharing formula of 60:40 between the centre and states is estimated to impose an additional annual burden of over Rs 50,000 crore on states.
- Decentralised planning is being dismantled. Gram Sabha planning will now be replaced by centrally templated Viksit Gram Panchayat Plans.
- The new Act will impact rural wages, strip workers of bargaining power, and potentially trigger a new wave of distress migration.

Education and Healthcare

Since coming to power in 2014, the Modi government has systematically neglected healthcare, while pushing for greater privatisation in the sector. The education sector is facing similar challenges, along with growing commercialisation. Government expenditure on healthcare and education remains abysmally low, reflecting in the declining accessibility, quality, and affordability of healthcare services and education institutions.

- The government's expenditure on health and education remains abysmally low at 0.29% and 0.4% of the GDP, respectively. Key areas such as primary and higher education, and prevention and primary healthcare services, remain underfunded.

- Air and water pollution have risen significantly, creating a public health emergency. Almost 20 lakh deaths in 2023 were attributed to air pollution, yet the government denies any linkage between air pollution and lung diseases.
- 66% of deaths in the country are due to non-communicable diseases (NCDs) like cancer, diabetes, respiratory illness and heart diseases. While the burden of these diseases has declined globally, in India, the trend has been the opposite.
- The past year saw almost 66 lakh children drop out of school, with Gujarat recording a 341% increase between 2024-25. Presently, only 21% of the 14.7 lakh schools in the country offer education beyond class 8 in rural areas, forcing students, girls in particular, to drop out.
- Institutions of Higher Education, like IITs, IIMs and Central Universities, are being forced to operate as commercial entities and rely on loans from the Higher Education Financing Agency, stripping them of fiscal autonomy and increasing the financial burden of students due to unaffordable fee increments.
- Between 2014-24, there have been 89 paper leaks across central and state-level examinations, resulting in 48 retests. Inaccessible education, paper leaks, institutional discrimination and lack of opportunities have led to a 65% surge in student suicides.



Food Security and Pensions

India's rapid economic growth has not translated into improved food and income security for large sections of the population. 40% Indians cannot afford a healthy diet, and millions are forced to trade off basic nutrition against essential expenses such as housing and healthcare.

- Public investment in food security has steadily declined. The share of the Union Budget allocated to food subsidies has fallen sharply over the past decade. Allocations under the National Food Security Act (NFSA), including ICDS, PM POSHAN, and maternity entitlements, have been reduced by nearly 50%, weakening India's nutrition safety net.
- Hunger and malnutrition remain widespread. Nearly 12% of the population is undernourished, and around 30% of children under five are stunted. Anaemia affects more than half of pregnant women and adolescent girls, and India continues to rank poorly on the Global Hunger Index.
- Outdated population data has led to large-scale exclusion from food entitlements. Continued reliance on the 2011 Census has resulted in the exclusion of nearly 12 crore eligible beneficiaries from the Public Distribution System (PDS).
- Social security for the elderly remains grossly inadequate. Nearly 78% of elderly Indians receive no pension support, while budgetary allocations for the National Social Assistance Programme (NSAP) have declined from 0.6% of the Union Budget in 2014 to just 0.2% in 2025.
- Pension amounts have stagnated despite rising living costs. Under NSAP, old-age pensions remain as low as Rs. 200 per month for beneficiaries aged 60-79 and Rs. 500 for those above 80, far below minimum subsistence requirements. In parallel, the minimum EPFO pension has been frozen at Rs. 1,000 since 2014, sharply eroding pensioners' purchasing power.

- Informal workers remain largely excluded from income security. Pension schemes for informal workers and farmers have recorded extremely low enrolment and high drop-out rates, reflecting weak scheme design and poor implementation.
- Increasing digitisation has intensified exclusion rather than improving access. Mandatory Aadhaar linkage, biometric authentication failures, and repeated Know Your Customer (KYC) changes have resulted in widespread payment disruptions and benefit suspensions, disproportionately affecting the rural poor, elderly persons, and persons with disabilities.

Weakening Labour Protections

Since coming to power in 2014, the Modi government has pursued a wider restructuring of the labour regime that has shifted away from enforceable rights and protections towards a framework of pro-market reforms in the name of ease of doing business. There has been a clear political shift in the approach of the government from protecting workers through law and institutions to managing labour through compliance-light rules, scheme-based welfare, and executive discretion. In practice, this has meant weaker bargaining power, weaker enforcement, and greater insecurity for workers, especially in the informal economy, where close to 90% of Indians work.

- Even as GDP growth has been projected as a success story, worker incomes have stagnated or fallen in real terms. Between 2014-15 to 2022-23, real wage growth remained nearly flat across major worker groups.
- Under UPA II, real wages grew by 8.6% a year in agriculture and 6.9% in non-agriculture. Under the NDA I, they fell by 0.6% in agricultural wages and 1.4% in non-agricultural wages.
- The newly notified Labour Codes weaken enforceable rights and tighten the space for workers to organise and bargain collectively.
- A national floor wage is set by the Union government, which can pull down state minimum wage baselines in the name of uniformity.
- The Labour Codes do not adequately recognise protections for the largest segments of the Indian workforce.
- The Social Security Code's loose definition keeps gig workers outside 'employee' status and enforceable labour rights, preserving platforms' exploitative, cheap, on-demand model.
- The biggest failure is the unorganised sector. The Codes fail to guarantee minimum wages, written contracts, safety, or social security as enforceable rights for the informal workforce; instead, they push workers into databases and scheme-based welfare.

Farmers and Rural Distress

The Modi government has relied more on rhetoric than on material policy support when it comes to agriculture. Grand promises of doubling farmer incomes, assured prices, and risk protection have not translated into structural improvements. Agriculture continues to employ nearly half of India's workforce while contributing only 16% to GDP, locking millions into low productivity and underemployment.

- Farm incomes remain critically low. The average agricultural household earns Rs 13,661 per month, with cultivation contributing barely Rs 4,476, making farming economically unviable on its own.
- Agriculture employs 46.1% of the population but contributes only 16% to GDP, reflecting deep underemployment and stalled structural transformation.
- PM Kisan coverage has steadily shrunk. Beneficiaries fell from 10.48 crore in April 2022 to 8.7 crore by August 2022, with another 70 lakh removed in the 21st instalment, while the Rs 6,000 annual payout has remained unchanged despite rising costs and climate shocks.
- MSP procurement reached only 1.84 crore farmers in 2024-25 out of nearly 14 crore farm households, remaining concentrated in wheat and paddy and excluding most women and tenant farmers.
- Debt is widespread and worsening. 52% of agricultural households are indebted, 24.6% rely on non-institutional credit, and Kisan Credit Card bad loans rose from Rs 68,547 crore in March 2021 to Rs 97,543 crore in December 2024.
- Agrarian distress has translated into a sustained loss of life. Between 2015 and 2023, 98,921 farmers and agricultural labourers died by suicide, with 10,786 deaths recorded in 2023 alone.
- Climate shocks are intensifying as state support declines. Extreme weather damaged 17.4 million hectares of crops in 2025, while PM Fasal Bima Yojana allocations were cut by 23% in the 2025-26 budget.

Manufacturing and MSME

Key drivers of the Indian economy, the manufacturing sector and MSMEs, have been reeling under pressure and stagnated due to the Modi government's inconsistent policies and crushing compliance burden. The failure to create a robust industrial base has left lakhs of Indian youths unemployed, resulting in a reversal of structural transformation.

- Make in India, Production Linked Incentives, and other initiatives have failed. Manufacturing growth has averaged a mere 6% annually (at constant prices) since 2013-14, failing to reach the 12-14% annual growth target.
- The share of the workforce employed in manufacturing has declined from 12.6% in 2011-12 to 11.4% in 2023-24, forcing workers back into low-productivity agriculture.

- India's structural transformation has reversed. The share of agriculture in total employment rose from 42% in 2018-19 to 46.1% in 2023-24.
- Prioritising big corporations has led to MSMEs being ignored. The credit gap for MSMEs is estimated at nearly Rs. 30 lakh crore, severely limiting the expansion and growth of small enterprises.
- Tax terrorism and License Raj have returned under the Modi government. The regulatory burden of over 1,450 obligations costs a small enterprise between Rs.13-17 lakh just to exist, with almost two out of every five compliance requirements carrying potential jail terms.

Investments, Trade, and Tariffs

India's trade and investment position has weakened over the past decade. The Modi government has struggled to attract stable long-term capital, restrict the widening trade deficit, or strengthen India's export competitiveness. The past year has been particularly worrying, with falling foreign investment, slowing exports, and growing dependence on Chinese imports. A notable failure has been the inability to stand up to the United States of America amid its tariff bullying, severely impacting India's exports.

- Foreign portfolio investors pulled out nearly Rs. 1.58 lakh crore from Indian equity markets in 2025, the largest annual outflow on record, highlighting India's declining attractiveness for sustained long-term investment.
- Net Foreign Direct Investment (FDI) collapsed by 96%, falling from USD 44 billion in 2020-21 to just USD 353 million in 2024-25. FDI fell to just 0.7% of GDP in 2024.
- India's trade deficit crossed USD 283 billion in FY 2025-26 (up to January 2026), the highest level in eight years, driven by imports significantly surpassing exports.
- India's merchandise trade deficit with China widened to a record USD 99.2 billion in FY 2024-25, underscoring the growing reliance on imports despite repeated claims of self-reliance.
- As of 2025, India does not have a comprehensive free trade agreement or bilateral trade agreement with any of its top five trading partners.

1 Growth Rates vs Economic Reality

The BJP's government's tenure has been marked by diminished confidence in India's economic numbers due to concerns that the government manipulates official data to suit its political agendas. Suppressing inconvenient data and ignoring requests for transparency have become a consistent feature, forcing experts to question the veracity of national account estimates.

Such fears have strengthened after the International Monetary Fund's (IMF) evaluated the quality of India's statistics and accorded a C grade.[1] (The IMF awards a C grade when its assessment indicates that the data has some shortcomings). Such a critical assessment calls for a review of India's GDP growth numbers to examine their veracity and to see whether they correspond with key drivers of economic growth.

GDP Growth Rate Fails the Smell Test

On paper, the Indian economy is thriving. In the second quarter of the financial year 2026, GDP growth was reported at 8.2%, significantly exceeding government and market expectations. The Q2 GDP growth rate was the highest in six quarters. Unfortunately, it showed clear signs of divergence from the economic situation on the ground.

The data showed that the 8.2% GDP growth was driven by a surge in manufacturing, which reportedly grew at 9.1% in the second quarter and 8.4% half-yearly (April-September 2025).[2] However, during the same half year, the Index of Eight Core Industries, which make up 40% of the Index of Industrial Production, grew by only 2.9%.[3] Such wide disparities add to the doubts surrounding the government's statistics. Further, growth rates in coal production, steel consumption, sales of private vehicles, and passengers handled at airports have been lower compared to the previous financial year, yet the government claims that growth engines are officially in fifth gear.

1 https://www.imf.org/en/-/media/files/publications/cr/2025/english/1indea2025003-source-pdf.pdf
2 https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/nov/doc20251128710201.pdf
3 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2181272&reg=3&lang=2

Private consumption accounts for more than 56% of the GDP (at constant rates) and has grown at 7.9%, less than the quarterly GDP growth rate, further raising doubts regarding the data.

Given the significant deviation of the GDP growth rate from the growth rates of various key drivers of GDP growth, the BJP government's official numbers are suspect. Further, on the ground, household savings have fallen, household debt has picked up significantly, and the majority of Indians remain dependent on food subsidies.

The former Chief Economic Advisor to the Modi government, Arvind Subramanian, has argued that India's GDP numbers are being overestimated by as much as 2.5 percentage points.[4]

An analysis of GDP calculations shows wide discrepancies between the GDP calculated by the government based on its preferred metric of total production in the economy and GDP based on total expenditure when they should essentially be the same. The government's use of flawed deflators leads it to overestimate GDP based on total production. In 2024, estimates of real growth between the two approaches differed by as much as 47%.[5]

Real GDP Growth and Production–Expenditure Discrepancy

Year	GDP growth (%)	Discrepancy between production and expenditure growth (percentage points)	Discrepancy (% of GDP growth)
2013	5.5	0.8	15
2014	6.4	-0.8	-13
2015	7.4	0.1	2
2016	8.0	1.0	12
2017	8.3	1.7	21
2018	6.8	1.2	18
2019	6.5	-2.5	-39
2020	3.9	2.0	51
2021	-5.8	-1.6	28
2022	9.7	-5.1	-53

Source: Business Standard[6]

Specifically, the production side of the economy showed a ₹3.7 trillion [lakh crore] increase in GDP at constant prices. However, out of this, ₹1.84 trillion [lakh crore] consisted of discrepancies [the gap]. This means the government "was unable to assign roughly half of the economic momentum under proper expenditure heads—consumption, investment or trade. Strip this off, and growth momentum comes down to just 4.1%.

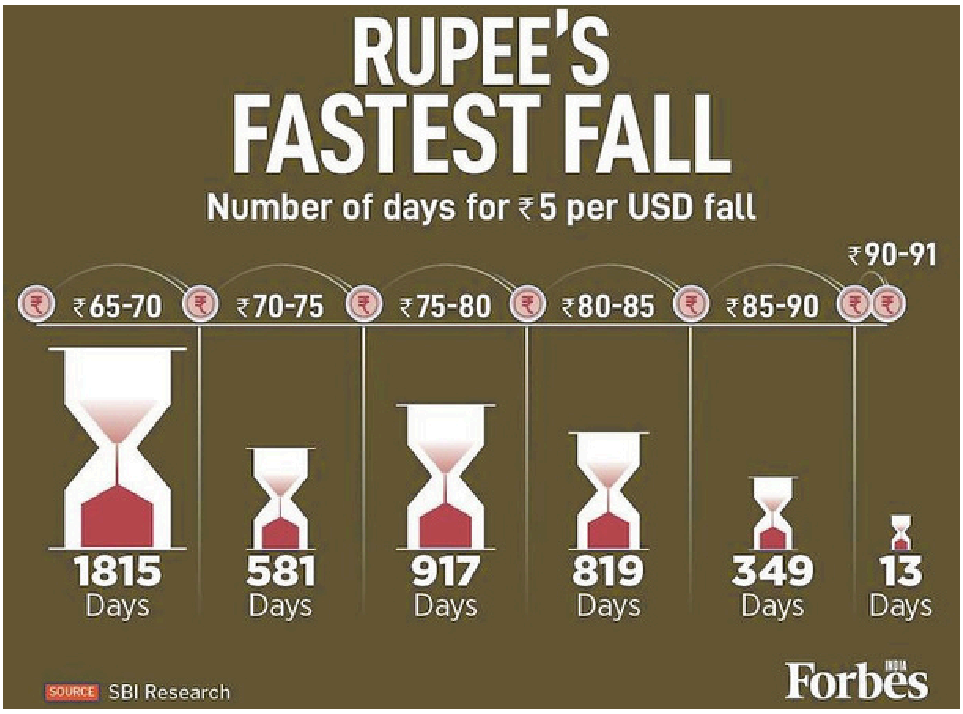
4 https://indianexpress.com/article/opinion/columns/indias-gdp-growth-new-evidence-for-fresh-beginnings-5774138/
5 https://www.business-standard.com/opinion/columns/reducing-gdp-discrepancies-india-needs-radical-improvements-in-estimation-125040701339_1.html
6 https://www.business-standard.com/opinion/columns/reducing-gdp-discrepancies-india-needs-radical-improvements-in-estimation-125040701339_1.html

It means that either the estimates were overestimated in the production approach or underestimated in the expenditure approach." Experts have also raised concerns about the assumptions used to calculate different aspects of India's informal economy.[7]

Tumbling Rupee

The falling Rupee has added to concerns about the economy. The Rupee has lost more than 50% of its value since 2014. On January 6, 2026, the exchange rate stood at Rs. 90.12/$. In 2025, the rupee was among the worst-performing currencies in Asia.[8]

In a sharp fall, the INR-USD exchange rate went from 85 to 90 in less than a year. This points towards a potential crisis impacting domestic industries that rely on imports. It also potentially affects inflation rates through the impact of higher energy prices as India continues to be dependent on oil imports.

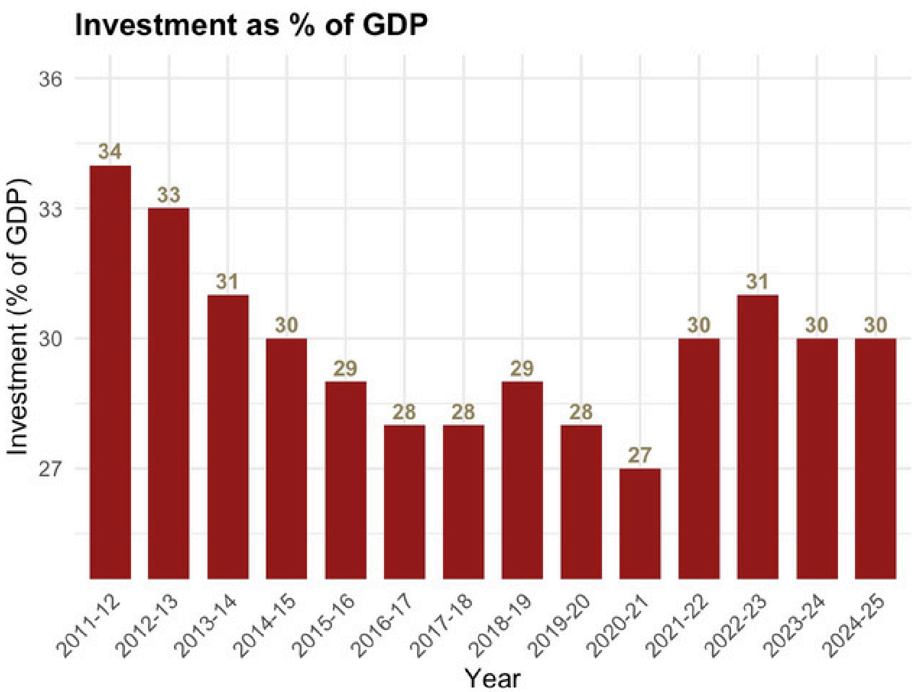


Source: Forbes India[9]

Growth But No Investments

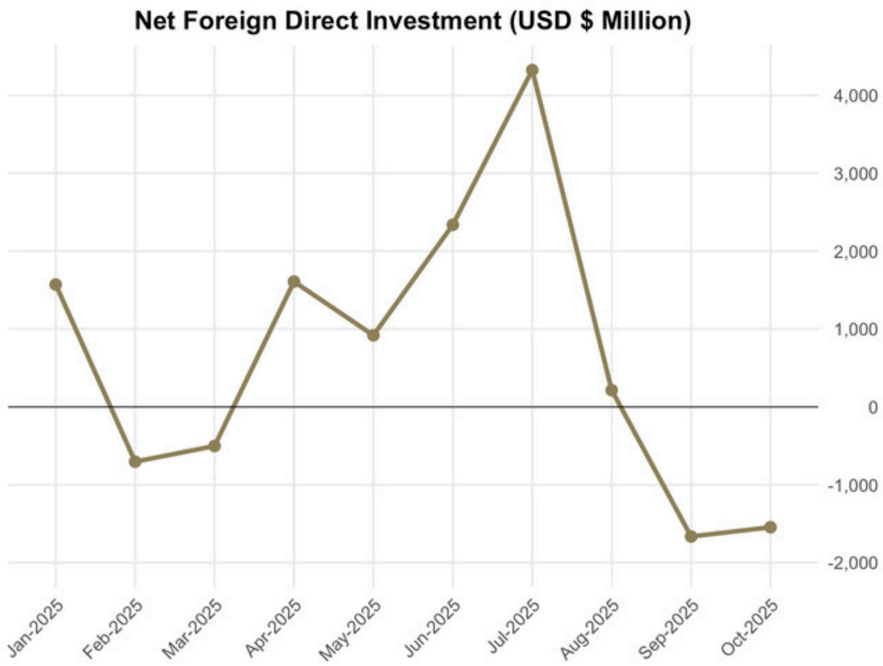
Sustained growth momentum leads to rising investment as happened during the UPA years, when gross fixed capital formation (GFCF) touched a record high 36% of GDP (at current rates). Under the Modi government, even in the aftermath of massive corporate tax cuts, private investments have lagged, barely crossing the 30% mark. Investors have exhibited a serious lack of confidence in the government's ability to deliver sustained growth.

7 https://www.livemint.com/economy/india-gdp-imf-c-rating-india-gdp-data-quality-india-economic-data-11764668799184.html
8 https://www.reuters.com/world/india/indian-rupee-enters-2026-back-foot-after-worst-annual-drop-three-years-2025-12-31/
9 https://www.forbesindia.com/article/upfront/news-by-numbers/graphic-of-the-day-rupees-fastest-fall/2989599/1



Source: MoSPI

The lack of confidence is best showcased by the net foreign direct investments (FDI) data. In four of the ten months of 2025, net FDI was negative, implying that more investors withdrew more money and more Indian money was invested abroad compared to overall foreign investments into India. Falling net foreign direct investments have contributed to the weakening rupee.



Source: Reserve Bank of India

The Modi government has regularly claimed that India is the highest growing major economy. It is therefore strange that such favourable economic conditions are not leading to major investments which would create jobs for India's large youth population. On more than one occasion, the finance minister has expressed frustration that India's corporates have not invested enough. The answer may lie in an unfavourable business climate, preference for selected national champions, and unequal distribution of the benefits of growth, which has contributed to the lack of market demand.

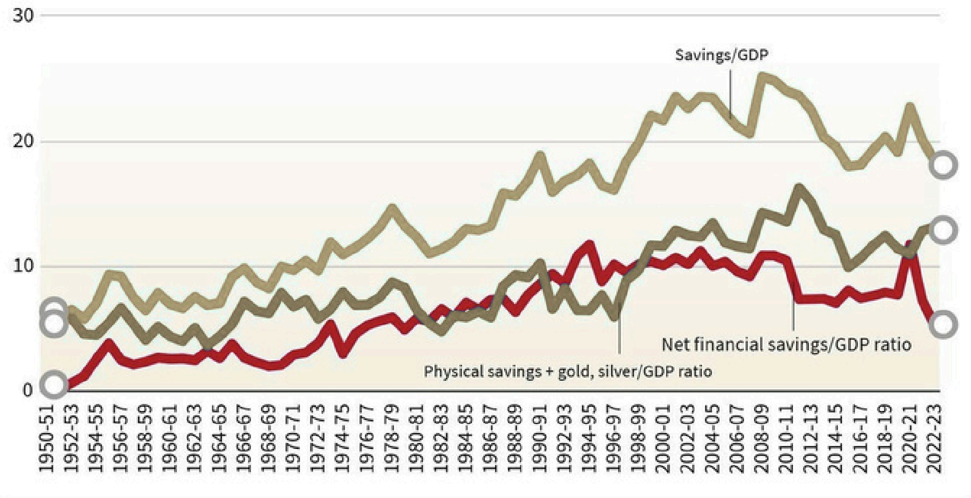
Who Corners the Growth?

An undeniable fact of the last decade has been how the limited growth has been cornered be a select few, leaving crores of people with stagnant incomes and rising debts. The World Inequality Report 2026 estimates that India's top 10% of earners capture 58% of national income, while the bottom 50% received only 15%.[10] Such stark inequality impacts how households make consumption decisions.

Household Situation – Savings and Debt

In FY23, net financial savings of households had fallen to a five-decade low of 5%. Last year, it improved slightly and stood at 5.2% in FY24.

Figure 1: Household savings, physical savings and financial savings as a share of GDP



Source: The Hindu[11]

The debt situation continues on an upward trajectory. In FY24, household debt as a percentage of GDP increased from 38% to 41%.[12] In a reply to a parliamentary question in Lok Sabha, the government informed that **by March 2025, there were more than 28 crore borrowers with loans pending, with the average loan amount standing at Rs. 4.8 lakhs.** The average debt amount has increased 40% since March 2021. A large portion of retail loans is likely being used for short-term consumption.[13]

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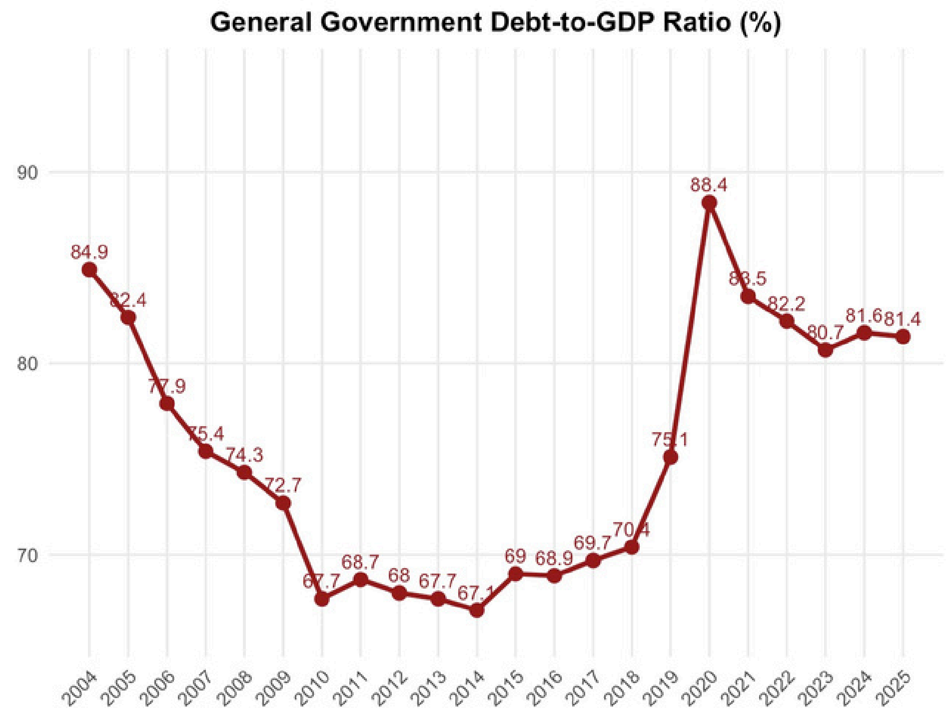
10 https://wir2026.wid.world/www-site/uploads/2025/11/WIR26_Country_Sheets.pdf
11 https://www.thehindu.com/business/Economy/on-the-fall-in-household-savings/article68092017.ece
12 https://economictimes.indiatimes.com/news/economy/indicators/indian-households-saving-more-or-just-drowning-in-debt/articleshow/117296763.cms?from=mdr
13 https://sansad.in/getFile/loksabhaquestions/annex/186/AU129_pwMi2T.pdf?source=pqals

Last year, the government belatedly provided some relief to India's middle and lower middle classes when it reduced income tax and GST rates.

Although much delayed, the move has led to some spurt in demand. The household debt situation is worrisome, and unless incomes keep pace with loan amounts, increased borrowing to pay for short-term consumption can lead to severe consequences in the case of even a slight economic downturn.

Government Debt Situation – Where Does the Money Go?

India's external debt has continued to balloon in the last decade and stands at Rs. 63,94,246 crores by June 2025.[14] General government debt (comprising central and state government debt) remains in the 80% range, whereas the UPA government had brought it down to 67%.



Source: International Monetary Fund

This rising debt has not led to any serious positive change in the standard of living of common citizens. The government must answer where it has been investing the money? If it has gone into funding expenditure, has that led to significant infrastructure development?

That would contradict people's lived experience as it increasingly common to see most cities come to a standstill after a spell of rain. Roads are in a pitiable condition across the country, railways are increasingly investing in expensive Vande Bharat trains instead of addressing the rail needs of the vast majority of poorer passengers, and the airport sector is essentially a duopoly forcing consumers to pay premium rates. The Indian citizen must be provided a detailed account of where the debt funding has gone.

14 https://sansad.in/getFile/loksabhaquestions/annex/186/AU129_pwMi2T.pdf?source=pqals

This rising debt has not led to any serious positive change in the standard of living of common citizens. The government must answer where it has been investing the money? If it has gone into funding expenditure, has that led to significant infrastructure development?

That would contradict people's lived experience, as it is increasingly common to see most cities come to a standstill after a spell of rain. Roads are in a pitiable condition across the country, railways are increasingly investing in expensive Vande Bharat trains instead of addressing the rail needs of the vast majority of poorer passengers, and the airport sector is essentially a duopoly forcing consumers to pay premium rates. The Indian citizen must be provided a detailed account of where the debt funding has gone.

Sustained high levels of general government debt increase the risk of the economy falling into a debt trap, leaving less space for capital investments. General government debt settling into even the 80 per cent range means that future generations of Indians will have to bear a bigger debt burden because of the Modi government's economic mismanagement.

Poverty Estimates Debate

In June 2025, the World Bank published a variety of poverty estimates, one of which claimed that India's poverty rate had fallen to 2.3% in 2022. The government propagated this as a success story. However, experts have questioned the World Bank's methodology as it used two distinct surveys, the data of which are not exactly comparable. The World Bank also made several changes to the methodology that differ from its own standard practices to evaluate poverty and inequality, and so render its findings doubtful.

This debate points to the need for the Indian government to adopt a rigorous approach and re-evaluate its official poverty statistics, which have not been updated or revised in many years. Like with GDP growth figures, the World Bank's poverty estimates do not stand the test of economic reality.[15]

Two-thirds of India's population is still reliant on the free food grains programme. Demand for work under MGNREGA, which signals significant economic distress, was much higher than what the government was able to supply. Ayushman Bharat and other government health insurance coverage are not available for over 50 crore people who remain one severe illness away from falling into poverty. Job creation seems to be occurring mainly in the precarious "gig" economy. The economic reality facing India's majority poor citizens clearly differs from the misleading official statistics.

15 https://www.theindiaforum.in/economy/what-lies-behind-world-banks-estimates-low-poverty-and-inequality-india

2 Historic High Inequality

In July 2025, based on an incorrect reading of a World Bank report,[16] the Modi government put out a press release claiming that India was ranked fourth globally in terms of income equality. The press release brought into focus the stark inequalities that have resulted from the Modi government's policy choices over the last decade. The World Bank report claimed improvement in India's consumption equality which could be due to India's food subsidies to 800 million people. The stark reality is that India continues to experience extraordinary income and wealth inequality.

Inequality in India Amongst the Highest in the World

In December 2025, the World Inequality Report 2026 showed how income and wealth inequalities have actually become entrenched in India. The unfortunate truth is that India remains one of the most unequal nations with the vast majority of its people struggling to make ends meet while the top 10% have cornered nearly two-thirds the country's wealth.

The top 10% of earners capture nearly 58% of the national income while the bottom half receives only 15%. In case of wealth, the top 10% own 65% of the wealth while the bottom half own just 6.4%. Wealth inequality is so high that the top 1% own 40% of the nation's wealth. The income gap between the different categories has not improved at all over the last decade.

Income and Wealth Distribution by Population Segment

Population Segment	Income Avg. (PPP €)	Income Share of total (%)	Wealth Avg. (PPP €)	Wealth Share of total (%)
Full population	6224	100.0%	28141	100.0%
Bottom 50%	940	15.0%	1801	6.4%
Middle 40%	4247	27.3%	20120	28.6%
Top 10%	35901	57.7%	182913	65.0%
Top 1%	140649	22.6%	1128435	40.1%

Source: World Inequality Report 2026[17]

[16] https://openknowledge.worldbank.org/bitstreams/8f505de6-d365-4f10-aa5a-353c39616895/download
[17] https://wir2026.wid.world/www-site/uploads/2025/11/WIR26_Country_Sheets.pdf

While incomes of the bottom half of the population increase only gradually, billionaire incomes and wealth have risen exponentially. Hurun India Rich List 2025 observes:

- There are 358 dollar billionaires in India.
- 1,687 individuals own wealth over Rs. 1,000 crores, a net increase of 148 over 2024.
- The super-rich added Rs. 1,991 crore a day during the period.
- 58 new billionaires emerged this year – averaging more than one every week.[18]

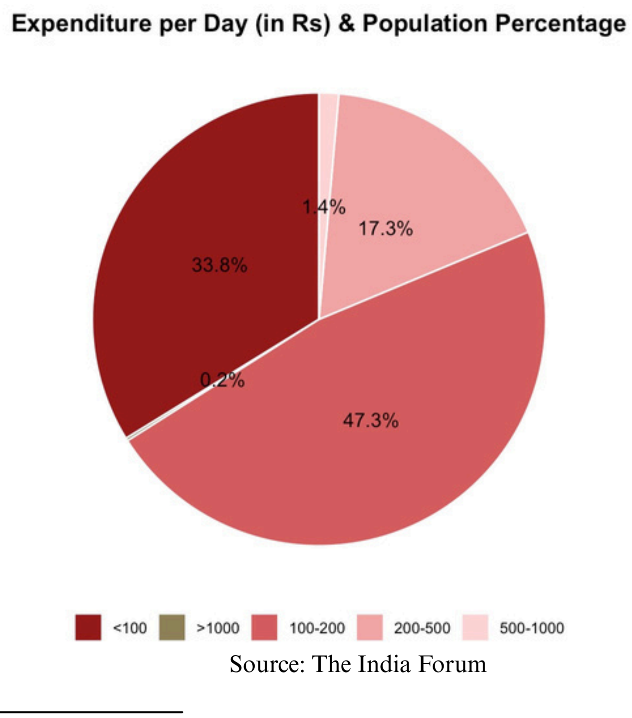
Income Inequality Worse than under the British Raj

A previous report by the World Inequality Lab showed that income inequality in today's India is worse than a century ago when the British ruled India. The report noted:

> *Between 2014-15 and 2022-23, the rise of top-end inequality has been particularly pronounced in terms of wealth concentration. By 2022-23, the top 1% income and wealth shares (22.6% and 40.1%) are at their highest historical levels, and India's top 1% income share is among the very highest in the world, higher than even South Africa, Brazil and the US.*[19]

One-Third of India's Population Survives on Less Than Rs. 100/day

The Modi government's claim of having presided over a more equal income distribution is debunked by the household consumption expenditure survey's 2022–23 (HCES) estimates on poverty. Analysis of the HCES data shows that almost 34% of Indians subsist on less than Rs. 100 per day. More than 80% of Indians subsist on less than Rs. 200 per day.[20]



Source: The India Forum

[18] https://www.business-standard.com/finance/personal-finance/india-records-358-billionaires-ambani-keads-with-9-5-lakh-cr-wealth-125100100522_1.html
[19] https://wid.world/news-article/inequality-in-india-the-billionaire-raj-is-now-more-unequal-than-the-british-colonial-raj/
[20] https://www.theindiaforum.in/public-policy/household-consumption-expenditure-survey-2022-23

Middle Class Feeling the Pinch

One of the best indicators of inclusive development is the expansion of the middle class. Economic growth is expected to lead to reduced poverty and more people entering the middle class. However, economic mismanagement over the last decade has led to a stagnating middle class, which, in turn, has contributed to the slump in demand in the economy.

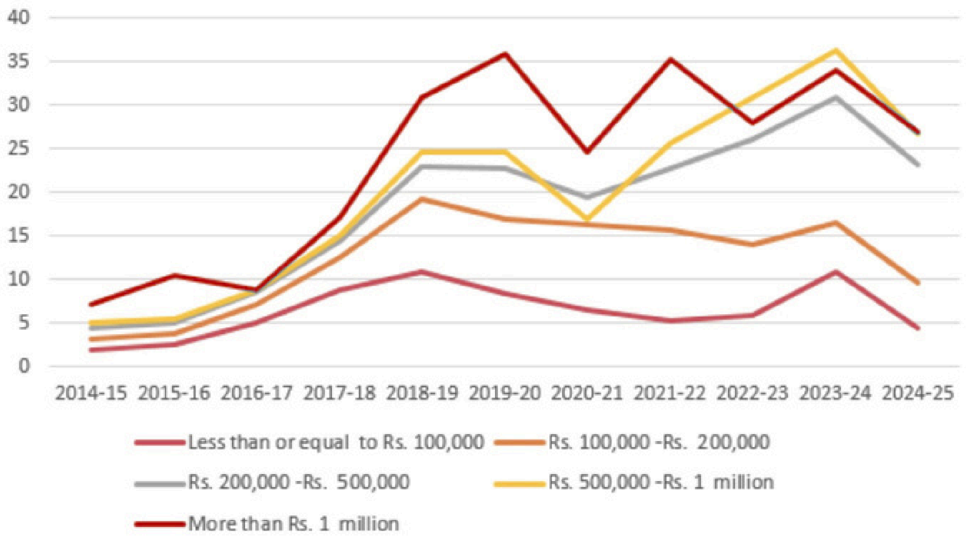
The middle class in India commands less than 30% income and wealth, once again ranking amongst the worst performers globally.

The 2025 Economic Survey recorded that corporate India saw its profits grow by 22.3 per cent in FY24, but jobs grew by just 1.5 per cent. While profits increased, job creation and salary growth remained negligible. The Economic Survey cautioned, "A higher profit share and stagnant wage growth risk slowing the economy by curbing demand … To secure long-term stability, a fair and reasonable distribution of income between capital and labour is imperative."[21]

Poorer Sections Forced to Borrow from Costlier Informal Sources

Income disparities are reflected in access to formal credit. In the case of borrowing from the organised sector, the share of households with income less than Rs. 2,00,000 has fallen sharply over the years. The share of households accessing credit has halved from 10% to 5% for households with income less than Rs 100,000 and from 19% to 9% for households with income from 1-2 lakh. This suggests that poorer households have had to shift borrowing to more expensive informal sources of credit, further hurting their ability to climb to the middle class.[22]

Share of Households Borrowing from Organised Sector



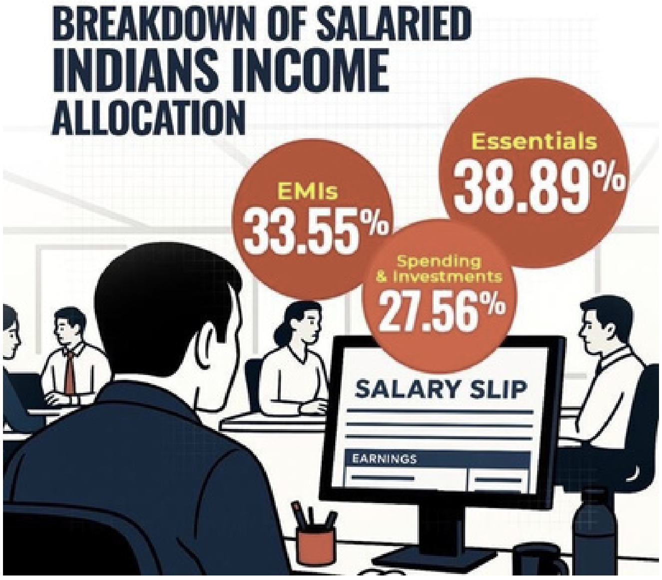
Source: National Institute of Public Finance and Policy[23]

21 Page 382, Economic Survey 2024-25
22 https://www.nipfp.org.in/publication-index-page/blog-index-page/are-households-saving-less/?year=2026&month=1&day=12&slug=are-households-saving-less
23 https://www.nipfp.org.in/publication-index-page/blog-index-page/are-households-saving-less/?year=2026&month=1&day=12&slug=are-households-saving-less

Salaried Income Stagnation

Salaried individuals often share how they are troubled by financial anxieties. Their yearly increments are insufficient to meet their growing expenses, often leading to individuals having to take on debt to meet short-term expenses.

A survey recorded that salaried Indians set aside one-third of their salary incomes towards EMIs, nearly 39% towards essential expenses like rent, food, etc., leaving only about 28% for spending and investments. The expenses multiply for those working in metro cities, squeezing savings. More families rely on debt; **by March 2025, there were more than 28 crore borrowers with loans pending, with the average amount standing at Rs. 4.8 lakhs.**



Source: India Today [24]

Government Sops for the Rich, Tax for the Middle Class

Rising inequality is the direct result of the government's policy framework. At every step of the way, the BJP government has worked towards advancing the interests of the richest.

- **Abolished Wealth Tax:** Early in its tenure, it did away with the wealth tax in the name of rationalising taxes and followed it with introducing a punitive GST regime.
- **Corporate Tax Cut Rate**: In 2019, it reduced corporate tax rates drastically, leading to an estimated annual revenue loss of Rs. 1.45 lakh crore.

[24] https://www.indiatoday.in/interactive/photo-essay/the-great-indian-salary-crisis-middle-class-unemployment-job-loss-268-04-07-2025

- **High GST Rates:** High GST on everyday items and no substantial relief in income tax hurt the poor and middle classes. It was only after intense opposition that last year the government announced income tax cuts for low earners and GST rate relief for products commonly consumed by the masses.

- **Taxes on Petrol and Diesel:** Since taking power in 2014, the BJP government has repeatedly raised excise duties on petrol and diesel, placing a heavy burden on the common man. Since 2014-15, the government has raised Rs. 29 lakh crores from excise duty on crude and petroleum products.[25]

People Paying More Taxes than Companies: The lopsided taxation policies mean that for the first time in India's history, personal income tax collections have overtaken corporate tax revenue. The share of personal income tax in total direct taxes has increased from 38.1% in FY14 to 53.4% in FY24, while corporate taxes declined from 61.9% to 46.6% over the same period.[26]

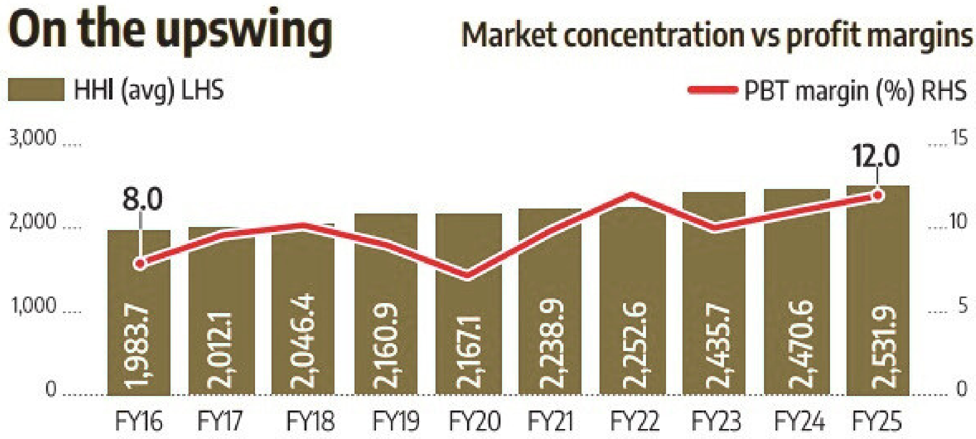
Crony Capitalism Aiding Inequality - Market Concentration and Corporate Dominance Across Key Sectors

Crony capitalism and growing monopolisation are some of the biggest factors behind rising inequality and have a significant impact on household budgets. Former Reserve Bank of India Deputy Governor Viral Acharya has claimed that industrial concentration by five major private sector companies is contributing to persistent core inflation.[27] Consolidation of market share and profiteering have been simmering within the economy, but captured wider public attention when widespread flight cancellations in early December 2025 disrupted the public's travel plans.[28]

The most illuminating evidence of this shift comes from increasing numbers of Herfindahl-Hirschman Index (HHI), which is used to measure market concentration. The higher the market concentration, the higher the number.

In FY25, the average HHI score jumped from 1,980 in FY15 and 2,167 in FY20 to 2,532, breaching the 'highly concentrated' zone across eight major sectors. The HHI scores for sectors such as telecom, steel, aviation and cement are at historic highs amidst thinning competition and soaring profits.

25 https://ppac.gov.in/prices/contribution-to-central-and-state-exchequer
26 https://economictimes.indiatimes.com/news/economy/finance/personal-income-tax-collection-overtakes-corporate-tax-report/articleshow/123543537.cms
27 https://www.business-standard.com/article/economy-policy/former-rbi-dg-says-pricing-power-of-big-5-driving-core-inflation-123031301162_1.html
28 https://timesofindia.indiatimes.com/business/india-business/indigo-fiasco-the-real-cost-of-a-flight-that-never-took-off/articleshow/125805270.cms



Source: Business Standard Research Bureau[29]

Between FY20 to FY25, India Inc's net sales grew at a compound annual growth rate (CAGR) of 12.7%, but profits grew much faster, with profit before tax growing at 25%, and after tax at 25.7%.[30]

Aviation: The aviation sector, with 2 companies controlling the 90% of the market, has an HHI score of 4500 in FY25, more than double the threshold for a "highly concentrated" market. When Air India was owned by the government, it acted as a check against private players' untrammelled domination.[31]

Telecom: In 2017, when Reliance Industries entered the telecom sector, its HHI score climbed from a "moderately concentrated" 1670 to "highly concentrated" 3,174 band by FY25. Reliance Jio and Airtel jointly account for about 76 per cent of telecom revenue, up from 70.4 per cent in FY22.[32]

Average HHI, across eight major industries in India -- telecom, aviation, cement, iron and steel, tyres, passenger cars, two-wheelers and paint, rose by 550 points over the decade, providing the compelling evidence of monopolistic tendencies exhibited by the large companies under the Modi government.[33]

Ports: To further implicate the government, more than 20% of India's port capacity is controlled by the Adani Group, second only to the Government of India. The Adani Group is also the biggest player in airport operations with 23% market control.[34]

29 https://news.eepcindia.com/uploads/news_update_pdfs/news_update_pdf_17072025_043521.pdf
30 https://www.business-standard.com/industry/news/india-inc-profit-boom-hides-consolidation-herfindahl-hirschman-index-explained-125071700945_1.html
31 https://www.business-standard.com/article/economy-policy/former-rbi-dg-says-pricing-power-of-big-5-driving-core-inflation-123031301162_1.html
32 https://www.business-standard.com/industry/aviation/with-2-airlines-in-command-market-concentration-in-aviation-skyrockets-125120700432_1.html
33 Ibid
34 https://www.business-standard.com/industry/aviation/indigo-crisis-exposes-risks-of-corporate-dominance-across-key-industries-125121000085_1.html

Online Payments: Market concentration is not just limited to these sectors. In the United Payment Interface domain, there is 80% market concentration by two companies, PhonePe and Google Pay. According to the India Fintech Foundation, the Reserve Bank of India and National Payments Corporation of India have recommended a 30% market share cap to lessen the dominance; however, it has not been implemented.[35]

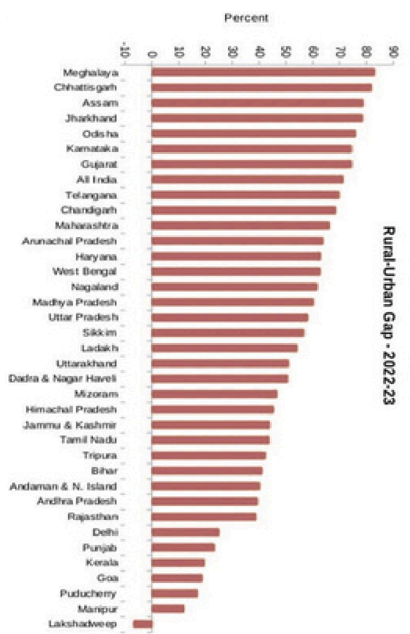
Regulatory negligence on the part of the government and its support for crony capitalism have let a few big corporates grab huge chunks of the market share in key sectors. Thus, India's private sector is also moving towards monopolistic and duopolistic outcomes, which hamper innovation and broad-based growth.

Inequality Within States – Rural Areas Worse-off

There are wide variations between the consumption habits of states and union territories. Richer states tend to spend less on food. According to NSSO's Household Consumer Expenditure Survey 2022-23, the monthly per capita expenditure of rural India stands at Rs. 3,773, which is 71% less than urban India's Rs. 6,459. In six states, the divide between their urban and rural areas is more than the national average of 71%.

Consumption inequality is creeping into urban India, where the top 5 per cent of the population spends 10.4 times more than the bottom 5 per cent.[36]

Monthly per-capita consumption expenditure: Rural-urban gap

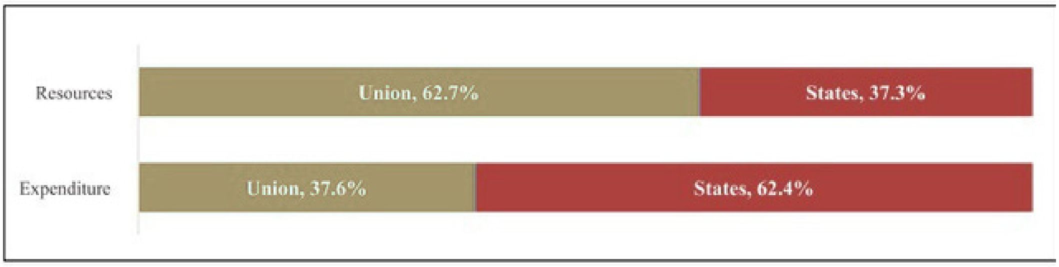


Source: Business Standard Research Bureau[37]

[35] https://bfsi.economictimes.indiatimes.com/articles/iff-urges-govt-and-rbi-to-tackle-upi-payment-concentration-risk/124951603
[36] https://theprint.in/macrosutra/shrinking-gap-between-average-rural-urban-consumption-spends-good-news-but-inequality-persists/2129997/
[37] https://theprint.in/macrosutra/shrinking-gap-between-average-rural-urban-consumption-spends-good-news-but-inequality-persists/2129997/

Inequality in Centre-State Resource Sharing

The Fifteenth Finance Commission noted the uneven spending responsibilities between the Centre and States. The Union collected 62.7 per cent of the combined revenues of both the Union and the state governments whereas the state governments bore the responsibility for 62.4 per cent of the total expenditure.[38]



Source: Finance Commission

Given this uneven expenditure responsibility, states should be sufficiently provided with various ways and means to cover their crucial expenditures in important sectors such as health and education. But that has not been the case since the beginning of the Modi government's tenure. Grants-in-aid, which are statutorily mandated grants given to states to cover their revenue account post-devolution, have declined from Rs.1,95,000 crore in 2015-16 to Rs.1,65,000 crore in 2023-24.[39]

The Modi government has consistently increased its collection of cesses and surcharges, which flow to the Union tax pool and are not shared with the states. Cesses and surcharges have grown at a compounded annual growth rate of 16.7% between 2011-12 and 2024-25.[40] (At the end of UPA-I and UPA-II governments, cesses and surcharges as a part of gross revenue tax stood at 11.6% and 12.4% respectively). Since then, cesses and surcharges have consistently risen, reaching a peak of 20.23% during FY22.[41] These cesses and surcharges have essentially negated the Fifteenth Finance Commission's mandate to share 41 per cent of central revenues with states, as states effectively receive only about 32 per cent, further strangling their already stressed finances.[42]

38 Pg 150, XV Finance Commission Report for 2021-26
39 https://frontline.thehindu.com/politics/is-indias-fiscal-federalism-breaking-apart/article67852880.ece
40 https://www.deccanherald.com/opinion/in-search-of-a-new-federal-bargain-3191443
41 Page 10, Report of the Comptroller and Auditor General of India on Accounts of the Union Government for the Year 2023-24
42 https://frontline.thehindu.com/politics/is-indias-fiscal-federalism-breaking-apart/article67852880.ece.

3 Why Is India Failing to Provide Work to Its People?

During the 2024 Lok Sabha election, Prime Minister Modi, in an interview with PTI News,[43] claimed that his government has the "best track record" in creating jobs for India's youth. Some economists rushed to support this claim, arguing that nearly 1 crore jobs have been created over the past decade.[44]

The government's claims rest on increasing enrolments in the Employees Provident Fund Organisation (EPFO) as evidence of new job creation. This ignores the fact that the bulk of these represent formalisation of existing contractual jobs, and that most job creation has been of lower quality and consists of contractual or gig economy work. Data from the Periodic Labour Force Survey (PLFS) show employment growth was substantial in agriculture, where underemployment and low productivity prevail, and in self-employment in the informal sector.[45]

Further, people's lived experience differs. In 2024, a Lokniti-CSDS pre-poll survey asked whether it is "easier to find work now than five years ago." 62% of respondents said it has become more difficult. Weak job creation leads to a suppression of demand, thus weakening consumption and worsening inequality.[46]

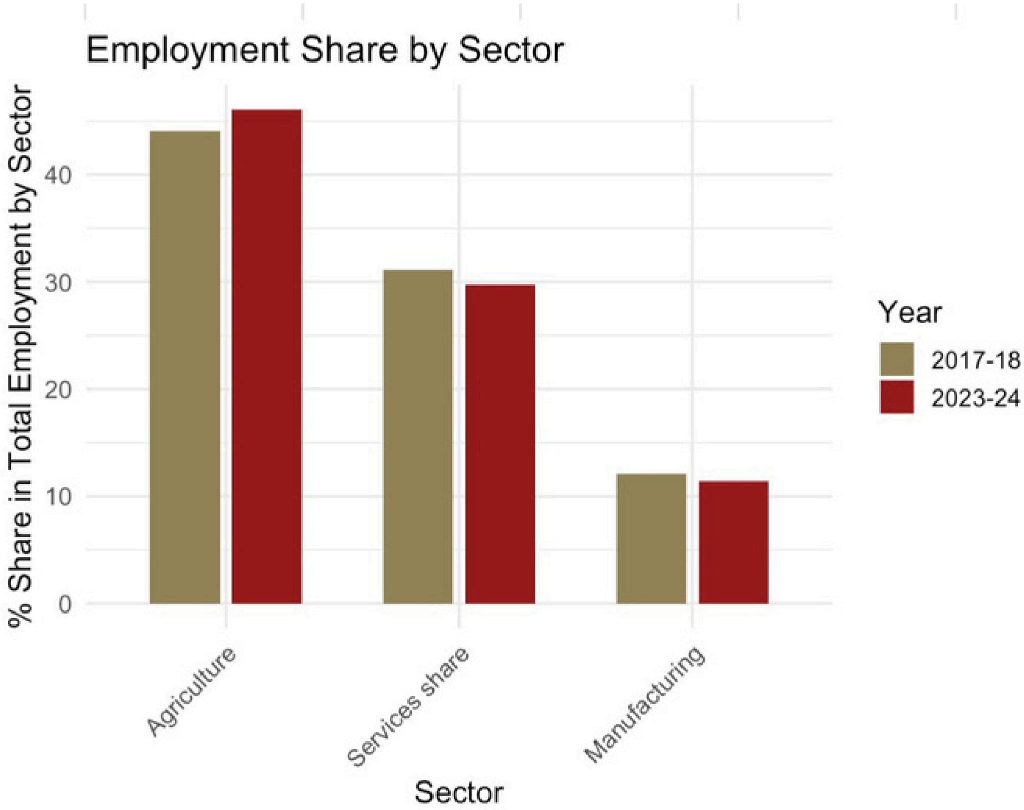
If the Economy Is Growing, Where are the Jobs?

India's employment numbers are hiding the reality of disguised unemployment. Since 2015, the sectors that traditionally absorb workers, like manufacturing and services, have stalled, even as the economy has grown.[47][48]

- Between 2017–18 and 2023–24, the share of workers in manufacturing fell from 12.1% to 11.4%, while services declined from 31.1% to 29.7%.
- Instead of moving into higher-productivity sectors, more workers were absorbed back into agriculture, whose employment share rose from 44.1% to 46.1% during this period.

43 https://thewire.in/politics/fact-checking-modi-on-claims-that-his-track-record-as-compared-to-previous-governments-is-the-best
44 https://swarajyamag.com/news-brief/modi-government-created-record-10-million-jobs-over-last-7-8-years-jobless-growth-in-upa-era-economist-surjit-bhalla
45 https://thewire.in/economy/govt-claims-of-job-creation-based-on-epfo-enrolment-data-are-misleading-heres-why
46 https://www.thehindu.com/elections/lok-sabha/lokniti-csds-2024-pre-poll-survey-jobs-inflation-key-issues-in-2024-lok-sabha-elections/article68051581.ece
47 https://dge.gov.in/dge/sites/default/files/2024-02/Employment_Situation_in_India_NOV_2023.pdf
48 https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap12.pdf

- The structure of employment has deteriorated, wherein self-employment rose sharply from 52.2% in 2017-18 to 58.4% in 2023-24. At the same time, regular salaried jobs declined from 22.8% to 21.7%.



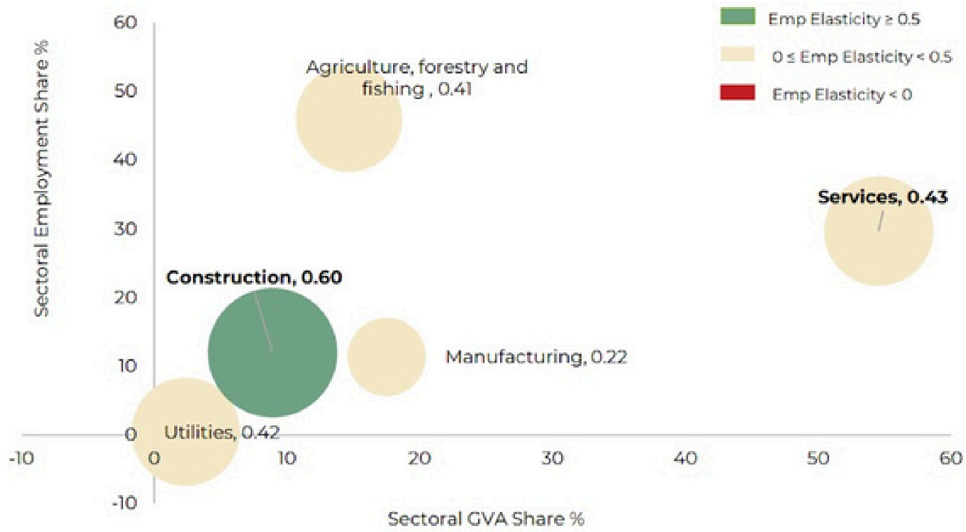
Source: Economic Survey of India 2023-24 (Page 369)

A 2025 NITI Aayog report confirms that while the service sector is the largest contributor to Gross Value Added (GVA), it has failed to become a mass employer.[49]

- With employment elasticity stuck below 0.5 for over a decade, the growth is not labour-intensive enough for a country adding millions of workers annually.
- Job growth is concentrated in low-value, informal activities such as trade and transport, while high-productivity services employ relatively few workers.
- 40% of salaried workers have no written contract, and more than half have no access to benefits such as paid leave and social security.[50]

49 https://niti.gov.in/sites/default/files/2025-10/Indias_Services_Sector_Insights_from_Employment_Trends_State_level_Dynamics.pdf Page 28
50 https://niti.gov.in/sites/default/files/2025-10/Indias_Services_Sector_Insights_from_Employment_Trends_State_level_Dynamics.pdf Page 28

Sectoral shares of GVA and employment with overall employment elasticity



Source: NITI Aayog - India's Service Sector Insights from Employment Trends 2025[51]

Who is Enjoying the Benefits of Economic Growth?

The Economic Survey 2024-25 says growth needs higher wages and employment incomes. However, the government's policy choices favour corporate profits over job creation and wage growth.[52]

- Corporate profitability touched a 15-year high in FY24, driven by sectors like finance, energy, and automobiles.
- Among Nifty 500 companies, profits as a share of GDP have more than doubled from 2.1% in FY03 to 4.8% in FY24, the highest level since the global financial crisis.
- In FY24, corporate profits grew by 22.3%, while employment increased by just 1.5%.
- SBI's analysis shows that in FY24, nearly 4,000 listed companies reported a 6% growth in net sales, but their profits surged. Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) rose by 28% and net profits by 32%. Yet workers did not share in these gains. Employee expenses grew by just 13%, slower than the 17% growth the year before.[53]
- Over the last four years, Indian companies have protected an average EBITDA margin of 22%, while the wage bill has grown by only around 12%.[54]
- Wage stagnation has been especially visible in entry-level Information Technology jobs, once considered a reliable path to middle-class security, and now under threat due to the rapid rise of Artificial Intelligence.

51 https://niti.gov.in/sites/default/files/2025-10/Indias_Services_Sector_Insights_from_Employment_Trends_State_level_Dynamics.pdf Page 18
52 https://dge.gov.in/dge/sites/default/files/2024-02/Employment_Situation_in_India_NOV_2023.pdf
53 https://sbi.bank.in/documents/13958/43951007/131224-Contours+of+Inflation_Dec24.pdf/fed7db6f-773c-5eba-ac3e-0be32e5b3013?t=1734074469434 (Page 12)
54 https://sbi.bank.in/documents/13958/43951007/131224-Contours+of+Inflation_Dec24.pdf/fed7db6f-773c-5eba-ac3e-0be32e5b3013?t=1734074469434 (Page 12)

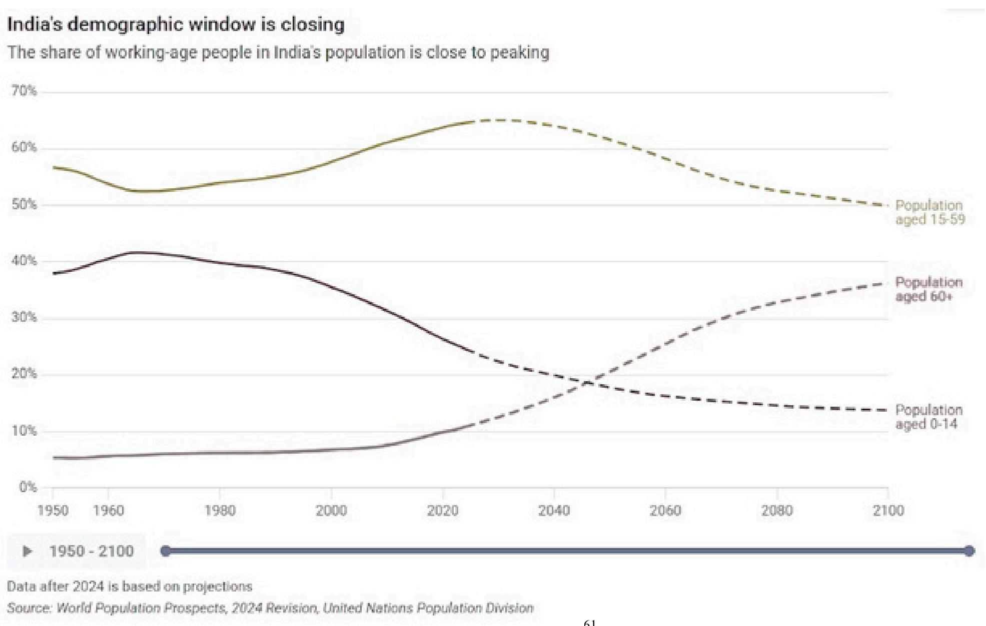
Young People Are Struggling to Find Jobs

Despite years of headline GDP expansion, estimates show that in 2023-24, around 2.8 crore educated youth were actively unemployed. Nearly 10 crore educated young people, mostly women, stopped looking for jobs altogether,[55] becoming "discouraged workers" who were essentially pushed out of the labour market by the government's repeated failure to create jobs.

Fewer young Indians are working or even able to keep looking for work, and whatever jobs are being created are not the kind young people need.

- Between April-June and July-September 2025, youth labour force participation fell from 42.0% to 41.3%, and youth employment declined from 35.8% to 35.2%.[56]
- By September 2025, youth unemployment had grown to nearly 15%.[57]
- In cities, which is where most graduates look for work, the unemployment rate climbed to 18.4%.[58]
- Moreover, one in four urban young women (25.3%) who want to work cannot find a job.[59]

India is still within its favourable demographic window with over 60% of the population of working age. UN projections show that the share of working-age Indians will begin to decline within the next few years, and the absolute working-age population is expected to peak by around 2040, after which ageing will accelerate.[60] In other words, India's demographic window is closing, and the Modi government is not using it judiciously.



Source: Data for India[61]

55 https://thewire.in/economy/india-out-of-work-unemployed-youth-become-discouraged-workers
56 https://new.mospi.gov.in/uploads/publications_reports/publications_reports1762857873549_89c2fe77-1f61-4b09-96cb-d0f19e544f09_QB_July_Sept_2025_(1).pdf (Pages 3, 4 and 10)
57 https://new.mospi.gov.in/uploads/publications_reports/publications_reports1762857873549_89c2fe77-1f61-4b09-96cb-d0f19e544f09_QB_July_Sept_2025_(1).pdf (Pages 3, 4 and 10)
58 https://new.mospi.gov.in/uploads/publications_reports/publications_reports1762857873549_89c2fe77-1f61-4b09-96cb-d0f19e544f09_QB_July_Sept_2025_(1).pdf (Page 10)
59 https://new.mospi.gov.in/uploads/publications_reports/publications_reports1762857873549_89c2fe77-1f61-4b09-96cb-d0f19e544f09_QB_July_Sept_2025_(1).pdf (Page 10)
60 https://www.dataforindia.com/demographic-dividend/
61 https://www.dataforindia.com/demographic-dividend/

According to India Skills Report 2025 only one in two graduates (54.81%) in India are employable.[62] The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) was sold as the government's answer to youth employability, but a recent report by the Comptroller and Auditor General (CAG) has shown how this programme has failed to deliver its grand promise:

- Nearly 6 in 10 trained youth got a certificate but no jobs. Of 56.14 lakh youth certified under Short-Term Training/Special Projects, only 41% (23.18 lakh) were placed.[63]
- Assessments were delayed by up to 1,270 days, and certifications by up to 1,257 days, affecting 23.87 lakh candidates.[64]
- CAG flagged that there was no micro-level skill-gap information, no long-term strategy, and no National Skill Development Plan during the first three phases so the training often drifted from labour-market demand.[65]
- 94.53% of beneficiary bank account details were blank, zero-filled, invalid or missing.
- In 2023, Direct Benefit Transfer (DBT) payments were processed for only 25.58% of candidates. Of those, only 18.44% payments were successful. Even by October 2024, only 63.75% candidates had received DBT payments.[66]

Another much-publicised promise on youth employability that has collapsed under scrutiny is the Prime Minister's Internship Scheme (PMIS), announced by Finance Minister Nirmala Sitharaman in the July 2024 Budget.[67]

- In FY26, the Ministry of Corporate Affairs had a budget allocation of over Rs. 11,500 crore, of which nearly 94% was meant for PMIS. Yet, by November 2025, the Ministry had spent only about 4% of its budget, leaving the vast majority of funds unused.
- In FY25, allocations had to be sharply cut mid-year because large sums remained unutilised.

The government has attempted to showcase success by claiming that the pilot exceeded its target of creating 1.25 lakh internship opportunities. So far, this scheme has had near-zero employment outcomes with only 95 interns receiving full-time job offers from host companies.[68] [69]

- Across both rounds, only about one in five candidates accepted internship offers.
- In the first round, despite 6.21 lakh applications, just 10.6% of offers were accepted.
- Further, only around 30% of candidates who accepted offers actually joined their internships.
- Of those who did join, nearly 41% dropped out before completing the one-year term.
- By the end of November 2025, just 2,066 interns had completed their internships.

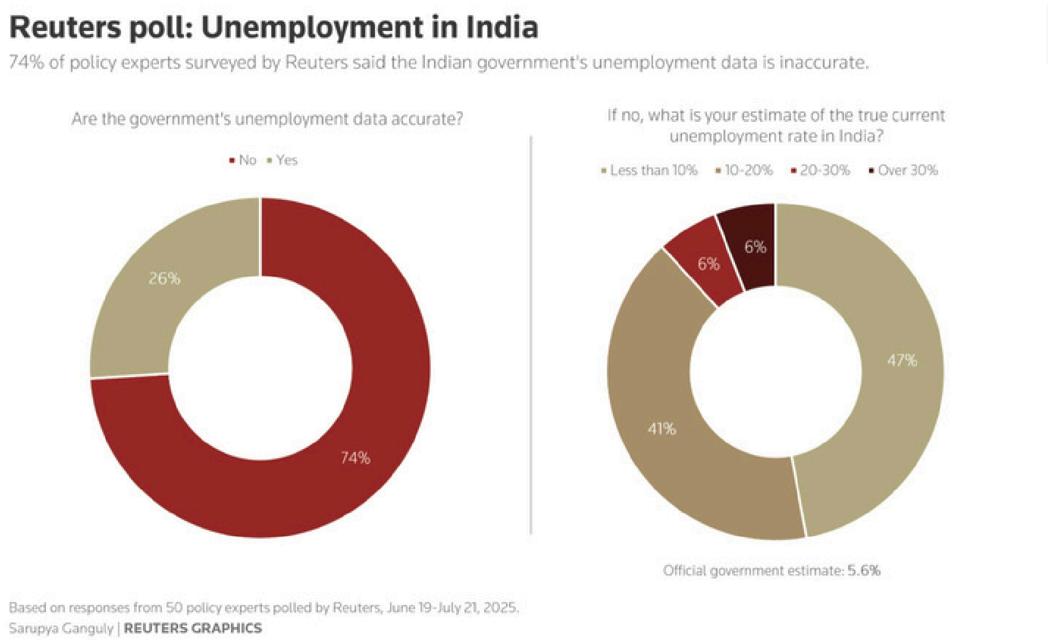
This is not surprising, given the programme's design flaws. Interns are paid Rs. 5,000 a month for a full year, with a one-time grant of Rs. 6,000, an amount that barely covers transport, let alone food or accommodation, especially in the cities where most internships are located. Even government officials have conceded that the low financial assistance may be discouraging participation.

62 India Skills Report 2025 by Wheebox https://wheebox.com/assets/pdf/ISR_Report_2025.pdf (Page 76)
63 https://cag.gov.in/uploads/download_audit_report/2025/Report-No.-20-of-2025_PA-PMKVY_English-PDF-A-06943abec463479.68516873.pdf Page 45
64 https://cag.gov.in/uploads/download_audit_report/2025/Report-No.-20-of-2025_PA-PMKVY_English-PDF-A-06943abec463479.68516873.pdf Page 44
65 https://cag.gov.in/uploads/download_audit_report/2025/Report-No.-20-of-2025_PA-PMKVY_English-PDF-A-06943abec463479.68516873.pdf Page 17
66 https://cag.gov.in/uploads/download_audit_report/2025/Report-No.-20-of-2025_PA-PMKVY_English-PDF-A-06943abec463479.68516873.pdf Page 27
67 https://www.thehindubusinessline.com/economy/pm-internship-scheme-falters-as-funds-go-unused/article70509774.ece
68 https://scroll.in/latest/1088939/only-30-of-candidates-accepted-pm-internship-scheme-offers-41-quit-halfway
69 https://www.thehindu.com/news/national/only-one-in-five-candidates-accepted-pm-internship-scheme-offers-and-20-of-them-quit-early/article70349129.ece

Unreliable Job Data

If job creation has been as strong as the government claims, it should be easy to demonstrate through consistent data. Instead, comparing unemployment figures has become harder every year.

- The Labour Bureau's Employment–Unemployment Surveys, conducted till 2016–17, have officially been stated to be not comparable with the more recent Periodic Labour Force Survey (PLFS) due to differences in survey methodologies, sampling, reference periods and definitions.[70]
- PLFS itself has undergone repeated structural changes, most recently in January 2025. These changes affect comparability even with earlier PLFS rounds and have made it difficult to analyse whether unemployment is actually falling.[71]
- Large sections of the workforce, especially young migrants, informal workers, and urban poor, are either undercounted or misclassified. As a household-based survey, PLFS excludes mobile, seasonal, and circular migrant workers who are not "home-based" at the time of enumeration.[72]
- Under the PLFS, India reported unemployment rates of around 4-5%, partly because it still counts unpaid family labour and subsistence work as employment. Several economists estimate that the true unemployment rate is around twice the official figure, with alternative estimates ranging from 7% to as high as 35%.[73]



Source: Reuters[74]

70 https://dge.gov.in/dge/sites/default/files/2024-02/Employment_Situation_in_India_NOV_2023.pdf
71 https://www.mospi.gov.in/sites/default/files/publication_reports/PLFS_Changes-in-2025_rev.pdf
72 https://www.orfonline.org/expert-speak/informality-precarity-and-migrants-the-gaps-in-plfs-2025
73 https://www.orfonline.org/expert-speak/informality-precarity-and-migrants-the-gaps-in-plfs-2025
74 https://fingfx.thomsonreuters.com/gfx/polling/akvexmndjpr/Reuters%20poll%20-%20Unemployment%20in%20India.png

Further, the official job numbers are widely believed to be wrong [75]

- A Reuters poll of independent economists shows that over 70% believe India's official unemployment data is inaccurate.
- In 2023, the International Labour Organisation (ILO) requested India to align with the standards laid down by the 19th International Conference of Labour Statisticians (ICLS-19). However, the 2025 revision only partially captures it.[76]
- Economists believe that most Indian workers are underemployed, stuck in low-paid, irregular, or low-productivity work. This is probably why people may technically be 'employed' but still feel insecure, poorly paid, and unable to find decent jobs.

Gender Imbalance – Women are Left Out of Better Quality Jobs, and Earn Lower Incomes

According to PLFS, Female Labour Force Participation Rate (FLFPR) increased from 23.3% in 2017–18 to 41.7% in 2023–24, driven overwhelmingly by rural women whose participation rate doubled to 47%.[77] However, the critical question is: what kind of jobs are women getting? These jobs are mainly in agriculture, unpaid household enterprises, and low-paying self-employment, rather than formal or secure wage jobs. Essentially, the government is getting better at counting more women in the labour market, but the jobs they are getting have not led to any improvement in women's earnings or economic empowerment.[78]

- Services jobs are mostly an urban story and rural women are left out. Over 60% of urban workers are in services, but in rural areas only 10.5% of rural women work in services.
- Even in services, women get the worst jobs. The Economic Survey 2024-25 shows that women's work is mostly concentrated in low quality, insecure jobs.
- Between 2017–18 and 2023–24, men's share in services rose from 32.8% to 34.9%. Women's share fell from 25.2% to 20.1%.
- Nearly 77% of rural women workers are stuck in agriculture but only a minority earned wages. Rural men, by contrast, are spread across agriculture, construction, services, and manufacturing.

This distress is especially visible in unpaid and unemployed women being absorbed by agriculture.

- Share of women workers in agriculture rose from 57.0% to 64.4% (2017–18 to 2023–24). Male participation in agriculture fell from 40.2% to 36.3%.
- 58% of women not in paid work were engaged in unpaid agricultural or household labour.

Analysis of the last annual PLFS report (2023-24) shows the disparity of earnings between both genders:[79] [80]

- The average female self-employed income (Rs. 5,497/month) is barely one-third of male earnings.

75 https://www.reuters.com/world/india/official-india-jobless-data-is-not-accurate-say-top-independent-economists-2025-07-22/
76 https://indianexpress.com/article/opinion/columns/indias-employment-problem-and-bad-statistics-8629312/
77 https://the-ken.com/newsletter/make-india-competitive-again/the-elusive-women-powering-indias-economy/
78 https://thewire.in/women/what-the-numbers-hide-about-womens-participation-in-the-labour-force
79 Economic Survey 2024-25 (Page 378) https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap12.pdf
80 https://niti.gov.in/sites/default/files/2025-10/Indias_Services_Sector_Insights_from_Employment_Trends_State_level_Dynamics.pdf

- In rural India, women in regular wage jobs fell from 10.5% to 7.8% between 2017–18 and 2023–24.
- In regular salaried jobs, women earned 25% less than men.
- Female casual workers earn Rs. 296/day, compared to Rs. 450 for men.
- Women make less than half of what men earn. In rural services, men earn Rs. 451 per day, and women earn Rs. 213.
- Even in better jobs, women are paid less. In cities, women earn Rs. 403 per day compared to Rs. 480 for men, which is only 84% of male wages.
- Providing employment for rural women at the same minimum wage for men was one of the major successes of the MGNREGA programme. This outcome is now under threat with the new VB-G RAM G because diminished funding will likely result in work going to men rather than women.[81]

Disparity in average earnings among men and women from urban and rural areas

Table XII.1: Average earnings segmented by employment status, gender and location (for 2023-24)

₹ Nominal Value	Rural			Urban			Total		
	Male	Female	Person	Male	Female	Person	Male	Female	Person
Self-employed[50]	13,907	4,907	11,422	22,930	8,489	20,055	16,007	5,497	13,279
Regular[51]	18,029	11,914	16,626	25,501	19,709	23,974	22,092	16,498	20,702
Casual[52]	434	290	402	529	354	506	450	296	418

Note:1. For regular and self-employed workers, average monthly nominal earnings are reported.
2. For Casual workers, the average per-day earnings are reported.
Source: Annual PLFS 2023-24, MoSPI

Table XII.2: Trends in earnings

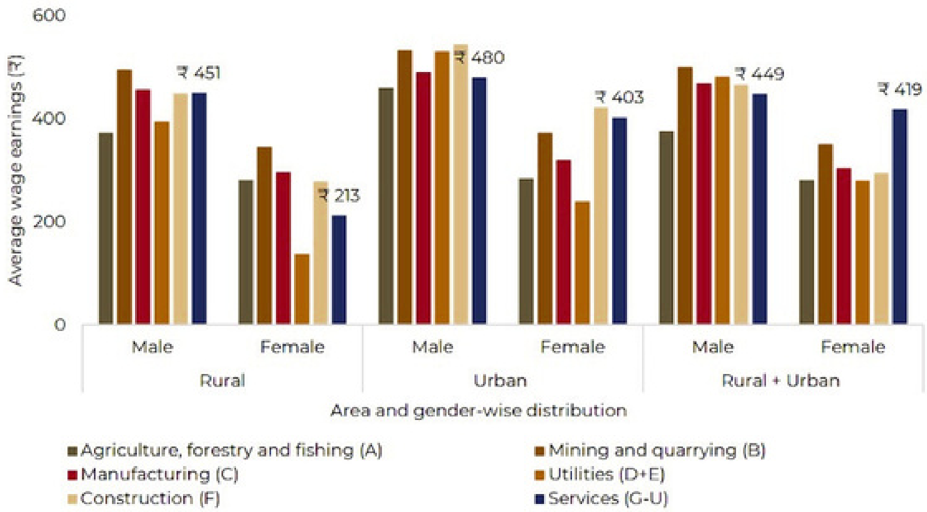
₹ Nominal Value	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Self-employed	10323	10454	10563	11678	13131	13279
Regular	15885	16728	17572	18391	19491	20702
Casual	277	291	318	374	403	418

Note:1. For regular and self-employed workers, average monthly nominal earnings are reported.
2. For Casual workers, the average per-day earnings are reported.
Source: Annual PLFS 2023-24, MoSPI

Source: Economic Survey 2024-25 (Page 378)

81 https://thewire.in/labour/why-the-dismantling-of-mgnrega-disproportionately-impacts-rural-women

Stark wage difference between men's and women's earnings, especially in rural areas

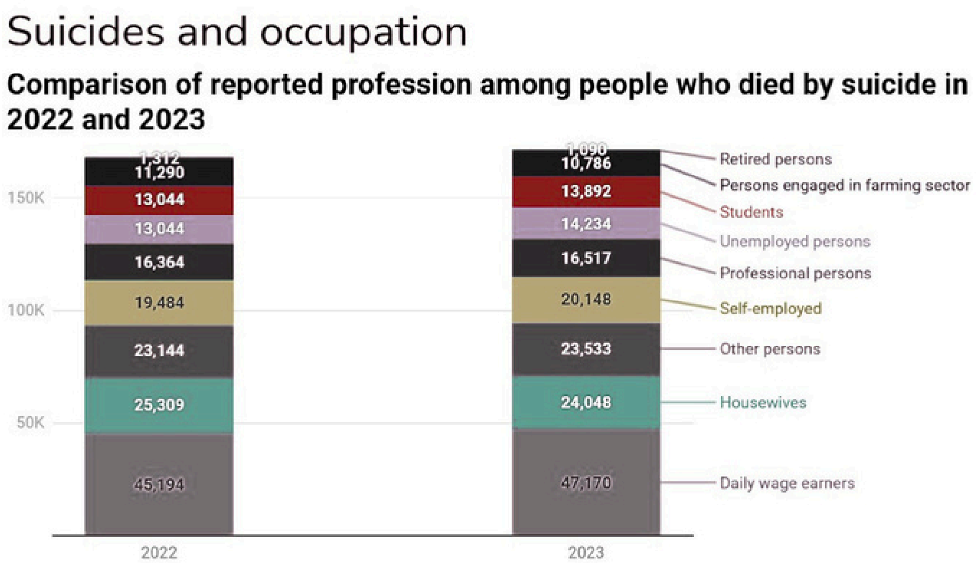


Source: NITI Aayog - India's Service Sector Insights from Employment Trends 2025 [82]

Who Bears the Cost of the Government's Failure to Generate Jobs?

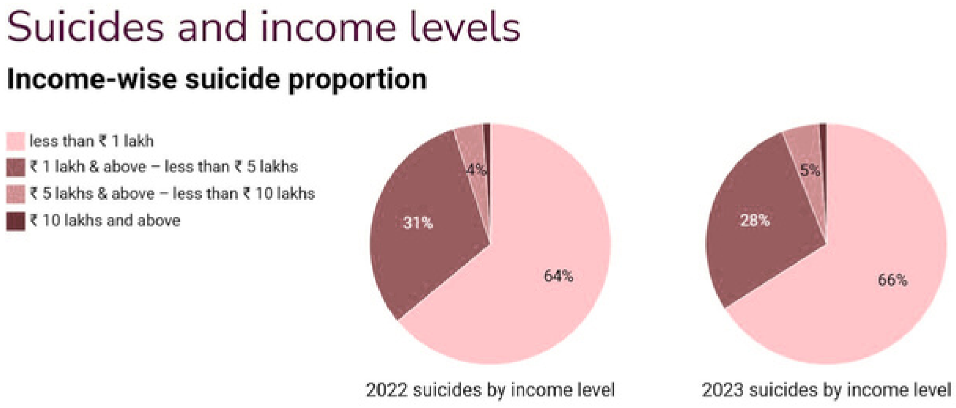
The unemployment crisis has turned deadly. According to the Accidental Deaths and Suicides Reports, between 2018 and 2023, a total of 18,914 individuals died by suicide due to unemployment.[83]

- The poorest Indians pay with their lives. In 2023, 66% of all suicides were among people earning Rs. 1 lakh a year or less, up from 64% the year before.[84]
- Daily wage workers are the worst hit. 47,170 daily wage earners died by suicide in 2023 and comprised 28% of all suicides, the single largest group.[85]
- Suicides among the unemployed rose by 9% in one year, reaching 14,234 deaths in 2023.[86]



Source: Keshav Desiraju - India Mental Health Observatory [87]

82 https://niti.gov.in/sites/default/files/2025-10/Indias_Services_Sector_Insights_from_Employment_Trends_State_level_Dynamics.pdf Page 18
83 https://www.ncrb.gov.in/uploads/files/Table24allindia.pdf (Table 2.4, Page 216)
84 https://cmhlp.org/imho/blog/takeaways-from-the-ncrb-data-on-suicide-for-2023-what-has-changed/
85 https://www.ncrb.gov.in/uploads/files/Table24allindia.pdf (Table 2.4, Page 215)
86 https://www.ncrb.gov.in/uploads/files/Table24allindia.pdf (Table 2.4, Page 216)
87 https://cmhlp.org/imho/blog/takeaways-from-the-ncrb-data-on-suicide-for-2023-what-has-changed/



Source: Keshav Desiraju - India Mental Health Observatory[88]

[83] https://cmhlp.org/imho/blog/takeaways-from-the-ncrb-data-on-suicide-for-2023-what-has-changed/

4 Dismantling the Right to Work

Since its enactment in 2005, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has stood as a landmark achievement in India's social policy, transforming the "right to work" from a political slogan into a legal entitlement. It was never intended to be a mere welfare scheme, but a rights-based framework designed to provide a critical lifeline for the rural poor by guaranteeing 100 days of wage employment, local work, and time-bound payments. Beyond income support, MGNREGA sought to address structural rural vulnerability by reducing hunger and distress migration, creating productive and ecological assets, and advancing social equity by centring women, Dalits, Adivasis and landless workers.

However, since the Modi government has come into power, there have been multiple attempts to undermine this statutory guarantee. Despite this, MGNREGA has repeatedly proved its profound socio-economic significance, acting as a critical buffer against poverty and an essential social security safety net. This was most apparent during the COVID-19 pandemic, where the programme proved to be the sole saviour for crores of individuals facing the devastating impact of the pandemic. Before the pandemic, 6.16 crore households demanded work; this peaked to 8.55 crore in 2020-21.

The significance of MGNREGA is also reflected in the continuing demand for work. 12.17 crore active workers are currently enrolled, highlighting its indispensable role as a core economic pillar for rural India.[89] Since the programme is designed to be self-selecting and to pay minimum wage, demand for MGNREGA work signals that rural workers have no other better-paying alternative, a reflection on the state of the rural economy under the Modi government.

Despite this undeniable impact, over the past decade, the Modi government has systematically hollowed out the Act through budgetary constraints, delayed wage payments, and digital exclusions. The Modi government's desire to "finish" MGNREGA was successfully realised during the 2025 Winter Session of Parliament, where the Viksit Bharat Guarantee for Rozgar and Ajeevika Mission Gramin Bill (VB-G RAM G) was rushed through. By repealing the 2005 Act and replacing it with a centrally controlled mission, the government has removed the legal framework that once empowered rural workers to demand work as a right.

89 https://nreganarep.nic.in/netnrega/nrega_ataglance/At_a_glance.aspx

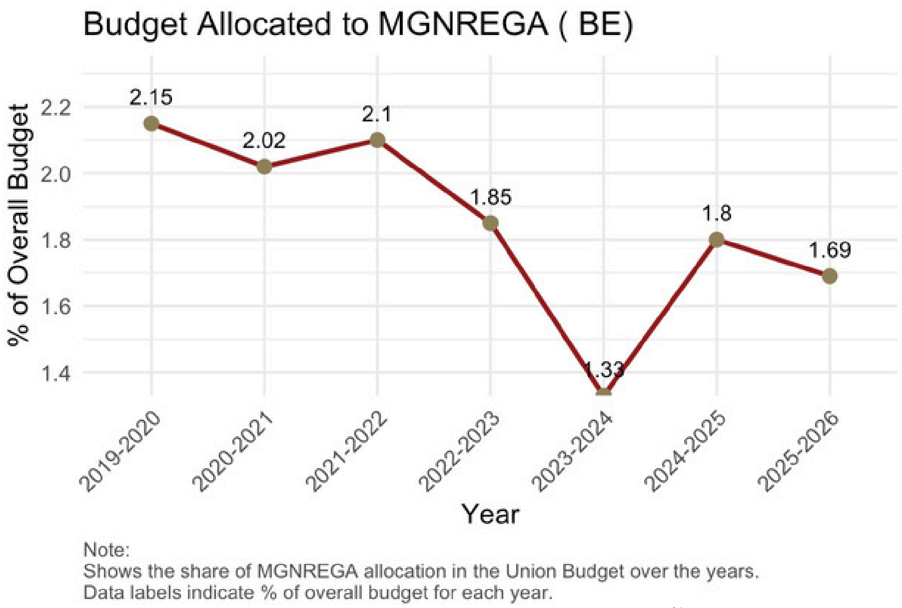
This shift replaces a historic, enforceable guarantee with a centralised, discretionary, top-down programme while simultaneously offloading a larger fiscal burden onto states, a move which is likely to have devastating economic ramifications for workers, states and the stability of the broader rural economy.

Systematic Weakening of MGNREGA

Inadequate Budgets and Artificially Restricting Demand

Since coming to power in 2014, the Modi government has systematically starved the MGNREGA programme of the resources required to fulfill its legal mandate. By steadily reducing financial allocations, the programme has effectively been transformed from a demand-driven scheme to a supply-restricted scheme.

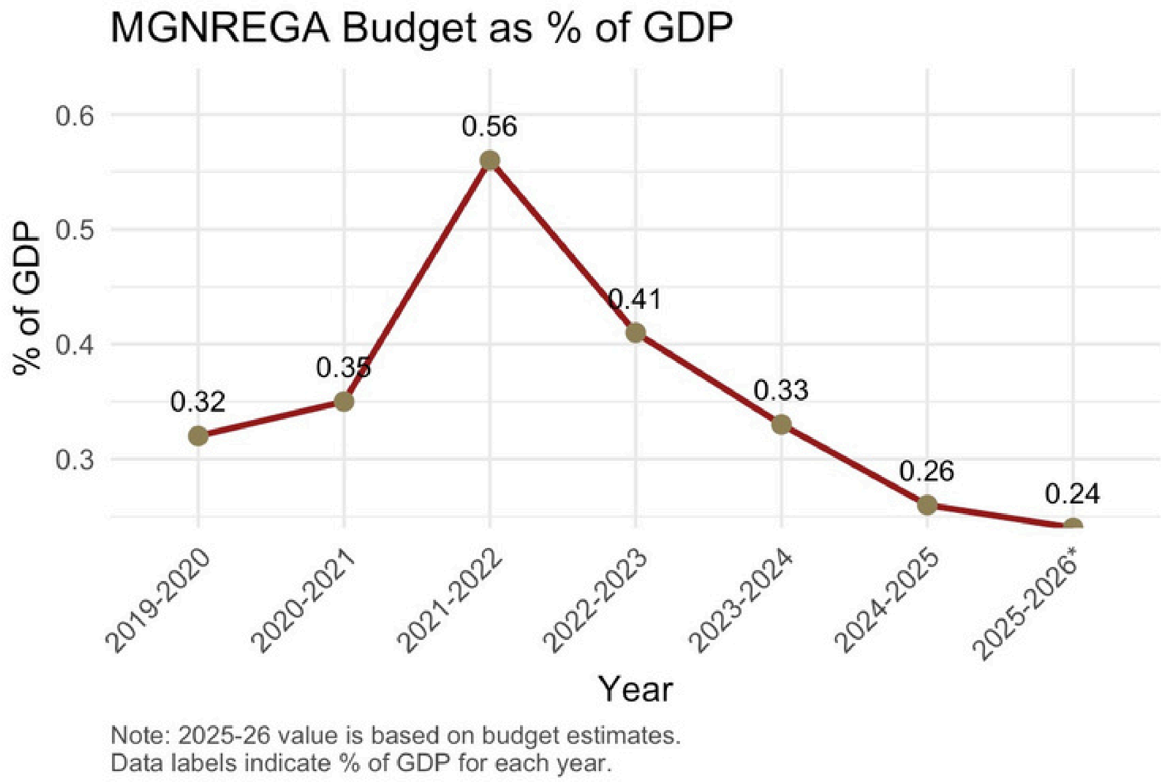
Except for an increase during the COVID-19 pandemic, since FY 2019-20, the funding allocated to MGNREGA has declined from 2.15% of the overall budget to 1.69% in FY 2025-26. Over the same period, funding allocations as a share of GDP have fallen from 0.32% to 0.24%. In contrast, World Bank economists have recommended that at least 1.7% of GDP should be allocated to the programme for it to be meaningful.[90]



Source: India Budget 2019-20 to 2025-26[91]

90 Rinku Murgai and Martin Ravallion, 'Employment Guarantee in Rural India: What Would It Cost and How Much Would It Reduce Poverty?'Economic and Political Weekly 40, no. 31(2005), pp. 3450-55.

91 https://www.indiabudget.gov.in/



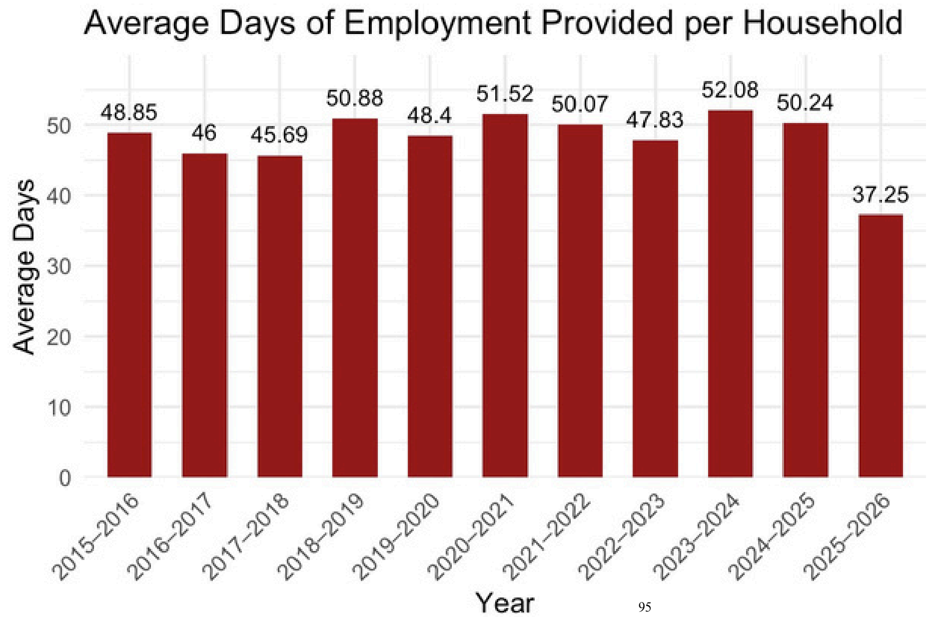
Source: NREGA Sangharsh Morcha and India Budget 2024-25 and 2025-26[92]

Less than 2% Households Received the Guaranteed 100-Days Work: As a result of persistently inadequate budget allocations, the government has been unable to fulfil the Act's statutory guarantee of 100 days of work.

- Out of the 4.86 crore households that have worked up to January in FY 2025-26, only 9.31 lakh households have completed 100 days of wage employment.
- In 2023-24, the NREGA Sangharsh Morcha estimated that meeting the full demand for 100 days of employment for close to 6 crore households would have required at least Rs 2.46 lakh crore, against the Central Government allocation of Rs 73,000 crore.[93]

The average number of days of employment has also remained low, falling to just 37.25 days up to January in FY 2025-26. Economists and activists argue that this is not a reflection of reduced demand for employment but rather the suppression of demand through budgetary constraints. This hits India's most vulnerable to make fiscal space for the government's other priorities.[94]

92 https://www.indiabudget.gov.in/
93 https://drive.google.com/file/d/1hDp5Um4eUpi4lvsULNkgeg1oFALdLfqn/view
94 https://nreganarep.nic.in/netnrega/nrega_ataglance/At_a_glance.aspx



Source: MGNREGA MIS[95]

Techno-governance and Exclusions

Two technology-driven processes introduced by the Modi government have been particularly harmful to workers' rights under MGNREGA, and have led to widespread exclusions under the guise of efficiency and transparency.

First, in January 2024, the Central Government enforced mandatory wage payments through the Aadhaar-Based Payment System (ABPS), resulting in large-scale wrongful exclusions due to mismatches between Aadhaar details and job card records. By conditioning wage payments on biometric and banking linkages, ABPS has effectively denied wages to workers for work already performed, transforming administrative verification into a barrier to entitlements.[96]

Second, the introduction of the National Mobile Monitoring System (NMMS) which mandates the uploading of time-stamped and geo-tagged photographs twice daily to record attendance has compounded barriers to access. Workers and supervisors across states have reported persistent technical glitches, poor network connectivity, and limited access to smartphones, resulting in unregistered attendance, unrecorded work, and delayed or denied wage payments. The NMMS also departs from the Act's legal framework by replacing physical muster rolls, undermining transparency and workers' ability to contest attendance discrepancies, and shifts the wage payments from a piece-rate system based on work output to a time-rate system linked to digital attendance.[97][98][99]

Despite well-documented evidence of exclusions and errors, the new VB-G RAM G Act is already pushing a regime of technocratic monitoring and surveillance by mandating biometric authentication of workers and functionaries at worksites, along with compulsory geospatial tracking and geo-referencing of work. This framework functions more as a mechanism of control over workers and states than as a tool for accountability.[100]

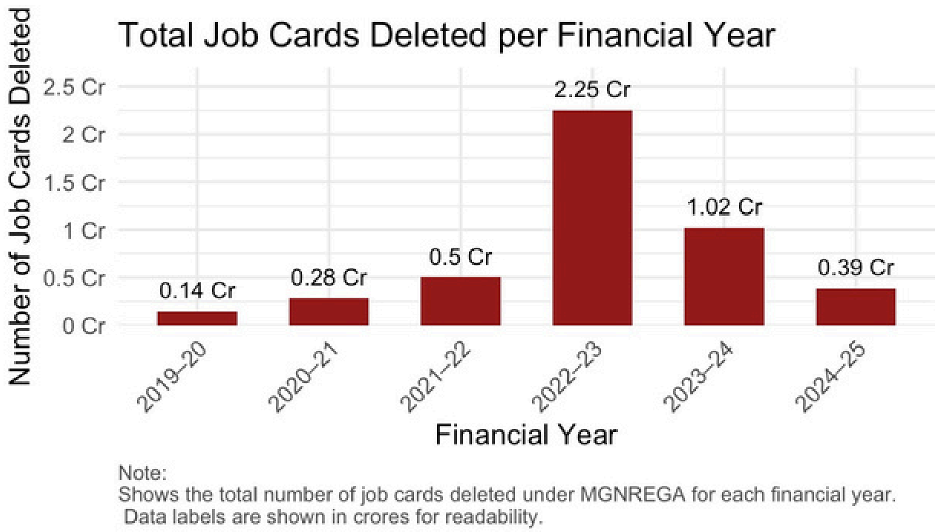
95 https://nreganarep.nic.in/netnrega/nrega_ataglance/At_a_glance.aspx
96 https://www.thehindu.com/news/national/new-year-new-rule-for-mgnrega-workers/article67692863.ece
97 https://rural.nic.in/en/press-release/national-mobile-monitoring-system-nmms-app-mgnregs#:~:text=NMMS%20App%20is%20used%20to,reply%20in%20Lok%20Sabha%20today
98 https://www.indiaspend.com/governance/flawed-mgnregs-attendance-app-impacts-workers-pay-in-worlds-largest-rural-jobs-programme-861930
99 https://thewire.in/tech/nrega-workers-nmms-app-protest
100 Section 24, The Viksit Bharat - Guarantee for Rozgar and Ajeevika Mission (Gramin) VB - G RAM G Act, 2025

Job Card Deletion

The deletion of job cards under MGNREGA has surged dramatically under the Modi government. In total, 4.57 crore MGNREGA job cards were deleted between 2019-20 and 2024-25.[101] This sharp spike and sustained scale of deletions point to systemic administrative exclusion driven by tightening digital and Aadhaar-linked compliance requirements rather than any genuine decline in demand for work, resulting in the wrongful removal of eligible workers from the scheme.

Official responses from the Ministry of Rural Development have characterised these deletions as part of routine verification exercises, including Aadhaar-based e-KYC and database "clean-ups," yet the scale of deletion, often triggered by minor discrepancies or technical failures, has resulted in genuine workers wrongfully removed from the job cards.[102] [103]

- The Standing Committee on Rural Development and Panchayati Raj in its report found that in 2021-22 approximately 50.31 lakh job cards were deleted due to minor spelling errors or mismatches.[104]
- The mandatory Aadhaar-based e-KYC requirement introduced for MGNREGA workers in November 2025 triggered an unprecedented wave of mass deletions from the scheme's rolls, with 27 lakh workers deletions taking place in a single month.[105]



Source: Lok Sabha Starred Question No. 135, 09/12/2025

The above factors illustrate how, even before the passage of the VB-G RAM G Bill, more than a decade of BJP rule had steadily weakened MGNREGA without formally repealing it.

101 https://sansad.in/getFile/loksabhaquestions/annex/186/AS135_8mdswa.pdf?source=pqals
102 https://thewire.in/rights/the-aadhaar-e-kyc-has-led-to-the-silent-shrinking-of-indias-rural-workforce
103 https://en.themooknayak.com/labourer/from-budget-cut-to-deletion-of-job-cards-how-mgnrega-is-dying-a-slow-death
104 Standing Committee on Rural Development and Panchayati Raj: Rural Employment Through Mahatma Gandhi National Rural Employment Guarantee Act (Mgnrega), 03/04/2025
105 https://libtech.in/wp-content/uploads/2025/12/MGNREGA-Worker-Deletions_-Oct-10-%E2%80%93-Nov-14_v1-3.pdf

VB-G RAM G Act: Dismantling the Right to Work

From a Statutory Right to a Budget-Capped Scheme

MGNREGA's core strength lay in its demand-driven guarantee, under which every rural household was legally entitled to employment within fifteen days of demanding work, failing which the government was obligated to pay an unemployment allowance. Funding followed demand, ensuring that budgetary limits could not be invoked to deny work.

The new VB-G RAM G Act fundamentally inverts this principle by empowering the Union Government to determine state-wise "normative allocations" in advance. That means that the Union Government will decide in advance how much money each state should get, based on standard formulae (such as population, number of beneficiaries, or past expenditure), rather than on actual needs or real-time demand. Once a state exhausts this pre-fixed ceiling, any additional employment generated must be financed entirely by that state, regardless of the level of distress or demand. This converts what was a legally enforceable statutory right into a rationed scheme. Previously under MGNREGA, these entitlements were not programmatic promises but justiciable rights.

Shifting Fiscal Burden on States

Under MGNREGA, the Union Government bore 100% of labour wages and 75% of material costs, which in practice translated to a 90:10 Centre-State cost-sharing arrangement. This design insulated states from fiscal risk and ensured that a lack of funds could not be used as a justification to deny work or delay wages. The VB-G RAM G Act alters this arrangement by introducing a 60:40 cost-sharing ratio for all general-category states across both wage and material components. This structural shift is estimated to impose an additional annual fiscal burden of over Rs 50,000 crore on states.[106] [107] As the Union government will now dictate "normative allocations" in advance, any demand for work that exceeds these pre-fixed central ceilings must be financed entirely by the state. This also comes at a time when several states are already facing severe fund constraints and wage arrears under the existing framework.

- West Bengal alone has pending MGNREGA liabilities of over Rs 3,000 crore due to the prolonged stoppage of fund releases by the Modi government.[108]
- Andhra Pradesh has reported pending dues of over Rs 1,600 crore.
- Pending wages in Bihar are close to Rs 900 crore.

Imposing a higher financial burden on states with already constrained fiscal space is likely to force them to restrict demand for work at the registration stage itself, delay approvals, limit the number of person-days generated, or prioritise fiscal austerity over employment provision.

106 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2207351®=3&lang=1
107 The total estimated annual requirement of funds on wage, material, and administrative components is Rs.1,51,282 crore, including the State share. Of this, the estimated Central share is Rs.95,692.31 crore.
108 https://www.business-standard.com/india-news/centre-owes-3-000-crore-mgnrega-dues-to-bengal-govt-in-rajya-sabha-125080101525_1.html

This arrangement places a significant fiscal strain on states, many of which struggle to mobilise resources in time, leading to delayed or irregular payments. These pressures are often compounded by the Union government's own delays in releasing funds and also exacerbate inter-state inequalities, as fiscally stronger states with higher own-revenue capacity are better able to sustain payments, while poorer states are forced to defer, curtail, deny entitlements altogether or force difficult trade-offs with other social spending. Therefore, the VB-G RAM G Act's promise of expanding employment to 125 days is a political gimmick rather than a genuine guarantee, as it remains conditional on individual states' fiscal capacity to finance it.[109] [110]

Undermining Local Development and Centralised Planning [111]

Under the 73rd Constitutional Amendment, decentralised planning is at the core of rural governance. Recognising this, the MGNREGA explicitly vests the planning of works with Gram Sabhas, allowing projects to be identified on the basis of locally determined needs, priorities, and livelihood requirements. The VB-G RAM G Act weakens this principle of decentralised development and local self-governance embedded in MGNREGA.

Under the new Act, all rural works are required to be planned through "Viksit Gram Panchayat Plans", which are consolidated at the Block, District, and State levels and ultimately aggregated into a Viksit Bharat National Rural Infrastructure Stack. This infrastructure stack is designed to guide States, Districts, and Panchayati Raj Institutions in identifying infrastructure gaps and standardising permissible works, effectively replacing participatory grassroots rural planning with centrally defined objectives.

By embedding rural works planning within a digital infrastructure stack and integrating it with centrally driven frameworks such as national master plans and the PM Gati Shakti National Master Plan, the Act displaces bottom-up decision-making with technocratic and centralised planning. While Gram Panchayats are formally retained as planning units, in practice, they will likely have to realign their plans with pre-defined thematic domains, digital classifications, and nationally determined infrastructure and development priorities.[112]

This reduces Panchayats to implementing agencies rather than autonomous institutions responding to workers' demand and local livelihood conditions. The categorisation of Gram Panchayats into A, B, and C further reinforces administrative hierarchies and unequal treatment, potentially determining the nature and scale of works available, irrespective of local priorities or demand for employment.

109 https://thewire.in/news/budget-for-national-social-assistance-programme-remains-stagnant-yet-again
110 https://indianexpress.com/article/explained/explained-economics/how-new-vb-g-ram-g-act-affects-states-finances-10437630/
111 Section 4, The Viksit Bharat - Guarantee for Rozgar and Ajeevika Mission (Gramin) VB - G RAM G Act, 2025
112 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2207351®=3&lang=1

Implications for Rural Economy and Labour

Structural Subsidisation of Cheap Agricultural Labour

The VB-G RAM G Act institutionalises the withdrawal of the employment guarantee precisely when rural workers need it most. It mandates that each state declare a 60-day ‘agricultural pause’ during peak sowing and harvesting seasons. This fundamentally alters the labour market in favour of large landholders.

By legally barring works during these periods, the Act ensures a captive labour pool for the agricultural sector, effectively subsidising the labour costs of private and landed farmers. While framed as a measure for productivity, this intervention artificially restricts the worker's choice. Instead of providing workers with bargaining power in the form of a fallback minimum wage, workers are now forced into the private market during the only periods without the leverage to demand higher wages, thereby institutionalising the availability of cheap, seasonal labour. This is particularly harmful for many landless and marginal workers, especially women, SC/ST workers, and migrant-return households.[113]

Suppression of Rural Wages and Erosion of Workers’ Bargaining Power

MGNREGA’s most significant market contribution was its role as a “wage floor.” By providing a guaranteed alternative at a statutory minimum wage, it exerted upward pressure on private agricultural wages across rural India. The shift toward a budget-capped model under the VB-G RAM G Act threatens to dismantle this floor. As “normative allocations” limit the availability of work, the competitive pressure on private employers to match state wages reduces. As a result, rural labourers lose protections from exploitative pay scales, leading to a stagnation or suppression of real wages in the informal economy. In the absence of this, workers are forced back into asymmetrical relationships with local contractors and landowners. Without an exit option from precarious private work, collective bargaining is also stifled.[114]

Lack of Protection Against Economic Shocks

A demand-driven guarantee acts as an automatic stabiliser during periods of rural distress. By converting this into a rationed scheme, the Modi government is effectively withdrawing this buffer. When climate-induced crop failures or macroeconomic shocks like COVID-19 occur, a pre-fixed budget ceiling prevents the programme from scaling up to meet the surge in demand. This leaves vulnerable households without a social safety net when it is most needed, converting a systemic right to survival into an administrative uncertainty dependent on the fiscal health of the Union and state governments.[115]

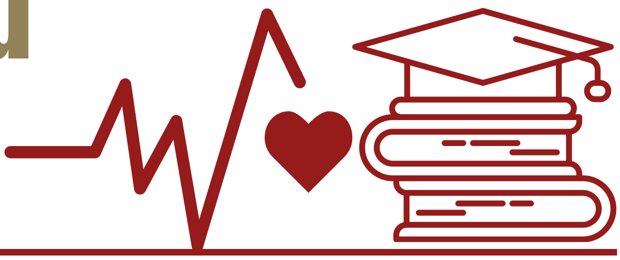
113 https://idronline.org/article/rights/vb-g-ram-g-replaces-mgnrega-whats-at-stake/
114 https://www.newsclick.in/end-mgnrega-will-deepen-poverty
115 https://thewire.in/labour/how-to-kill-a-golden-goose-mgnrega-repeal-reveals-more-than-it-hides

Risk of Forced and Distress Migration

Historically, MGNREGA acted as a critical check on distress migration by providing localised employment. When local work is unavailable due to budget caps or seasonal bans, rural households are forced to migrate to urban centres under conditions of vulnerability. Among other negative effects, such distress migration disrupts the education of children, damaging their long-term prospects. This migration is not the result of a productive structural transition, but a survival-driven response that deepens urban precarity and shifts the costs of rural economic distress onto the informal urban labour market and other unprotected forms of work, including the gig economy.[116]

116 https://idronline.org/article/rights/vb-g-ram-g-replaces-mgnrega-whats-at-stake/

5 Health and Education

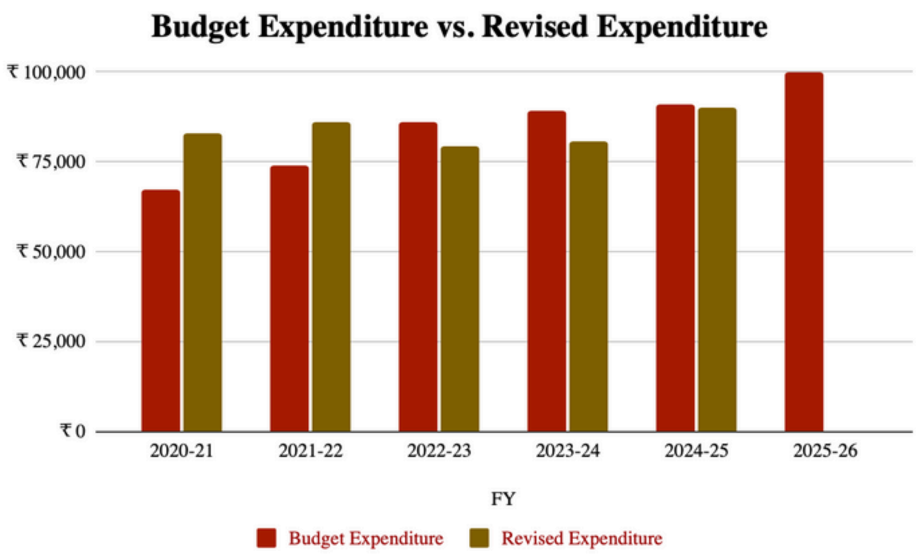


Since coming to power in 2014, the Modi government has neglected healthcare and education, compromising the human development and well-being of crores of Indians. As a result, the country's public health sector faces inadequacies in the quality, quantity, access, affordability and human resources for healthcare.[117] The education system has been systematically dismantled through institutional capture and appointment of RSS and BJP affiliates to key positions in education institutions. Like other sectors, healthcare and education are witnessing increased privatisation and have become a commodity rather than a guarantee linked to the Right to Life enshrined in Article 21 of the Constitution.[118]

Healthcare

Stagnant Budget Allocation

In 2017, the National Health Policy (NHP) was introduced with the objectives of achieving Universal Health Coverage and increasing expenditure on public health to 2.5% of GDP. Almost a decade later, these goals remain unfulfilled, and the Union government's expenditure on health remains abysmal.[119]



Source: Union Budget Documents 2020-2025

117 Singh, M., & Bharti, B. (2024). Evidence-based healthcare in India: Challenges and opportunities. *Clinical Epidemiology and Global Health, 27*, 101549. https://doi.org/10.1016/j.cegh.2024.101549
118 https://peoplesdemocracy.in/2024/0421_pd/bjp-regime-healthcare-business
119 National Health Policy (2017): https://mohfw.gov.in/sites/default/files/9147562941489753121.pdf

For FY 2025-26, the government's expenditure on health as a proportion of GDP stood at 0.29%, with 1.97% of the total budget allocated for health.[120] Over the past five years, the Ministry of Health & Family Welfare's revised budget has been much lower than the allocated expenditure budget. Despite the challenges faced by the public health system during the COVID-19 pandemic, the government has barely taken any measures to equip the system to handle similar crises in the future.

Further, while the government has been collecting funds through a healthcare cess and GST revenue from taxes on tobacco and sugar, these funds are not being directed towards strengthening the public health system.[121]

Eyewash-man Bharat? Failure of Ayushman Bharat

- **No Service due to Nonpayment of Dues:** The PM Jan Arogya Yojana (PM-JAY), which the PM claimed is the largest Universal Healthcare Coverage programme in the world, has failed to increase insurance coverage and improve access to quality healthcare. In Punjab, Haryana, Manipur, Jharkhand, Assam, Rajasthan and Jammu and Kashmir, private hospitals empanelled under Ayushman Bharat have suspended services under the scheme, denying cashless treatment to beneficiaries due to non-payment of dues by the Union government.[122] [123] [124] [125]
- **Out-of-pocket Expenditure Remains High:** The scheme has also failed to reduce Out-of-Pocket-Expenditure (OOP). Currently, OOP constitutes 50% of health care expenditure incurred by individuals,[126] and health insurance uptake remains low. While PM-JAY was introduced to reduce the cost of care, it provides coverage only for inpatient treatment.[127]
- **GST on Premiums:** Additionally, the previously levied 18% GST on health insurance premiums has been a key factor contributing to the increased cost of care, as well as OOP, making healthcare and insurance less accessible to a vast majority of the population.[128]

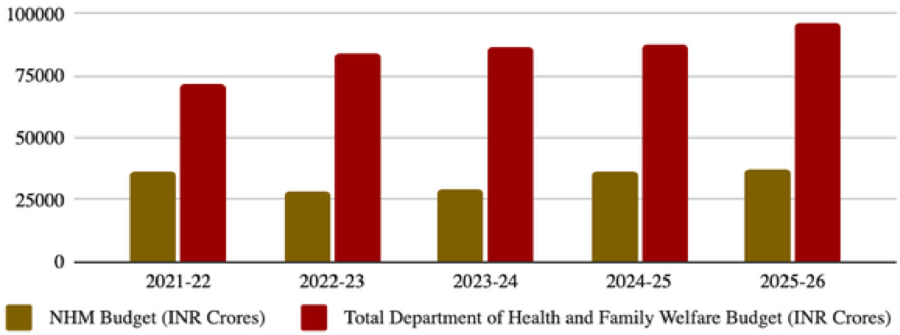
Dismantling Primary Healthcare

Despite the poor performance and underutilisation of funds, the Government continues to allocate a lion's share of the health budget for PM-JAY while ignoring preventive and primary healthcare.

As per the provisions of the NHP, two-thirds of the health budget must be ringfenced for preventive and primary healthcare services, yet the government has been starving the National Health Mission (NHM) - India's main programme to strengthen primary care facilities – of funds. For FY2025-26 only 38.9% of the Department of Health and Family Welfare's budget was allocated for the NHM (Figure 2).

120 Expenditure Budget 2025-2026: https://www.indiabudget.gov.in/doc/eb/allsbe.pdf
121 https://www.financialexpress.com/business/healthcare-budget-025-healthcare-industry-leaders-strategic-reforms-standardised-practices-and-advanced-medical-education-3709306/
122 https://www.indiatodayne.in/opinion/story/manipur-faces-health-emergency-as-private-hospitals-pull-out-of-pmjay-1259806-2025-08-12
123 https://thewire.in/government/lack-of-funds-delayed-payments-prompt-private-hospitals-to-turn-away-pmjay-beneficiaries
124 https://timesofindia.indiatimes.com/city/gurgaon/rs400-crore-dues-not-paid-600-haryana-private-hospitals-set-to-suspend-ayushman-bharat-services/articleshow/117583870.cms
125 https://www.greaterkashmir.com/front-page-2/jk-private-hospitals-to-halt-services-over-unpaid-rs-160-crore/
126 https://thewire.in/economy/union-budget-2025-26-social-sector-should-be-the-priority
127 https://www.policycircle.org/society/ayushman-bharat-scheme-pmjay/
128 https://www.orfonline.org/expert-speak/union-budget-2025-a-pulse-check-on-healthcare

Figure 2: Budget Estimates: Dept. of Health & Family Welfare vs. National Health Mission



Source: Union Budget Documents 2020-2025

In its push for privatisation in the health sector, the Modi government has exposed the country's poor to a plethora of illnesses, particularly Non-Communicable Diseases (NCDs) by systematically weakening preventive and primary healthcare infrastructure which cater to a majority of the country's population, as opposed to tertiary care services which are accessed only by a small portion of people.[129] [130] [131] [132] Further, a majority of the tertiary care services in India are concentrated in urban areas.[133] [134]

Growing Diseases Burden – India Becoming Diabetes Capital of the World

Globally, the burden of non-communicable diseases (NCD) like cancer, diabetes, respiratory illness and heart diseases have declined over the past decade, India however is showing the opposite trend with an uptick in NCDs. Worryingly, the probability of individuals, particularly women, dying of NCDs has risen in India, contrary to global trends.[135] According to a recently published Lancet study, middle-aged and older adults experiencing poverty are comparatively more susceptible to risk factors for NCDs and chronic health conditions. Roughly 66% of all deaths annually in the country are due to NCDs.[136]

India has earned the infamous distinction of becoming the Diabetes and Chronic Heart Disease capital of the world, followed by child and maternal malnutrition – a predominant risk factor for 68.2% deaths of children under-5.[137] A key contributing factor for this increase in NCDs and deaths due to malnutrition is poor preventive and primary healthcare, particularly for rural and poor population groups;[138] the rise of NCDs is not a mere medical problem but a manifestation of growing socio-economic inequity.[139]

Given the current state of affairs the government is nowhere near its target of reducing NCD-related deaths by one-third by 2030 under the National Multisectoral Action Plan is to reduce premature mortality from NCDs.[140]

129 https://mohfw.gov.in/sites/default/files/9147562941489753121.pdf
130 https://www.indiabudget.gov.in/budget2024-25/doc/eb/sbe46.pdf
131 https://www.indiabudget.gov.in/budget2023-24/doc/eb/sbe46.pdf
132 https://www.indiabudget.gov.in/budget2022-23/doc/eb/sbe46.pdf
133 Kumar A. The Transformation of The Indian Healthcare System. Cureus. 2023 May 16;15(5):e39079. doi: 10.7759/cureus.39079. PMID: 37378105; PMCID: PMC10292032.
134 https://www.orfonline.org/expert-speak/union-budget-2025-a-pulse-check-on-healthcare
135 https://www.downtoearth.org.in/health/india-shows-rise-in-deaths-from-non-communicable-diseases-women-hit-harder-lancet
136 https://www.thelancet.com/journals/langlo/article/PIIS2214-109X(25)00351-1/fulltext?rss=yes
137 Singh, M., & Bharti, B. (2024). Evidence based healthcare in India: Challenges and opportunities. Clinical Epidemiology and Global Health, 27, 101549. https://doi.org/10.1016/j.cegh.2024.101549
138 https://timesofindia.indiatimes.com/life-style/health-fitness/health-news/lancet-warns-while-chronic-disease-deaths-drop-globally-india-sees-uptick-in-cancer-diabetes-and-heart-disease/articleshow/123824847.cms
139 https://www.theweek.in/theweek/cover/2025/11/15/why-indias-ncd-crisis-demands-urgent-systemic-lifestyle-changes.html
140 https://www.theweek.in/theweek/cover/2025/11/15/why-indias-ncd-crisis-demands-urgent-systemic-lifestyle-changes.html

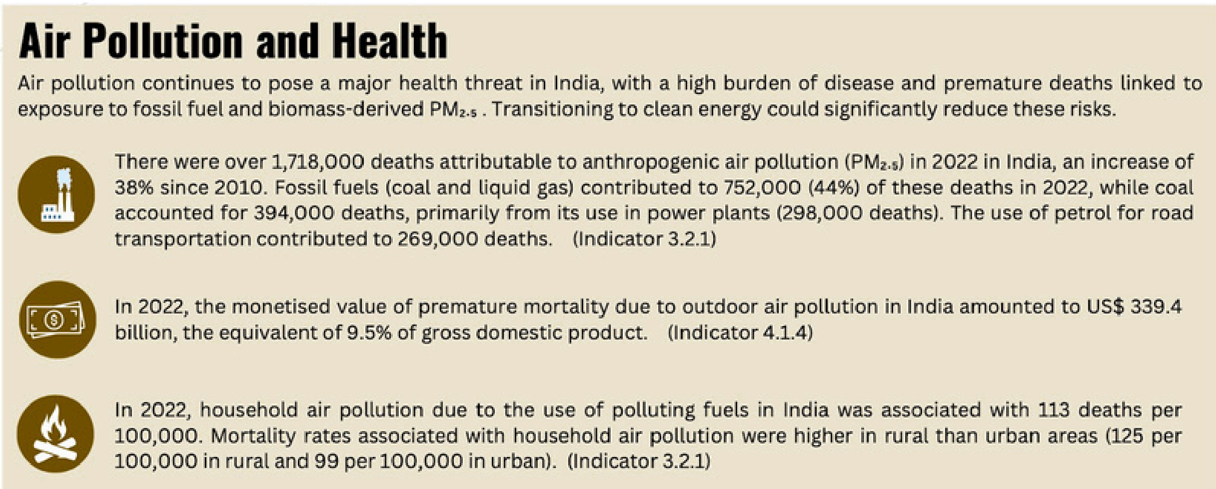
The impact of NCDs goes beyond individual health and has a significant economic impact too, as diseases limit the ability of individuals to participate in the workforce and lead to a loss of productivity. India is projected to lose $3.5 trillion by 2030 due to NCD-related deaths, reduced productivity due to ill-health, and increased OOP pushing families into poverty.[141]

Poisonous Air - No District In India Experiences Good Air Quality

Another key driving factors for the increase of NCDs in the country is the government's failure to ensure all citizens have access to basic necessities like clean air and safe drinking water.

As per the World Health Organization, no district in India experiences good air quality. Studies conducted using national standards (NAAQS) found that 60% of India's districts have poor air quality.[142] More than 17 lakh deaths in India in 2022 were due to human-caused air pollution, an increase of 38% since 2010.[143 144] This number rose to 20 lakh deaths in 2023.

Another report by the Lancet published in December 2025 noted that long-term exposure to polluted air has led to an increase of 1.5 million deaths annually.[145 146 147] Despite sufficient evidence-based research indicating the increase in respiratory illnesses and other chronic conditions due to air pollution, the government has claimed that there is no 'direct link' between air pollution and respiratory and lung diseases.[148]



Source: The Lancet [149]

Water Contamination Proves Deadly in Indore

Water contamination is another growing cause for concern with the government failing to ensure access to clean drinking water. Six deaths, including of a 6-month-old infant and over 200 hospitalisations were recorded in Madhya Pradesh due to sewage water contaminating drinking water.[150]

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141 https://whsnewdelhi2025.com/research_paper/Reports/Mansi-Chopra-93592-19.-HIA-brochure.pdf
142 https://energyandcleanair.org/publication/a-satellite-based-pm2-5-assessment-across-indias-airsheds-states-and-districts/#:~:text=Key%20Findings-,District%20level,Airshed%20level
143 https://lancetcountdown.org/wp-content/uploads/2025/10/India_Lancet-Countdown_2025_Data-Sheet-2.pdf
144 https://www.indiatoday.in/health/story/india-treats-air-pollution-crisis-as-political-lancet-countdown-chief-2836080-2025-12-15
145 https://www.stateofglobalair.org/resources/report/state-global-air-report-2025
146 Jaganathan, S., Stafoggia, M., Rajiva, A., Mandal, S., Dixit, S., De Bont, J., Wellenius, G. A., Lane, K. J., Nori-Sarma, A., Kloog, I., Prabhakaran, D., Prabhakaran, P., Schwartz, J., & Ljungman, P. (2024). Estimating the effect of annual PM2·5 exposure on mortality in India: a difference-in-differences approach. *The Lancet Planetary Health*, *8*(12), e987–e996. https://doi.org/10.1016/s2542-5196(24)00248-1
147 https://hsph.harvard.edu/environmental-health/news/air-pollution-in-india-linked-to-millions-of-deaths/
148 https://www.thehindu.com/sci-tech/energy-and-environment/no-direct-link-between-air-pollution-and-lung-disease-minister/article70412221.ece
149 https://lancetcountdown.org/wp-content/uploads/2025/10/India_Lancet-Countdown_2025_Data-Sheet-2.pdf
150 https://www.bbc.com/news/articles/c98jy990l37o

In 2025, Pune recorded one of the largest outbreaks of the Guillain-Barre Syndrome[151] (GBS), a rare neurological condition caused by waterborne bacteria. Cases were also recorded in other states including Gujarat,[152] Assam and Andhra Pradesh.[153]

In Bihar, uranium, arsenic and lead contamination in groundwater has become a state-wide problem. A study conducted in the state has detected uranium in breast milk, putting the renal, cognitive, and neurological development of 70% of the infants in the state at risk.[154] The contamination has exposed pregnant and lactating mothers to long-term infection with slower recovery rates; with long-term exposures leading to chronic fatigue and overall poor health. Despite such incidents the government is yet to take any concrete steps to address these challenges.[155] [156]

Regulatory Gaps in Drug Safety

The Modi government has also failed to ensure safety of drugs and medicines. In September 2025 over 20 children died in Madhya Pradesh and Rajasthan after consuming cough syrup which was found to contain high quantities of a toxic industrial solvent known to cause kidney failure. The lack of regulation of medical drugs also brought international shame to the country when 70 children in Gambia and 18 in Uzbekistan died after consuming cough syrups produced in India.[157]

Rather than actively addressing the gaps in the regulation of drugs, the government has simply urged doctors to exercise caution while prescribing such medication to children.[158]

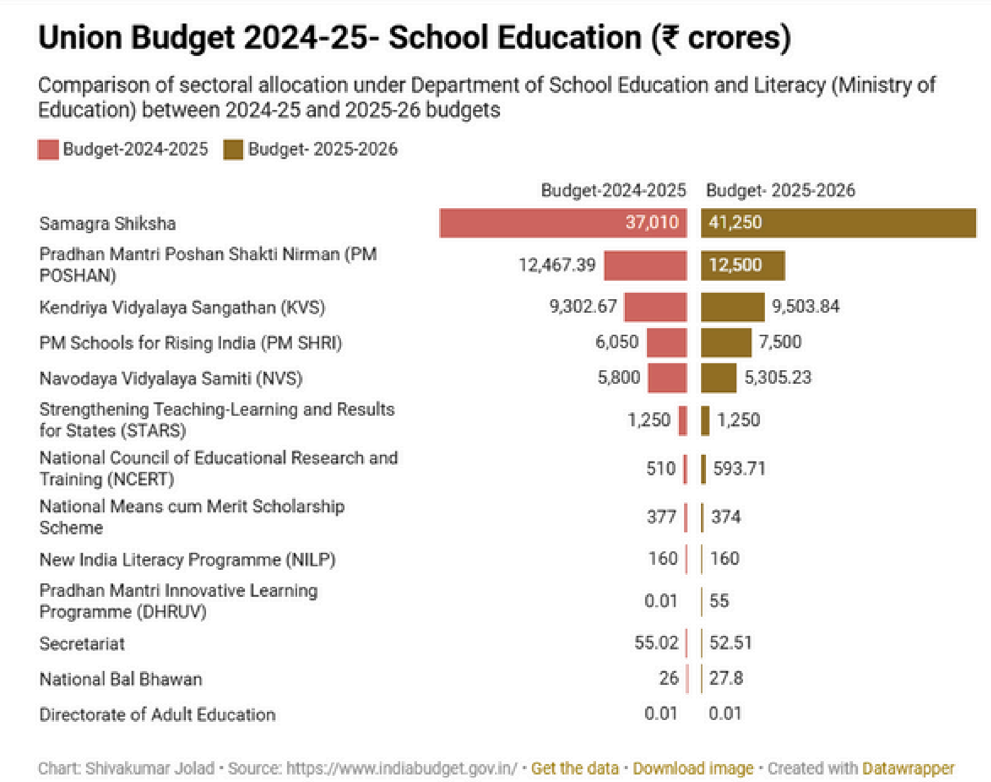
The health status of the country's citizen is a direct manifestation of the Modi government anti-poor policies, which neglect a vast majority of India's population, leaving them at the threshold of absolutely poverty due to the high cost of healthcare, poor regulatory measures and the failure to ensure access to basic necessities like clean air and drinking water and safe medicines.

151 https://www.downtoearth.org.in/water/contaminated-drinking-water-case-cag-report-found-serious-flaws-but-indore-remained-unconcerned
152 https://english.bombaysamachar.com/gujarat/what-went-wrong-in-gujarats-smart-city-gandhinagar-100-children-pay-the-price-after-water-contamination/
153 https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(25)00414-3/fulltext%23:~:text=The%20recent%20outbreak%20of%20Guillain,11%20tested%20positive%20for%20norovirus
154 Kumar A, Agarwal R, Kumar K, Kumar G, Kumar S, Sharma M, Pandey T, Ali M, Srivastava A, Kumar R, Kumar D, Gajbhiye RL, Murti K, Dhingra S, Pothuraju N, Peraman R, Bishwapriya A, Sharma A, Khandelwal C, Singh M, Ghosh AK. Discovery of uranium content in breastmilk and assessment of associated health risks for mothers and infants in Bihar, India. Sci Rep. 2025 Nov 21;15(1):41389. doi: 10.1038/s41598-025-25307-7. PMID: 41272130; PMCID: PMC12638892.
155 https://timesofindia.indiatimes.com/life-style/health-fitness/health-news/breast-milk-contamination-crisis-doctor-explains-the-long-term-impact-of-uranium-exposure/articleshow/125632712.cms
156 https://www.indiatoday.in/india/story/uranium-detected-in-breastmilk-samples-in-bihar-70-of-infants-at-risk-study-2824748-2025-11-23
157 https://www.bbc.com/news/articles/ceq28jey1xwo
158 https://healthpolicy-watch.news/toxic-cough-syrup-weak-oversight-indias-unending-drug-safety-crisis/

Education

Low Budgetary Allocation

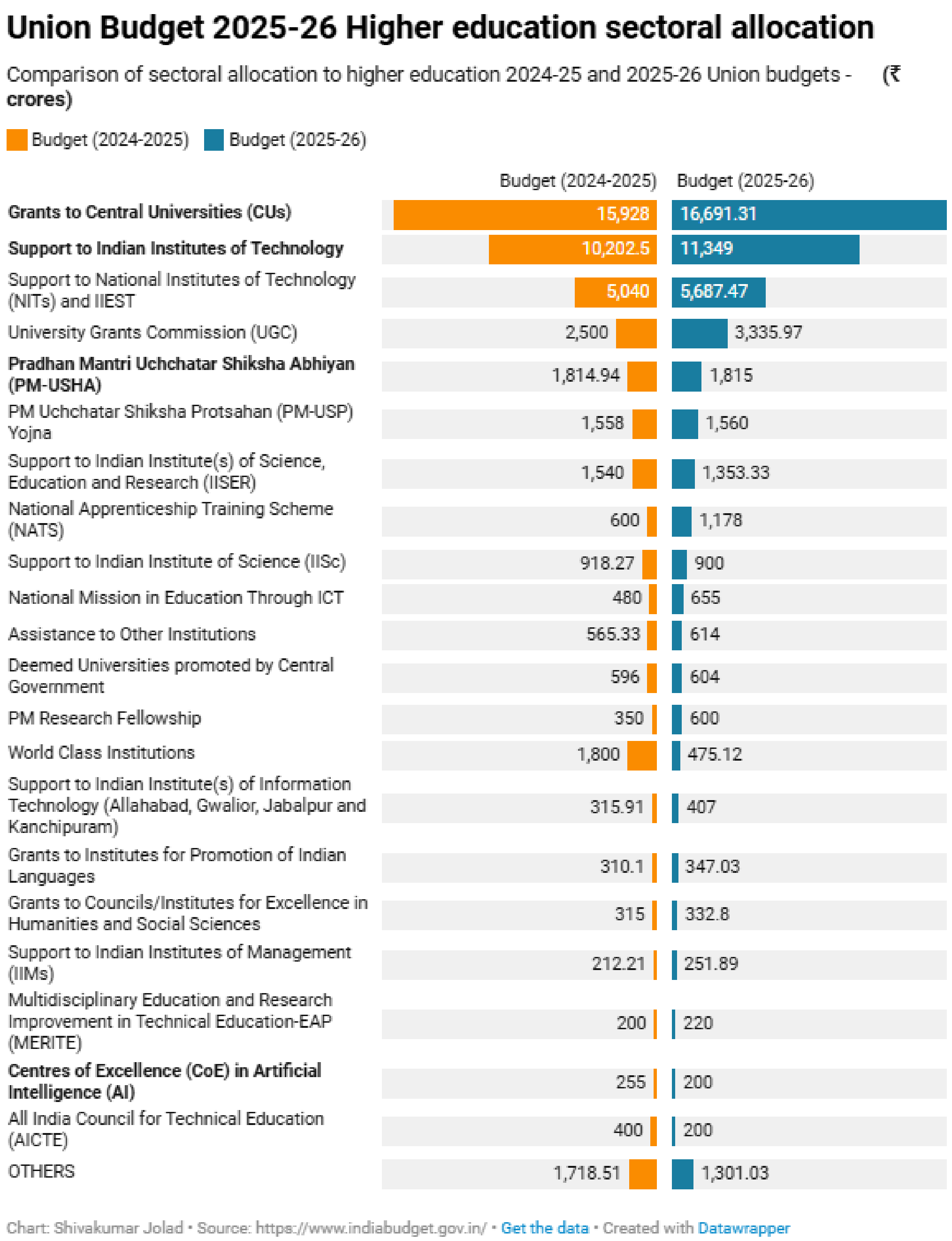
In FY2025-26 the fiscal allocations for India's education sector increased only marginally, and comprised 2.54% of the total budget and only 0.4% of the GDP.[159] While the spending on education increased incrementally, it does not meet the investments required to implement the New Education Policy (NEP). Despite the increase in allocations, expansion of secondary education, vocational integration and higher education remain underfunded. The lack of investment in education has meant a fragmented and ineffective implementation of the NEP.[160]



Source: The Scroll [161]

The Union Government's cumulative funding for secondary schools (Rs. 6,266 crore) is less than half of the expenditure for centrally run schools such as Kendriya Vidyalayas (Rs.9,504 crore) and Navodaya Vidyalayas (Rs. 5,305 crore) put together.[162]

159 https://scroll.in/article/1078655/budget-allocations-undercut-vision-of-new-education-policy%23:~:text=The%20Union%20Budget%202025%20presented,budget%20for%202025%2D'26.
160 https://sabrangindia.in/public-education-is-not-a-priority-in-union-budget-2025-26/
161 https://scroll.in/article/1078655/budget-allocations-undercut-vision-of-new-education-policy
162 https://www.indiabudget.gov.in/doc/eb/sbe25.pdf



Source: Scroll[163]

There is also a growing resource disparity between central and state institutes for higher education, with the Union government providing inadequate support to government colleges in States/UTs. Compared to FY 2024-25, the expenditure budget for higher education in FY 2025-26 saw only minor increments.[164] Over the past decade funding for higher education has declined by a staggering 55%. Subsequently there has also been a fundamental shift in the funding of higher education from grants to loans. As a result, in addition to limited financial resources, higher education institutions are also grappling with the burden of repaying loans with interest rates of 8-9%.[165]

163 Ibid
164 Ibid
165 https://drarvinddube.medium.com/indias-fifteen-year-education-budget-decline-a-continuous-fall-from-classrooms-to-universities-b530bc3f6fa2

Privatisation, School Closures, and Declining Enrolment Rates

For the third year in a row, school enrolment rates in the country have declined. Data from the Ministry of Education has revealed that total enrolment rates in government-run and government-aided schools in 2024-25 dropped to 24.69 crore from 24.80 crore in 2023-24 and 25.18 crore in 2022-23. Enrolment rates have particularly dropped in primary classes and among boys.[166] [167]

OVERALL DIP IN ENROLMENT

Year	ENROLMENT			
	Total	Govt schools	Private schools	Govt-aided schools
2024-25	24.69 cr	12.16 cr	9.59 cr	2.48 cr
2023-24	24.80 cr	12.75 cr	9 cr	2.55 cr
2022-23	25.18 cr	13.62 cr	8.42 cr	2.62 cr
2021-22	26.52 cr	14.32 cr	8.83 cr	2.70 cr
2020-21	26.44 cr	13.49 cr	9.52 cr	2.68 cr
2019-20	26.45 cr	13.09 cr	9.82 cr	2.75 cr
2018-19	26.03 cr	13.11 cr	9.22 cr	2.80 cr

UDISE+ data: Ministry of Education

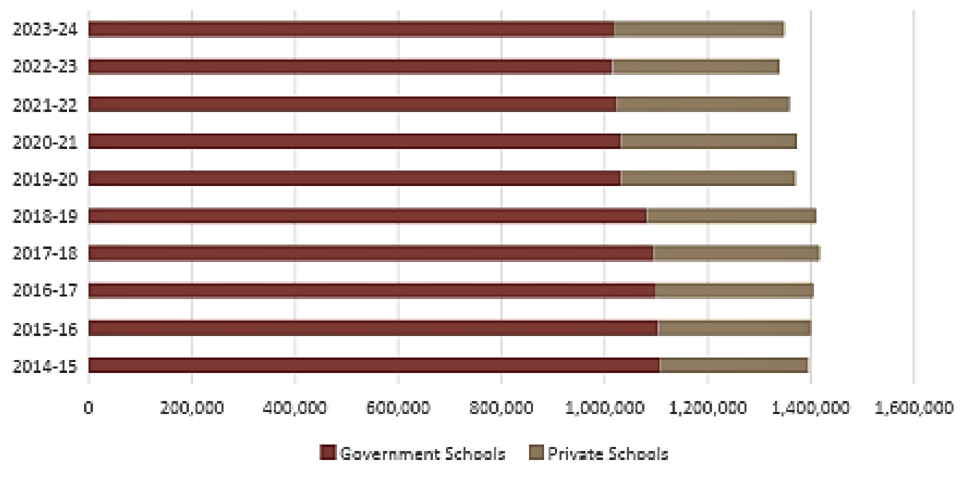
Source: The Indian Express[168]

On the other hand, enrolment in private schools has increased; they account for 39% of the total school enrolments and have shown an upward trend since 2018. Despite the continuing decline of enrolment in government run schools, the Modi-government, rather than taking responsibility for its failure, has cited 'falling birth rates' for the decline in enrolment rates.[169]

The decline in enrolment rates has resulted in a drop in the number of government schools, with several schools being merged or closed due to having to few students.[170] The highest number of school closures have been recorded in Madhya Pradesh, Uttar Pradesh, Odisha, Goa, Assam and Gujarat – all governed by the BJP.[171] [172]

166 https://www.removepaywall.com/search?url=https://indianexpress.com/article/education/school-enrolment-drops-for-third-year-in-a-row-falling-birth-rates-cited-10217481/
167 https://archive.is/20250830052840/https:/www.thehindu.com/news/national/number-of-school-teachers-crossed-1-crore-for-first-time-in-2024-25-education-ministry-report/article69984643.ece
168 https://indianexpress.com/article/education/school-enrolment-drops-for-third-year-in-a-row-falling-birth-rates-cited-10217481/
169 https://indianexpress.com/article/education/school-enrolment-drops-for-third-year-in-a-row-falling-birth-rates-cited-10217481/
170 https://sansad.in/getFile/loksabhaquestions/annex/184/AU112_R58Sy8.pdf?source=pqals
171 https://www.onmanorama.com/news/kerala/2025/08/12/kerala-government-schools-decline.html
172 https://www.thehindu.com/education/schools/number-of-government-schools-declines-in-six-years-those-with-fewer-than-ten-enrolments-rising-government-in-lok-sabha/article70346005.ece

Figure 3: Government Schools vs. Private Schools



Source: Union Budget Documents

66 Lakh School Dropouts: Another crisis unfolding is the increase in school-dropouts. In 2025, Gujarat recorded the highest number of school dropouts, rising by a staggering 341% between 2024 and 2025. Gujarat, Assam, Rajasthan and Uttar Pradesh too recorded an increase in school dropouts. Growing financial distress is one of the key factors contributing to lower enrolment rates and increased drop-out rates.[173] [174]

While enrolment rate in primary schools remains high, a large number of students do not complete high school. As per UDISE+ data (2024-25), 24.69 crore students enrol in schools, but only 6.48 crore continue to pursue secondary education. In 2024-25, 68 lakh students exited the school system, of which 32 lakh were girls. Insufficient number of schools is a key contributing factor for drop-out rates. Only 21% of the 14.7 lakh schools offer education beyond class 8 in rural areas. As a result, drop-out rates rise from 3.5% in middle school to 8.2% in secondary school, with retention rates dropping to 47.2% from 82.8%, i.e. half the children enrolled do not complete secondary school. Given the present state of affairs, India is unlikely to achieve the goal of having every child in school by 2030.[175]

Teaching Staff Vacancies[176 177]

The quality of education across institutions is suffering due to perennial vacancies in teaching positions and support staff. As of July 2025:

- 7,765 teaching posts in Kendriya Vidyalayas, and
- 4,323 teacher positions in Jawahar Navodaya Vidyalayas were vacant.[178]

While the National Education Policy prescribes a student-teacher ratio of 30:1, in several states the ratio is higher than 40:1.

173 https://sansad.in/getFile/annex/268/AS45_F09wA3.pdf?source=pqars
174 https://www.ndtv.com/education/30-lakh-adolescent-girls-out-of-school-in-5-years-gujarat-records-341-spike-in-dropouts-9744832
175 https://www.nipfp.org.in/publication-index-page/blog-index-page/strengthening-state-open-schools-a-need-for-a-dedicated-and-focused-policy-for-school-dropouts/
176 https://www.indiatoday.in/education-today/news/story/over-12000-teacher-posts-vacant-in-kvs-and-jnvs-says-education-ministry-2761627-2025-07-26
177 https://indianexpress.com/article/opinion/columns/india-teachers-walking-away-from-classroom-10286313/
178 https://sansad.in/getFile/annex/268/AU349_PHcwxD.pdf?source=pqars

3,57,862 sanction teaching positions in government schools are yet to be filled.[179] [180]

The situation in institutions of higher education is no different:

- 56.18% of positions for professors are vacant in leading institutions.
- In Central universities, 5410 faculty posts are lying vacant, while in IITs and IIMs nearly 1 in 3 teaching positions are empty.
- Across various AIIMS, 1,874 faculty positions and 15,609 support roles are yet to be filled.[181]

The shortage of teachers and professors in not merely a result of poor planning. It is an outcome of years of delay in recruitment cycles, corruption, and administrative lethargy.[182]

Reduced Financing of Higher Education

The BJP's decision to remove funding from the ambit of the University Grants Commission and shift it to a loan-based Higher Education Financing Agency (HEFA) has commercialised and centralised higher education, while forcing public institutions to operate like profit-driven enterprises rather than institutions of public service. The pressure of HEFA on institutions to borrow and then repay pay loans has force institutions to increase fees, self-finance programmes and drop disciplines which do not generate substantial revenues. As a result, higher education has become inaccessible, and the quality of institutions too has deteriorated.[183]

The HEFA-model by design, promotes inequity in education. A majority of students from the SC, ST, OBC and other marginalised communities' access higher education through public institutions; however, increments in fees have forced these students to drop out or take loans worth crores.[184] [185]

For FY 2025-56 Central Universities were allocated Rs. 16,146 crores, a minor increase of 4.4% compared to the previous years. However, a major proportion of the funding allocated for Central Universities, IITs, NITs, IIMs, and others high-education institutions goes towards repaying HEFA loans and the Madhyamik and Uchhatar Shiksha Kosh (MUSK), leaving limited funds for actual expenditure on infrastructure, scholarships, staff salaries and new courses.[186]

While the budget for MUSK is a non-lapsable corpus fund gathered through the annual cess collected on secondary and higher education, the fund's utilisation remains low.

179 https://news.careers360.com/teachers-day-2025-government-schools-3-57-lakh-teaching-vacancies-udise-plus-pab-data-uttar-pradesh-lead-education-ministry
180 https://udiseplus.gov.in/%23/en/home
181 https://article-14.com/post/india-aspires-to-be-a-vishwaguru-but-its-elite-universities-are-running-short-of-gurus-show-govt-data-68ba599412589
182 https://timesofindia.indiatimes.com/education/news/the-curious-case-of-indias-teacher-shortage-and-rising-literacy-a-crisis-waiting-to-explode/articleshow/123184027.cms
183 https://www.educationtimes.com/article/campus-beat-college-life/99740419/academics-disapprove-of-viksit-bharat-shiksha-adhikshan-bill-cite-risk-of-stripping-state-of-power-pushing-varsities-into-debt
184 https://www.outlookindia.com/national/viksit-bharat-shiksha-adhikshan-bill-the-catastrophic-implications-for-higher-education-in-india
185 https://scroll.in/article/1047185/how-students-are-repaying-the-loans-that-universities-are-taking
186 https://www.newsclick.in/public-education-not-priority-union-budget-2025-26#:~:text=The%20budget%20estimate%20of%20allocations%20to%20AICTE%20is%20Rs.,does%20not%20amount%20to%20expenditure

For FY 2025-26, Rs. 16,691 crores were allocated for IITs. Of this, Rs. 4,000 crores are for MUSK, Rs. 240 crores are interest on the loan from HEFA and Rs. 450 crores for the repayment of the principal of the HEFA-loan. For IIMs, Rs. 252 crores were allocated of which Rs.150 crores is for the repayment of the principal amount and Rs. 81 crore sthe interest, leaving only Rs. 21 crores for actual expenditure, which further declines when adjusted for inflation.[187]

The HEFA has trapped institutions of higher education in a debt cycle, forcing universities to cut infrastructures costs, salaries and financial aid for students, to redirect funds to pay back HEFA-loans. The subsequent rise in the cost of education has increased borrowing by students, making education even more inaccessible to those with limited economic resources and financial safety nets.

Paper Leaks

India's exams have become a theatre of leaks, cancellations, and corruption. Between 2014 and 2024, a total of 89 cases of paper leaks were reported across both central and state-level examinations, resulting in 48 retests.[188] Despite recurring paper leaks, the Ministry of Education does not maintain any data on examination specific instances nationally and in states/UTs. Repeated paper leaks and exam cancellation have jeopardised the future of lakhs of school and college going students across the country.[189]

Perpetual delays and cancellations over the past few years have negatively impacted admission processes, disrupted the academic calendar and burdened students further. Despite recommendations from the Parliament Standing Committee on Education, the National Testing Agency has failed to utilise the Rs.448 crore surplus to strengthen the examination system and expedite reform.[190] [191]

Student Suicide Crises [192] [193] [194]

- Over the past decade, suicides by students have surged by 65% in the country.[195]
- Nearly 33% of deaths by suicide were among individuals between the ages of 18 to 29.
- Suicide by students reached an all-time high of 13,892, comprising 8.1% of all deaths by suicide by 2023.[196]

187 https://www.newsclick.in/public-education-not-priority-union-budget-2025-26#:~:text=The%20budget%20estimate%20of%20allocations%20to%20AICTE%20is%20Rs.,does%20not%20amount%20to%20expenditure
188 https://www.newslaundry.com/2024/07/31/10-years-89-paper-leak-cases-48-retests-from-centre-to-states-few-plugs-for-a-leaky-record
189 https://sansad.in/getFile/annex/267/AU2893_0WgRRv.pdf?source=pqars
190 https://bestcolleges.indiatoday.in/news-detail/house-panel-flags-delays-paper-leaks-errors-says-nta-fails-to-inspire-confidence-in-autonomous-institution-oversight-6869
191 https://www.indiatoday.in/education-today/featurephilia/story/indias-exam-system-is-broken-should-technology-or-tradition-take-the-blame-2834413-2025-12-11
192 https://thewire.in/caste/beyond-statistics-the-link-between-institutional-caste-discrimination-and-student-suicides-in-india
193 https://theleaflet.in/education/reframing-indias-student-suicide-crisis-as-a-constitutional-injury
194 https://www.hindustantimes.com/india-news/student-suicides-jump-by-64-9-in-10-years-ncrb-data-101759228878202.html
195 https://timesofindia.indiatimes.com/education/news/student-suicides-up-65-in-a-decade-ncrb-data-shows-sharper-rise-than-overall-suicides/articleshow/124248503.cms
196 https://www.ncrb.gov.in/uploads/files/3CrimeinIndia2023PartIII2.pdf

The increase in suicide deaths of students is attributed to academic pressures, worries about future opportunities and most concerningly systemic discrimination faced by students from marginalised communities.[197]

Despite directives from the Supreme Court to establish a National Task Force to examine mental health and discriminatory practices in higher education institutions, the government is yet to take steps to address the challenges leading India's children and youth to end their lives by suicide.

197 https://theleaflet.in/education/reframing-indias-student-suicide-crisis-as-a-constitutional-injury
198 https://theleaflet.in/education/reframing-indias-student-suicide-crisis-as-a-constitutional-injury

6 Food Security and Social Welfare

In 2025, India ranked as the eighth most unequal country in the world, with the number of dollar millionaire households in India increasing from 4.58 lakh in 2021 to 8.71 lakh in 2025. These households comprise only 0.31% of all households in India.[199] At the other end of the income spectrum, nearly 33 crore people in India, a fourth of the population, continue to live below the poverty line, earning less than Rs. 84 per day.[200]

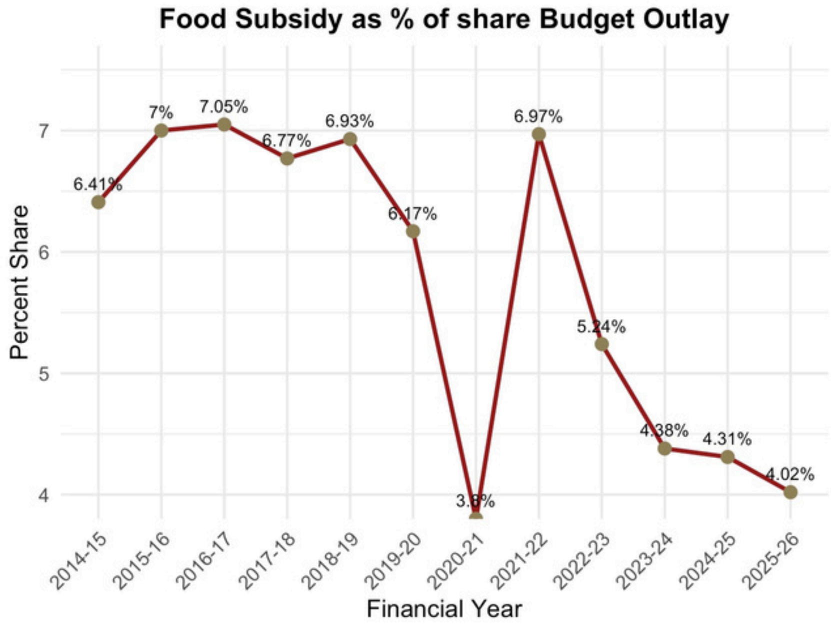
40% of Indians are unable to afford a healthy diet.[201] With the minimum daily expenditure required for adequate nutrition estimated at around Rs. 60 per person,[202] a large section of the population is forced to choose between three meals a day and other essential living expenses such as housing and healthcare. In Union Territories such as Ladakh and the Andaman and Nicobar Islands, households are barely able to cover their nutritional needs, leaving no income for other necessities.[203] Women and children face persistent undernourishment, and a majority of senior citizens remain financially insecure. Unfortunately, instead of prioritising welfare and social protection, the Modi government has steadily eroded India's social safety nets.

Food Security

Decreasing Budgetary Allocations

The food subsidy helps provide rations through the Public Distribution System (PDS) to beneficiary households, with the current number of beneficiaries being around 81 crores. The proportion of budget allocated towards food subsidy has been decreasing over the last 10 years, with the percentage share of food subsidy dropping from 6.41% in 2014-15 to a mere 4.02% in 2025-26.

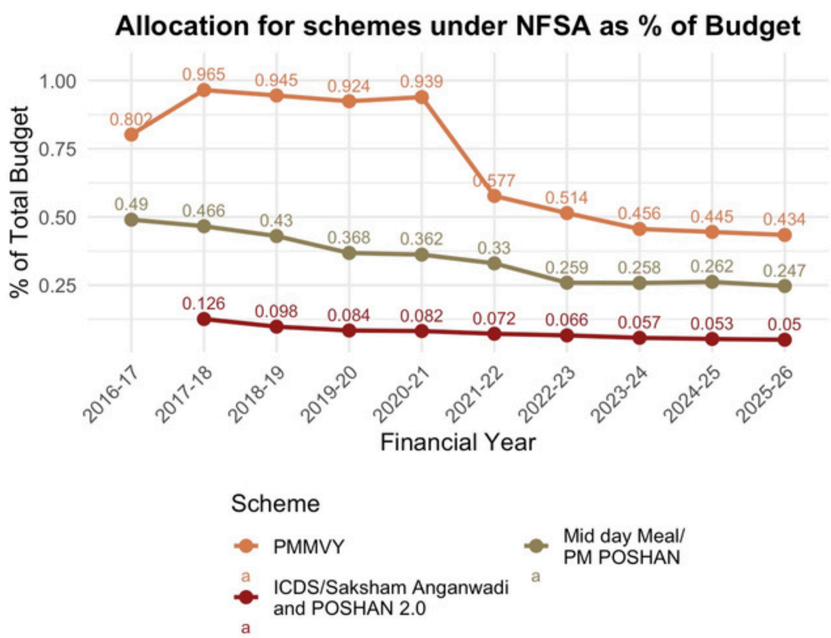
199 https://www.newindianexpress.com/business/2025/Sep/18/india-added-one-millionaire-household-every-30-minutes-from-2021-25-report
200 According to the World Bank, India is a Lower Middle Income Country, with a poverty line of $4.20 per day (or a corresponding Purchasing Power Parity INR figure of Rs. 84 per person per day) https://www.dataforindia.com/world-bank-poverty/
201 https://thewire.in/agriculture/40-indians-dont-afford-a-healthy-diet-fao-chief-economist
202 https://foodprices.indiaspend.com/
203 ibid



Source: Union Budget FY 2015-16 to FY 2025-26

Allocations for various programmes under the National Food Security Act (NFSA) have met with a similar fate. Allocations for the Integrated Child Development Services (ICDS), the Mid-Day Meal Programme (now PM POSHAN), and maternity benefits such as the Pradhan Mantri Matru Vandana Yojana (PMMVY) have seen reductions over the years, directly hampering the fight against hunger and malnutrition.

All NFSA schemes' share in the total budget allocation having been halved. Allocations for ICDS fell from 0.8% of the Union Budget in FY 2016–17 to 0.43% in FY 2025–26, while the budget share for the Mid-Day Meal scheme declined from 0.49% to 0.24% over the same period. Moreover, budget allocations for PMMVY have seen a decrease in absolute terms, from Rs. 2,700 Crore in FY 2017-18 to Rs. 2,521 Crore in FY 2025-26. The share of PMMVY in the Union Budget has correspondingly gone down from 0.12% to 0.05%, i.e. by over 50%.



Source: Union Budget FY 2016-17 to FY 2025-26

Delay in Conducting Census Leaving Crores Without Government Support

The prolonged postponement of the Census (originally expected in 2021 but postponed due to the COVID-19 pandemic) has institutionalised a freeze on National Food Security Act (NFSA) coverage, leaving millions of otherwise eligible individuals outside the ambit of statutory food security entitlements.

Under the NFSA, up to 75% of the rural population and 50% of the urban population are entitled to subsidised food grains. Based on population projections prepared by the National Commission on Population, experts estimate that nearly 92 crore people should currently be covered under the PDS.

In contrast, coverage calculated using the 2011 Census limits the eligible population to approximately 80 crores. Consequently, an estimated 12 crore individuals are excluded from NFSA entitlements purely due to the government's continued reliance on outdated population data.[204]

Expanding Nutrition Gap

Prime Minister Modi has repeatedly highlighted India's role in contributing to global food security. This claim stands in stark contrast to domestic realities, as approximately **12% of the population continues to remain undernourished.**[205]

This gap is further reflected in India's performance on global nutrition indicators. In 2025, India was ranked 102 on the Global Hunger Index (GHI).[206]

India's Global Hunger Index (GHI) Rankings 2018-2025

2018	2019	2020	2021	2022	2023	2024	2025
103 out of 119	102 out of 117	94 out of 107	101 out of 116	107 out of 121	111 out of 125	105 out of 127	102 out of 123

Recent nutrition data highlight the severity of the problem:

- According to the POSHAN Tracker, as of November 2025, 31% of children under five years of age are stunted.[207]
- Micronutrient deficiencies, particularly anaemia, present an equally serious concern. Between National Family Health Survey (NFHS)-4 (2015-16) and NFHS-5 (2019-21), anaemia among adolescent girls increased from 54.1% to 59.1%.

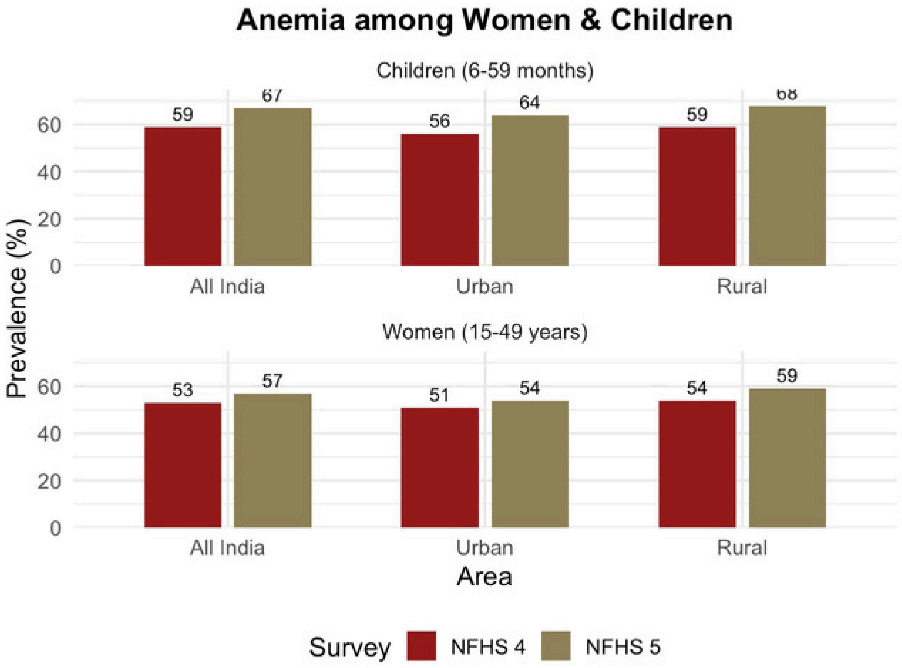
204 https://www.indiaspend.com/governance/census-delays-leave-120-million-indians-without-access-to-foodgrain-951570, https://www.thehindu.com/news/national/without-2021-census-14-crore-people-deprived-of-national-food-security-act-benefits-congress/article68274190.ece, https://www.newslaundry.com/2025/05/05/census-delay-cuts-access-to-subsidised-foodgrain-for-120-million-indians

205 https://www.pib.gov.in/PressReleasePage.aspx?PRID=1896130®=3&lang=2, https://timesofindia.indiatimes.com/business/india-business/record-foodgrain-production-indian-agri-sector-remains-strong-despite-us-tariffs-heres-how-gst-cuts-helped/articleshow/126226648.cms

206 https://www.downtoearth.org.in/health/global-hunger-index-india-slips-to-107-from-101-behind-all-asian-countries-except-war-torn-afghanistan-85483

207 https://www.poshantracker.in/statistics

- Micronutrient deficiencies, particularly anaemia, present an equally serious concern. Between National Family Health Survey (NFHS)-4 (2015-16) and NFHS-5 (2019-21), anaemia among adolescent girls increased from 54.1% to 59.1%.[208]
- NFHS-5 further reports that **52.2% of pregnant women in India are also anaemic.** Maternal anaemia can result in adverse pregnancy and birth outcomes, higher mortality and morbidity risks, and poor cognitive and motor development in children.[209]



Source: NFHS 4 and NFHS 5; PRS

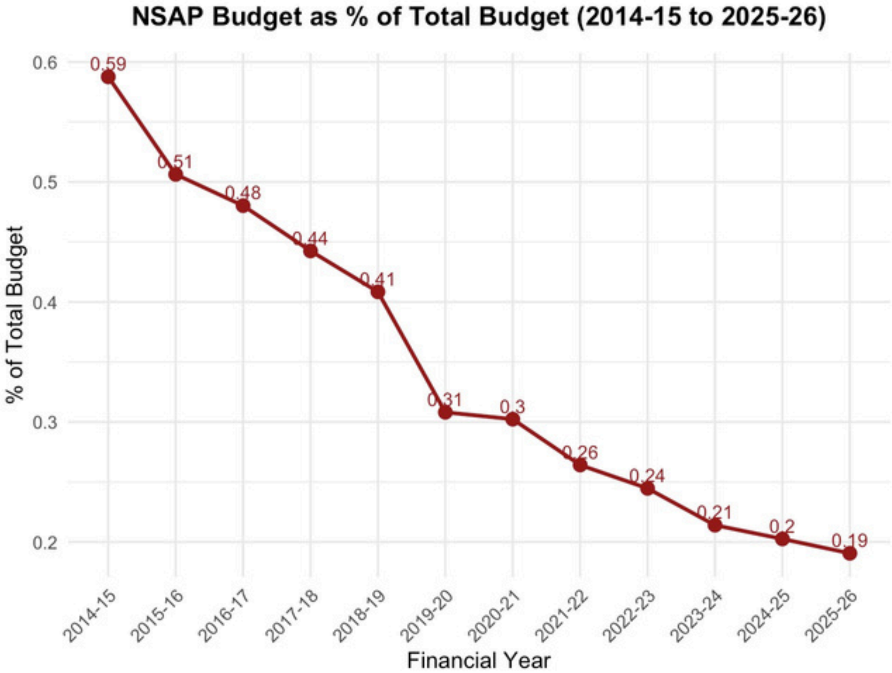
Social Welfare

Insufficient Pension Amounts

The Economic Survey 2025-26 notes that pension assets in India account for only about 17% of GDP, a figure that is strikingly low when compared to advanced economies, where pension assets often amount to as much as 80% of GDP.[210] The minimum social security extended to India's elderly remains frozen at Rs. 200/month, reflecting the persistent neglect of old-age income security.

The National Social Assistance Programme (NSAP), a scheme which provides non-contributory income security to the elderly, women and persons with disabilities in the below poverty line (BPL) category, has seen a consistent decrease in the budget. Over the last 10 years, the NSAP budget has gone down from Rs. 10,547 Crore in FY2014-15 to Rs. 9,652 Crore in FY 2025-26 or from about 0.6% to just about 0.2%. The decline in the NSAP budget in real terms and rising inflation mean the welfare of the most marginalised have been completely ignored.

208 https://sansad.in/getFile/rsnew/Committee_site/Committee_File/Press_ReleaseFile/16/198/782P_2025_3_13.pdf?source=rajyasabha Page 12 Para 3.4.48
209 https://www.who.int/data/gho/data/themes/topics/anaemia_in_women_and_children
210 https://www.thehindu.com/opinion/op-ed/design-an-inclusive-pension-system/article69705925.ece; https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf Page 66



Source: The Wire[211]

Stagnation in Pension Amounts

Concerns regarding pension adequacy in India are significantly compounded by the prolonged stagnation of pension amounts, especially under the National Social Assistance Programme (NSAP), wherein pension amounts remain meagre.

- The Indira Gandhi National Old Age Pension Scheme (IGNOAPS) provides **Rs. 200 per month** to beneficiaries aged 60-79 years belonging to Below Poverty Line households, with the amount increasing to **Rs. 500 per month upon attaining 80 years of age.**[212] These pension amounts are grossly inadequate and fall far short of even basic subsistence needs. For context, estimates indicate that an average individual in India requires approximately **Rs. 1,661 per month to meet minimum nutritional requirements alone, over and above what is provided through PDS.**[213]
- In parallel, the minimum monthly pension under the Employees' Provident Fund Organisation (EPFO) has remained unchanged at Rs. 1,000 since 2014.[214] This prolonged stagnation has sharply eroded the real value of pensions, diminishing the purchasing power of pensioners.

Recognising this issue, the Standing Committee on Labour, Textiles and Skill Development, in its report on the Demands for Grants for 2025-26, has reiterated the urgent need to revise the minimum monthly pension to Rs. 2,000 per month for member-pensioners under the EPFO. [215]

211 https://thewire.in/government/budget-2024-how-the-modi-government-has-neglected-social-security-pensions-once-again
212 https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1942485®=3&lang=2
213 https://foodprices.indiaspend.com/index.php?multiplier=monthly
214 https://www.indiatoday.in/business/personal-finance/story/why-is-the-demand-to-raise-the-minimum-eps-pension-to-rs-7500-still-stuck-at-rs-1000-2837808-2025-12-18
215 https://eparlib.sansad.in/bitstream/123456789/2989674/1/18_Labour_Textiles_and_Skill_Development_4.pdf Page 113

Indian Pension System Graded D

India's pension system fares poorly in international comparisons. In the 2025 Global Pension Index, India was assigned a 'D' Grade, placing it among the weakest-performing pension systems globally. Of the 52 countries assessed, India ranks among the bottom four, scoring 43.8 points, well below the global average score of 64.5.[216]

- A disaggregated assessment further reveals structural deficiencies across multiple dimensions. India received a Grade 'E' for adequacy, Grade 'D' for sustainability, and Grade 'C' for integrity.[217]
- This performance stands in sharp contrast to several developing Asian economies,[218] including Thailand, Indonesia, and Vietnam, which rank higher with overall Grade 'C' scores, underscoring the relative underperformance of India's pension framework.[219]

Elderly Welfare Disregarded

India is experiencing a rapid demographic transition characterised by a sharp rise in its elderly population. The decadal growth rate of the elderly currently stands at 41%, and projections indicate that individuals aged 60 years and above will constitute more than 20% of the total population by 2050,[220] highlighting the growing urgency of strengthening old-age income security mechanisms.[221]

- Over 40% of elderly Indians belong to the poorest wealth quintile, and nearly 18.7% report that they have no source of income.[222]
- Alarmingly, approximately 78% of the elderly population does not receive any form of pension support. As the ageing of the population accelerates, this implies that nearly one-fifth of the population is likely to face financial insecurity in old age.[223]

Within this group, inequalities are further exacerbated by gender. Women tend to have higher life expectancy than men, with an average difference of 1.5 years in life expectancy after the age of 60 nationally, with some states such as Himachal Pradesh and Kerala having as much as 4 years difference in life expectancy between men and women.[224] This longevity advantage is accompanied by deeper deprivation. Elderly women (above the age of 60) face disproportionate vulnerability:

- Around **54% are widows, 55% are illiterate, 78% do not receive pensions, and 18% lack any assets**.[225]
- Approximately **40% have no independent source of income** and remain heavily dependent on family members, heightening the risks of neglect and abandonment.[226]

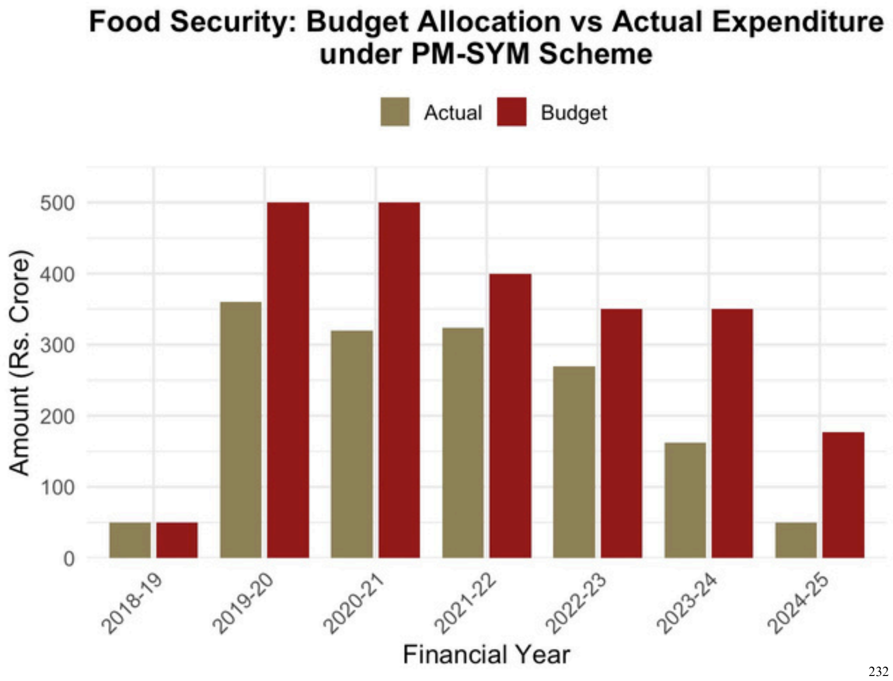
216 https://www.newindianexpress.com/business/2025/Oct/16/no-country-for-senior-citizens-india-gets-dismal-d-grade-in-global-pension-index-2025
217 ibid
218 https://www.ica.org/app/uploads/2024/03/List-of-Developing-Countries-2024_Updated.pdf
219 https://www.mercer.com/insights/investments/market-outlook-and-trends/mercer-cfa-global-pension-index/
220 https://www.indiaspend.com/governance/how-pensions-fail-the-common-man-937856
221 https://india.unfpa.org/en/news/india-ageing-elderly-make-20-population-2050-unfpa-report
222 ibid
223 https://give.do/givegrants/indias-ageing-society-the-landscape-today/
224 https://india.unfpa.org/en/news/india-ageing-elderly-make-20-population-2050-unfpa-report
225 https://give.do/givegrants/indias-ageing-society-the-landscape-today/
226 ibid

The recent reduction in RBI's repo rates from 6.5% to 5.25% has further strained senior citizens, as banks have correspondingly been trimming fixed deposit interest rates.[227] This is particularly significant given that nearly 47% of all fixed deposits in India are held by senior citizens.[228]

Absence of Income Security for Informal Workers

India's informal workforce, comprising nearly 85% of total employment and contributing over half of the country's GDP, remains largely excluded from pension coverage. In 2019, the Government launched the Pradhan Mantri Shram Yogi Maandhan (PM-SYM) scheme to extend social security to unorganised sector workers. However, the scheme has consistently failed to meet its stated objectives.[229]

- As per the scheme's dashboard, only around **50 lakh workers** (approximately 1.2% of the eligible workforce) have enrolled so far.[230]
- As of July 2024, only about **14 lakh subscribers remained active**, demonstrating that nearly two-thirds of enrolled workers discontinued contributions.[231]



Source: Ministry of Labour and Employement RTI Response August 2024[232]

Key Schemes Suffering from Implementation Failure

According to a Cabinet note attached in a Right to Information response from the Ministry of Labour and Employment, the projected expenditure for the PM-SYM scheme was set at Rs. 30,651 crores over five years (2018-2023). However, government spending between 2018 and 2024 was less than Rs. 1,550 crores, that is, just 5% of the projected cost. This lower spending can be attributed to a lower subscription rate, as the government matches the contributions from workers.[233]

227 https://timesofindia.indiatimes.com/business/financial-literacy/savings/attention-fd-investors-fixed-deposit-interest-rates-may-drop-with-rbis-latest-repo-rate-cut-heres-how-to-maximise-your-returns/articleshow/125784175.cms
228 https://www.outlookmoney.com/retirement/invest/senior-citizens-are-shying-away-from-the-market-can-debt-linked-mf-schemes-bring-them-back
229 https://www.thehindu.com/opinion/op-ed/design-an-inclusive-pension-system/article69705925.ece
230 https://maandhan.in/maandhan/summary
231 https://www.indiaspend.com/governance/how-pensions-fail-the-common-man-937856
232 https://www.indiaspend.com/h-library/worker-pension-cabinet-note-and-rti-replyredacted.pdf
233 ibid

Similarly, the Pradhan Mantri Kisan Maandhan Yojana (PM-KMY), launched in 2019 to provide a minimum pension of Rs. 3,000 per month to small and marginal farmers, has witnessed limited uptake. Although official projections anticipated enrolment of five crore farmers by 2021, only about 19 lakh farmers, roughly 4% of the target, had enrolled by January 2025.[234]

Aadhaar-Based Identification Continues to Exclude the Vulnerable

The increasing digitisation of pension schemes, including mandatory Aadhaar linkage and biometric authentication, has introduced new exclusion risks, particularly in rural areas. While intended to enhance transparency, these systems have instead resulted in widespread authentication failures and benefit exclusions.

- A notable example emerged in Rajasthan during 2023-24, where approximately 14 lakh pensioners were denied benefits due to errors such as incorrect death declarations, failed Know Your Customer (KYC) processes, and misclassification of residents as non-residents.[235]
- As of 2024, only around 9,000 cases had been resolved, leaving a vast majority of affected pensioners without access to their entitlements.

Both Union and state governments have frequently employed an “ultimatum approach” to enforce Aadhaar linkage, whereby benefits are suspended or withdrawn for non-compliance without any prior notice. Pensioners are often unaware that their payments have been discontinued until funds fail to arrive.

Repeated changes in KYC norms, mandatory Aadhaar-linked bank accounts, and the use of the Aadhaar Payment Bridge System have led to widespread payment disruptions. Delayed, rejected, diverted, and blocked payments have become common across welfare schemes, including social security pensions, MGNREGA wages, and maternity benefits, systematically undermining income security for the most vulnerable populations.[236]

Despite repeated assertions of economic success, the State has failed to ensure basic food and income security for large sections of the population. Systemic exclusions, stagnant benefits, and policy neglect have left millions undernourished and elderly citizens financially insecure, raising serious questions about the priorities underpinning India’s development trajectory.

[234] ibid
[235] https://timesofindia.indiatimes.com/city/jaipur/rajasthans-pension-crisis-135-lakh-denied-benefits-due-to-bureaucratic-errors/articleshow/114746061.cms
[236] https://scroll.in/article/1013700/six-types-of-problems-aadhaar-is-causing-and-safeguards-needed-immediatelyy

7 Weakening Labour Protections

Since coming to power in 2014, the Modi government has pursued a wider restructuring of the labour regime that has shifted away from enforceable rights and protections towards a framework of pro-market reforms in the name of ease of doing business. Even as the economy has expanded in headline terms, wage outcomes and protections for workers have remained weak. This is not the result of any one policy change, but a broader reshaping of how the BJP government approaches work, labour, and employment.

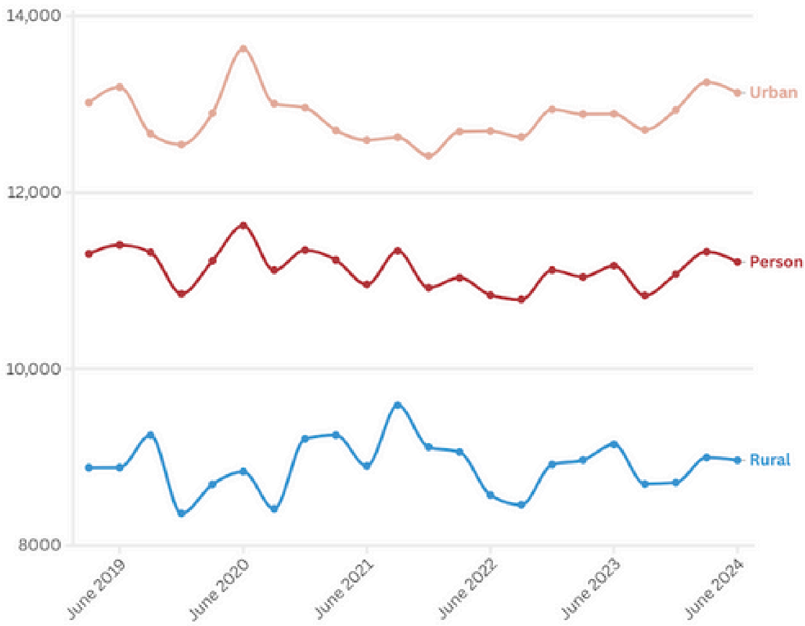
The effects of this shift are most visible where the majority of workers are located: in informal and precarious employment relationships, with limited bargaining power and uneven enforcement on the ground. As labour regulation is increasingly reframed as a matter of compliance rather than rights, protections become more conditional and social security is often pushed through scheme-based or administrative routes rather than guaranteed as enforceable entitlements. Taken together, these changes mark a steady movement away from a worker-centred framework toward a policy regime that primarily serves market interests by reducing the costs and constraints associated with labour, while transferring more risk and insecurity onto workers.

Stagnating Wages Under Modi Government

While GDP expanded on paper, wages for workers have remained stagnant or declined in real terms. The latest annual Periodic Labour Force Survey (PLFS 2023-24) and the Labour Bureau wage series reveal that worker incomes today have barely recovered to pre-pandemic levels and remain significantly weaker than during the UPA years.

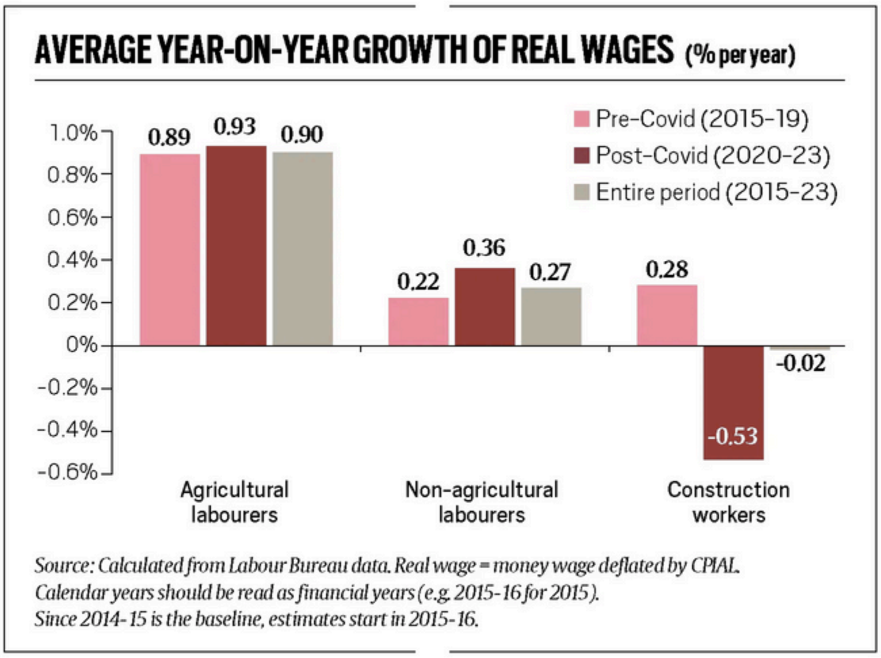
PLFS data show a clear pattern of stagnation. When adjusted for inflation, real wages for salaried workers in June 2024 were 1.7% lower than in June 2019, despite years of economic recovery after the COVID-19 slump.

Monthly Wages of Salaried Workers



Source: The Hindu[237]

Long-term wage data reinforces this trend of stagnation. Analysis by economist Jean Drèze using Labour Bureau figures shows that, over the period 2014-15 to 2022-23, real wage growth was almost flat across major worker groups. Agricultural labourers saw average annual increases of just 0.8%, non-agricultural workers registered only 0.2% growth, and real wages for construction workers actually declined. These figures underline how limited the gains have been for India's working population across nearly a decade of the Modi government.

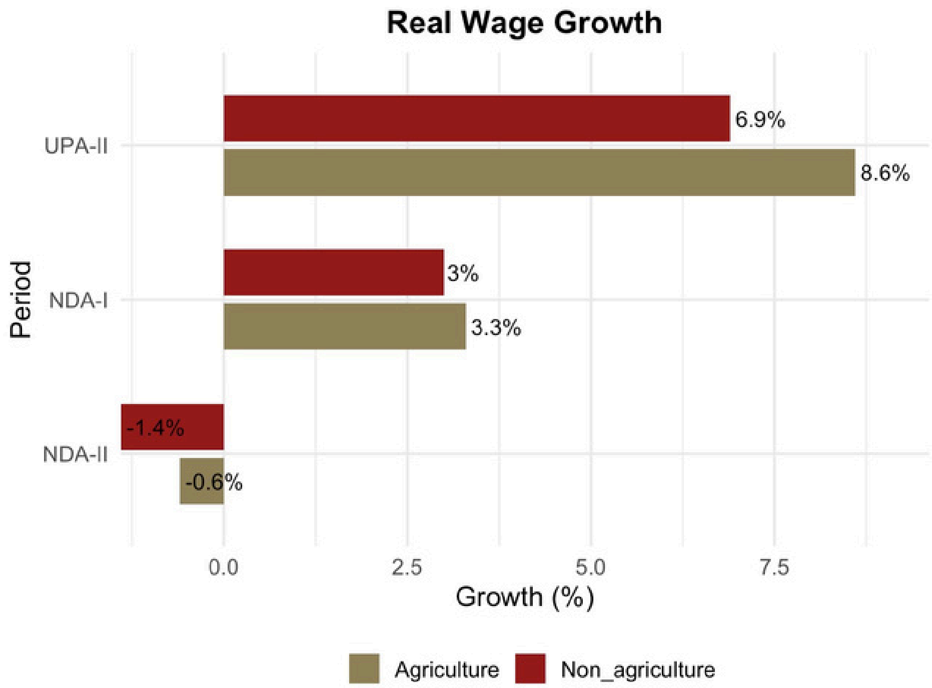


Source: The Indian Express[238]

237 https://www.thehindu.com/data/income-levels-of-salaried-class-have-stagnated-in-recent-years-in-india/article69317362.ece
238 https://indianexpress.com/article/opinion/columns/since-2014-the-poorest-communities-are-earning-less-8625367/

This stands in stark contrast with the decade preceding 2014. Under Congress-led UPA rule, real rural incomes surged. During UPA II, real agricultural wages grew by 8.6% annually, and non-agricultural wages by 6.9% annually. India saw one of its fastest periods of inclusive wage growth in decades, driven by rising rural employment, farm incomes, and welfare expansion.

The pattern has reversed dramatically under the NDA. In Prime Minister Modi's second term, real wages actually fell. Between 2019-20 and 2023-24, real agricultural wages declined by 0.6% per year, and non-agricultural wages fell by 1.4% annually, meaning the average rural worker became poorer as prices rose faster than earnings.



Source: The Indian Express[239]

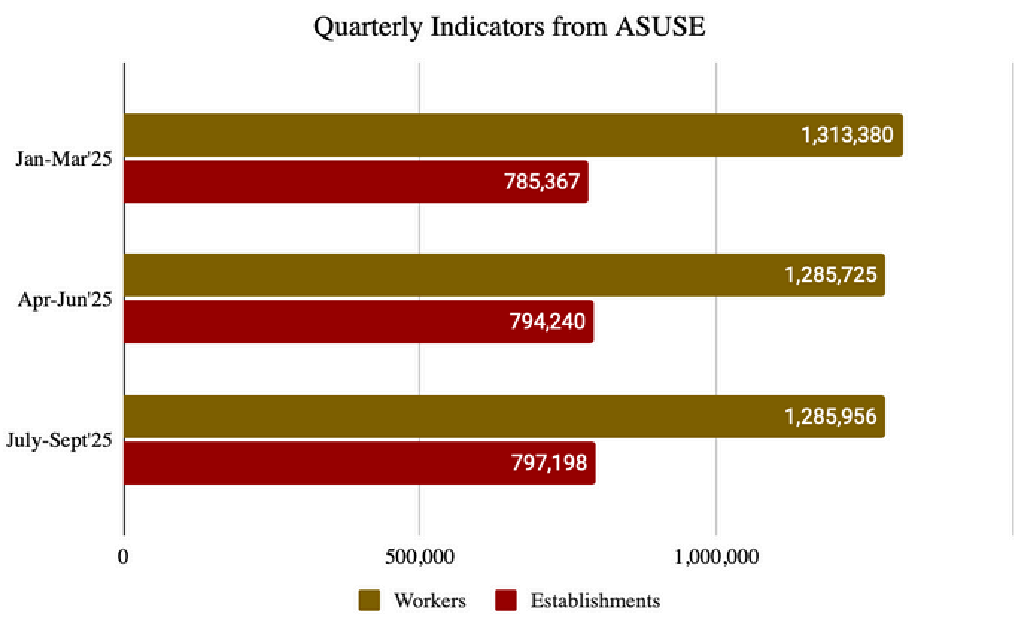
Recent analysis from State Bank of India (SBI) Research adds to this picture of distress. In its November 2025 newsletter, the bank reported wage trends across the country and found that both nominal and real wage growth have declined substantially in FY26.

239 https://indianexpress.com/article/opinion/columns/in-viksit-bharat-rural-real-wages-are-in-decline-9120808/

Source: SBI Research[240]

Status of Workers in Unincorporated Enterprises

The latest Annual Survey of Unincorporated Sector Enterprises[241] (ASUSE 2023-24) report and subsequent quarterly bulletins paint a weak picture of the MSME landscape under the Modi government. Growth in unincorporated non-agricultural enterprises has been minimal, with little evidence of meaningful expansion in employment. As per the July-September 2025 bulletin,[242] India had around 7.97 crore unincorporated non-agricultural enterprises employing roughly 12.85 crore workers. Employment in 2025 was at its highest in January, declined by June, and showed no meaningful rise in September, remaining at roughly the same level.



Source: Quarterly ASUSE July-Sept 2025

240 https://sbi.bank.in/documents/13958/14472/Ecowrap_20251112.pdf/7709d5da-0dee-2696-bca3-1b96427622b4?t=1763010685201
241 https://www.mospi.gov.in/sites/default/files/publication_reports/ASUSE_2023_24_Full_Report-L.pdf
242 https://www.mospi.gov.in/uploads/publications_reports/publications_reports1764061232563_9a203845-af5f-4fcc-82c6-4c33fa3bc3dd_QBUSE_July_September_2025.pdf

Beyond weak job creation, the ASUSE 2023-24 report also shows the harsh income conditions faced by the workers employed in the unincorporated sector. The survey confirms that the majority of workers in these enterprises earn extremely low wages, with their earnings significantly below national averages for formal employment. The gross value added (GVA) per worker in the unincorporated sector was just about Rs, 1.5 lakh per year (at current prices).[243] That works out to roughly Rs. 12,500 per month output per worker, reflecting the meagre incomes and output of these units.

Further it shows that nearly 87% of establishments operate without a single hired worker, reflecting the high concentration of self-employment and family labour in the non-agricultural economy.[244]

The (Anti) Labour Codes

In November 2025, after nearly six years of delay, the Union Labour Ministry finally announced the implementation of the four labour codes - the Code on Wages (2019), Industrial Relations Code (2020), Code on Social Security (2020), and the Occupational Safety, Health (OSH) & Working Conditions Code (2020), which replaced 29 existing central labour laws which were repealed.[245] Far from modernising labour protections, the government has used this overhaul to tilt the law decisively towards the rationalisation of regulation that facilitates the ease of doing business, while weakening enforceable rights and shirking the legal and institutional space for worker collectivisation. The new Labour Codes reflect the broader trend of the Modi government which has repeatedly prioritised the market over labour, people, and the environment. These Codes exacerbate the unequal relationship between labour and capital, making available cheap, docile labour for corporations and the government's cronies.[246]

Weakening Labour Protections [247] [248]

The new labour codes tilt the balance in favour of employers over workers. Across multiple provisions, workers' rights have been steadily eroded while employers' power has been strengthened. In this framing, the Labour Codes 2025 represent a de-institutionalisation of worker protections, where many safeguards are replaced or weakened in the name of "ease of doing business".

- Under the old Industrial Disputes Act (1947), employers needed government approval for layoffs and closures once a firm had 100+ workers. The new Industrial Relations Code raises this threshold to 300 workers, meaning the vast majority of enterprises can now lay-off workers without state oversight, weakening job security and tenure protections.

243 https://mospi.gov.in/sites/default/files/publication_reports/Factsheet_of_ASUSE_2023_24.pdf GVA per worker in rupees (Table 3, page no.8)
244 https://mospi.gov.in/sites/default/files/publication_reports/Factsheet_of_ASUSE_2023_24.pdf Percentage of Hired Worker Establishments is 13.65 (Table 3, page no.8)
245 https://progressive.international/wire/2025-12-15-what-do-the-labour-codes-mean-for-the-indian-worker/en/
246 https://thewire.in/labour/new-labour-codes-erase-a-century-of-hard-won-workers-rights-in-one-stroke
247 https://progressive.international/wire/2025-12-15-what-do-the-labour-codes-mean-for-the-indian-worker/en/
248 https://www.cyrilshroff.com/wp-content/uploads/2025/12/Guide-to-the-Labour-Codes.pdf

- Under the Industrial Relations (IR) Code, 2020, it becomes harder for workers to use collective action effectively. A strike now requires a 14-day prior notice, and once conciliation is initiated, strikes are barred for the duration, a process that can be extended, in practice, to delay or neutralise worker action. At the same time, the Code limits everyday workplace safeguards by making Standing Orders (the written, legally enforceable rulebook on service conditions and discipline) mandatory only for establishments with 300+ workers, leaving many smaller units with weaker and less transparent standards.
- Under the Industrial Relations (IR) Code, "fixed term employment" is formally recognised, allowing employers to hire workers for a set period even for regular, ongoing work. This can weaken job security because companies can keep renewing short contracts instead of offering permanent jobs and the protections that come with them.
- The Occupational Safety, Health and Working Conditions Code, 2020 (OSH Code) merges 13 older laws. It raises the definition of a "factory" from 10 to 20 workers and from 20 to 40 workers where power is not used. The result is that many smaller manufacturing units, which often have weaker safety conditions, can fall outside tighter legal oversight.
- The Codes also introduce a clear compliance-easing bias by mandating an "opportunity to rectify" before the Inspector-cum-Facilitator can initiate action (barred only for repeat, similar violations within 3 years) and by imposing strict limitation periods for claims and proceedings, such as the Social Security Code's 5-year maximum look-back, after which no inquiry can be initiated for amounts allegedly due from an employer.

Increasing Centralisation

Labour has traditionally been a concurrent list subject under the Indian Constitution, ensuring that state governments, who are closer to the specific socio-economic realities of their regions have the power to legislate on this domain. However, the new Codes mark a significant move toward executive centralisation.

- Under the earlier regime, states largely drove minimum wage-setting through their own notifications and wage schedules, responsive to local prices and living costs. The Code now mandates that the Union government has to fix a national floor wage below which no state can set its minimum wage, shifting the baseline itself to the Centre. This can result in setting a low national benchmark and pulling down what 'minimum' means in the name of uniformity.
- The OSH Code empowers the Central government to exempt any establishment from the Code through a simple notification, effectively allowing the Executive to suspend workplace safety and working-conditions protections.

Failure to Account for the Unorganised Sector

The most glaring failure of the new Labour Codes is their inability to deliver concrete, enforceable protections to the unorganised sector, which makes up nearly 90% of India's workforce.[249] The Codes apply only to workers who fall within the legal definitions of a worker/employee and workplace as set out in the Codes, leaving crores of workers in small units, home-based work, and informal contracting chains outside effective legal coverage. Instead of guaranteeing rights like payment of minimum wages, written contracts, occupational safety, and social security as legal entitlements, the Codes largely push informal workers into registration databases and scheme-based welfare and overlook the structural vulnerabilities of unorganised and informal labour. The Social Security Code mandates the setting up of a National Social Security Board and a State Unorganised Workers' Welfare Board, however, Welfare Boards set up under previous mandates are yet to function properly.[250]

Failure to Protect Gig Workers

Over the past decade, India has witnessed an exponential rise in gig and platform-based work. Digital intermediaries, from ride-hailing apps to food delivery platforms and freelance marketplaces have reshaped how labour is organised. As the gig economy grows, the promise of flexibility and entrepreneurship has translated into precarious work with minimal pay, zero job security, no statutory benefits and intense algorithmic control for gig workers. However, in the absence of formal opportunities and the lure of immediate income, individuals are entering the gig economy at a rapid rate. As per reports, there are currently close to 13 million (1.3 crore) individuals engaged in gig work.[251] This number is expected to rise to 23.5 million by 2029-30, as youth are drawn into gig work drawn by the absence of alternative formal job opportunities.[252] Given that India alone accounts for 20% of the total global workforce engaged in platform work,[253] the Union government's response to the labour and social protection of gig-workers has been grossly inadequate. Despite the new Labour Codes, gig workers continue to remain on the margins of labour regulation.

Exploitation by Design

The Code on Social Security, 2020, brings gig workers within the framework of India's labour laws for the first time. However, this recognition is framed in a manner that still keeps gig workers outside the ambit of enforceable rights. Instead, the Code deliberately uses a broad and ambiguous description of gig work that does not clarify the nature of gig employment but legally distinguishes gig workers from regular employees and other recognised categories of workers. The Code thus places gig workers outside the definition of "employees" who are entitled to labour and social protections.[254]

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249 Between 40 crore to 45 crore individuals constitute the informal workforce. https://www.pib.gov.in/PressReleasePage.aspx?PRID=1942079&reg=3&lang=2
250 https://idronline.org/article/rights/do-indias-labour-codes-address-informal-workers-needs/
251 https://www.livemint.com/money/personal-finance/indias-gig-economy-in-2025-growth-formalisation-and-financial-inclusion-explained-11753438649777.html
252 https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2078528®=3&lang=2
253 https://www.outlookbusiness.com/start-up/news/pay-education-demographics-what-the-numbers-say-about-indias-1-crore-gig-workers
254 https://www.epw.in/engage/article/how-does-law-define-gig-worker

By keeping the definition loose, it also enables platforms to continue treating gig work as cheap, flexible, on-demand labour, sustaining the exploitative features of the current model while limiting workers' ability to claim formal protections.

No Welfare for Gig-Workers

The Code on Social Security, 2020 is the Union government's main framework to provide welfare for gig and platform workers. The Codes allow the Union government to notify schemes for life and disability cover, accident insurance, health and maternity benefits, old age protection, crèche support, and other benefits. To finance these schemes, the Code provides for a Gig and Platform Workers' Social Security Fund to be set up and administered by the Centre. Aggregators are expected to contribute between 1% and 2% of their annual turnover to this fund, capped at 5% of the total amount they pay to gig and platform workers.[255]

However, under the Codes, social security for gig-workers continues to remain uncertain and poorly defined. The Code creates the fund and lists possible benefits, but it does not guarantee what workers will actually receive, when they will receive it, or how claims will be processed. Access depends on future schemes, registration systems, and state-level implementation, which can be slow and uneven. As a result, protections vary across states and remain fragmented, even as some states like Rajasthan, Karnataka, and Telangana have introduced their own laws and welfare mechanisms. In effect, gig workers are promised welfare through schemes, but without a clear, enforceable and time-bound pathway to real benefits.[256]

Unorganised Sector Welfare Ignored

The Modi government's approach to the informal sector has been characterised by a systematic shift from rights-based social security to underfunded, contributory models that place the financial burden on the workers themselves. By effectively dismantling the social security architecture, the government has left nearly 90% of India's workforce without a reliable safety net. Instead of expanding statutory guarantees and universal protections, the state has normalised low and inadequate support, weakened key livelihood buffers, and treated social protection as a matter of targeted schemes rather than a right.

In contrast, the formal workforce continues to benefit from comparatively stronger institutional coverage through the Employees' Provident Fund Organisation (EPFO) and the Employees' State Insurance Corporation (ESIC). Informal workers, however, are pushed toward voluntary contributory schemes such as the Atal Pension Yojana (APY) and the Pradhan Mantri Shram Yogi Maan-Dhan (PM-SYM), which have struggled to deliver meaningful inclusion at scale.

255 https://www.cyrilshroff.com/wp-content/uploads/2025/12/Guide-to-the-Labour-Codes.pdf
256 https://techcrunch.com/2025/11/24/indias-gig-workers-win-legal-status-but-access-to-social-security-remains-elusive/

These schemes rely on workers making regular contributions despite irregular incomes, and have low sustained participation and uneven enrolment. Rather than integrating these workers into comprehensive and enforceable systems like the ESIC, the government has increasingly pushed to integrate unorganised workers into existing welfare schemes which are themselves riddled with structural issues. This does not amount to comprehensive social security and diminishes focus on the specific needs of unorganised sector workers.[257]

Taken together, the evidence reveals a clear weakening of labour protections under the Modi government. Behind the rhetoric around headline growth and reforms, India's workers face stagnant wages, job insecurity, and eroding rights. The implementation of the Labour Codes, weak MSME job creation, and the continued exclusion of informal and gig workers from enforceable social security reflect a policy approach that prioritises corporate interests over worker welfare. Without restoring rights-based protections and boosting real income growth, economic expansion will merely benefit a few while leaving workers disconnected from social justice and their rightful share of India's prosperity.

257 https://thewire.in/economy/social-security-budget-a-forgotten-footnote

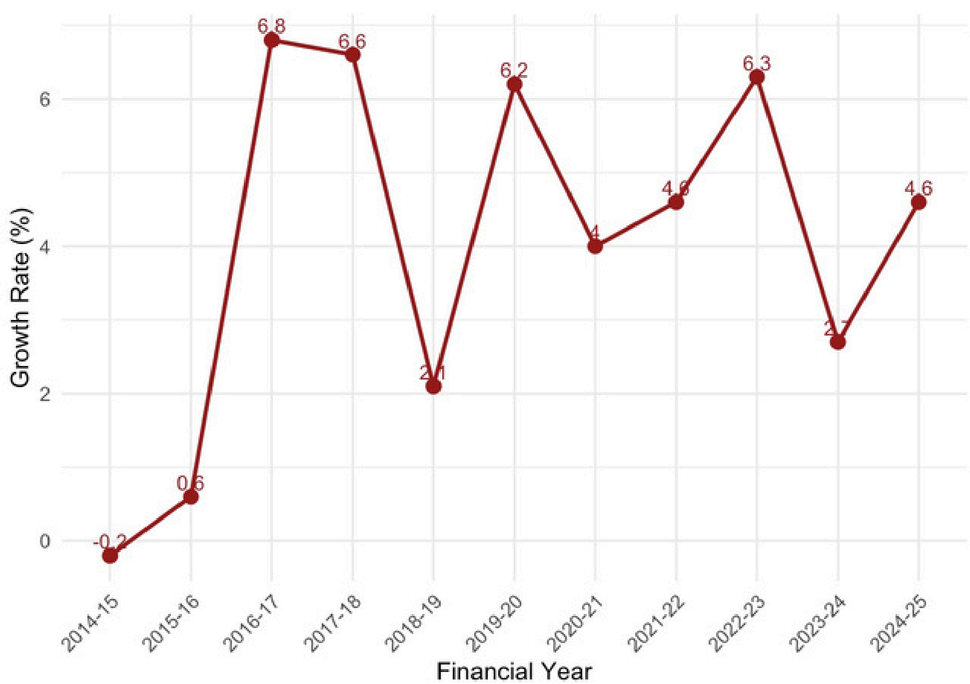
8 Farmers and Rural Distress

Since 2014, Indian agriculture has been governed through speeches, slogans, and moral posturing rather than material policy. The Prime Minister repeatedly invoked farmers' dignity, promised protection from harmful forces, and assured fair prices and secure incomes. He spoke of doubling farmers' income, of reducing costs from seed to electricity, of markets that would finally work for cultivators. A decade later, the rural economy is suffering due to his lofty assurances turning out to be empty rhetoric, and as a result of the Modi government's misplaced policies.

Stagnant Growth and the Myth of Agrarian Revival

Doubling farmer incomes by 2022 was one of the most repeated claims in the early years of the Modi government. However, the agricultural growth rate has varied substantially. Between 2013-14 and 2024-25, the compounded annual growth rate of agriculture and allied sectors was 4%.

Year-on-Year Growth Rate of Agriculture (2014-15 to 2024-25)



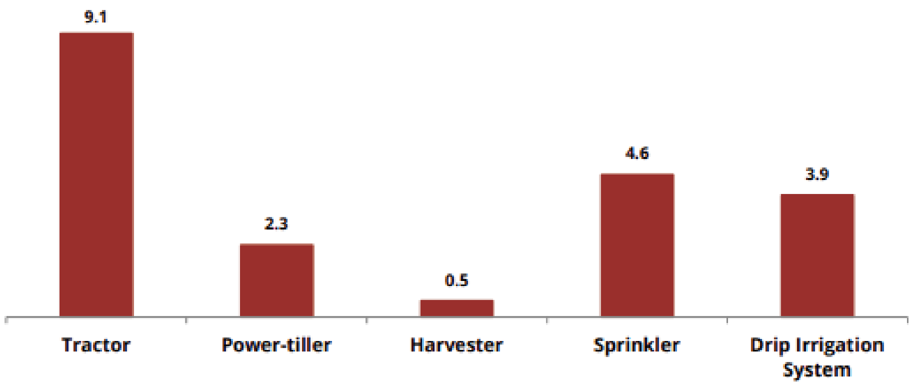
Source: MoSPI

In 2023-24, about 46.1% of India's population continues to depend on agriculture and allied activities for their livelihoods. When one considers that agriculture contributes only 16% to India's GDP,[258] it shows that nearly half the country is living off a shrinking share of economic activity, essentially driving a worsening urban-rural divide.[259] This also implies that agriculture in India is characterised by under-employment and low productivity.

Falling Farm Incomes and the Slow Suffocation of Rural Demand

- Real monthly farm income remains woefully low. According to the NABARD All India Rural Financial Inclusion Survey 2021-2022, the average monthly income of an agricultural household is only Rs 13,661, while income from cultivation is just Rs 4,476 per month, or about Rs 150 a day, showing that farming alone can no longer sustain farm households.[260]
- The average wage rate across India for agricultural labourers stood at Rs. 414 for men and Rs. 329 for women (April 2024-25).[261]
- The much-advertised push for modernisation has barely reached the farm gate. Government data shows that only 9.1% of agricultural households own a tractor, 2.3% a power tiller, and a negligible 0.5% a harvester. Access to basic water saving technology remains limited with just 4.6% using sprinklers and 3.9% drip irrigation systems. Despite constant claims of mechanisation, efficiency, and technology driven Vikas, most farmers continue without productive assets, revealing how agrarian "modernisation" exists far more in speeches than in fields.

Figure 3.4 Proportion of Agricultural Households Reporting Ownership of High Value Agricultural Assets (%)



Base = Agricultural Households

Source: NABARD All India Rural Financial Inclusion Survey 2021-2022 (NAFIS)[262]

258 https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap09.pdf
259 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2207767®=1&lang=1#:~:text=According%20to%20the%20Economic%20Survey%202024%2D25%2C%20the,to%20nearly%2046.1%20percent%20of%20the%20population
260 https://www.nabard.org/auth/writereaddata/tender/2102255939NAFIS%202021-22%20Report%20Final.pdf
261 Labour Bureau, Ministry of Labour and Employment
262 https://www.nabard.org/auth/writereaddata/tender/2102255939NAFIS%202021-22%20Report%20Final.pdf

PM Kisan and the Illusion of Income Support

- Deletion of beneficiaries is a routine practice in the PM-KISAN programme which was aimed at providing income support to poorer farmers. Between the 11th and 12th installment in April 2022 and August 2022, the number of beneficiaries declined from its peak at 10.48 crore to 8.7 crore.[263] In the 21st instalment of the scheme, around 70 lakh beneficiaries were removed from the payment list compared to the previous instalment, cutting payouts by roughly Rs 2,500 crore for farmers previously included.[264] In Punjab, PM-Kisan beneficiaries have dropped by nearly 49% over 5 years.[265]
- Large sections of the rural poor are structurally excluded from PM Kisan. Census data shows that the number of landless agricultural laborers rose from 10.67 crore in 2001 to 14.43 crore in 2011, while the Agriculture Census 2015-16 recorded 5.31 crore wholly leased operational holdings. Landless workers and tenant farmers, despite forming a substantial share of those who cultivate the land, are ineligible for PM Kisan by design.[266] [267]
- The PM KISAN entitlement has remained frozen at Rs. 6000 per year, unchanged through the pandemic, repeated crop losses from extreme weather events, rising input costs, and growing indebtedness, offering little real income support to cultivators facing escalating economic stress.

OVER THE YEARS

FY	BE	RE	Actual
2018-19		20,000	1,241
2019-20	75,000	54,370	48,714
2020-21	75,000	65,000	60,990
2021-22	65,000	67,500	66,825
2022-23	68,000	60,000	
2023-24	60,000		

(in Rs crore)

Source: Indian Express[268]

263 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2112399
264 https://www.financialexpress.com/money/pm-kisan-update-70-lakh-beneficiaries-dropped-from-21st-installment-list-how-to-know-if-your-rs-2000-is-credited-4050448/
265 https://www.newindianexpress.com/nation/2025/Aug/17/punjab-sees-steepest-decline-in-pm-kisan-beneficiaries-with-49-per-cent-drop-in-five-years
266 https://economictimes.indiatimes.com/news/politics-and-nation/number-of-landless-agricultural-labourers-in-india-rises-to-14-43-crore/articleshow/52225793.cms?from=mdr
267 https://www.pib.gov.in/PressReleseDetail.aspx?PRID=2099763®=3&lang=2
268 https://indianexpress.com/article/political-pulse/budget-2023-govt-cuts-pm-kisan-samman-nidhi-allocation-8417524/

How MSP Became a Slogan and Price Risk Became the Farmer's Burden

- The government markets MSP as an ironclad safeguard for farmers, but for most cultivators it remains a paper shield which is announced loudly, delivered narrowly, and enforced weakly. MSP is credited politically as a boon to farmers, yet on the ground it protects a small slice of produce in a few regions, leaving most crops and farmers at the mercy of volatile markets and traders. Women, tenants, and cultivators growing anything beyond a handful of staples rarely see its benefit.
- MSP reaches only a small minority of farmers. Government data shows that MSP procurement benefited about 1.84 crore farmers [269] in 2024-25, even though MSP is announced for 23 crops each year.[270] This is a small fraction of India's roughly 14 crore farming households who derive income from agriculture, showing how limited actual access to MSP is.[271] [272]
- Distress sales below MSP are routine, not exceptional. Farmers have been selling pulses and oilseeds well below MSP for extended periods.
- Despite MSP being declared for multiple crops, actual procurement is overwhelmingly restricted to paddy and wheat, with pulses and oilseeds seeing minimal lifting under central schemes. MSP protection therefore remains geographically and crop-wise skewed.
- MSP procurement requires land ownership or formal registration. Yet only about 13% of operational landholdings are in women's names, effectively excluding most women farmers from price support mechanisms even when they are primary cultivators.[273]
- Against this backdrop of weak and uneven price protection, the government attempted to push through sweeping market reforms without farmer consent. Farmers rejected the three farm laws introduced in 2020, refused offers to amend or suspend them, and demanded complete repeal. After more than a year of continuous protests at Delhi's borders and multiple failed rounds of negotiations, Prime Minister Modi announced the withdrawal of all three laws in November 2021, admitting the government had been unable to convince farmers about their benefits.[274]

Rural Demand is Collapsing as Weak Incomes, GST Shocks, and Stagnant Village Non-Farm Activity Strangle Growth

- According to the Household Consumption Expenditure Survey (2023–24), rural per capita consumption continues to remain far below urban levels, with average monthly per capita expenditure (MPCE) of Rs. 4,122 in rural areas compared to Rs. 6,996 in urban areas.[275]
- Rural FMCG volume growth slowed from 8.4% to 7.7% year-on-year in late 2025, indicating that GST-related disruptions and cost pressures are dampening momentum.[276]

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269 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2177219®=3&lang=2
270 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2177219®=3&lang=2
271 https://www.financialexpress.com/policy/economy-value-of-msp-purchase-of-crops-grew-just-2-9-annually-since-fy21-3923297/
272 https://cprindia.org/agricultural-households-and-farming-income-an-initial-analysis-of-variations-in-income-from-farming-and-other-sources-among-agricultural-households-in-india/#:~:text=India%2C%20as%20per%20this%20report,June)%20and%20101.98%20operational%20holdings
273 https://www.downtoearth.org.in/agriculture/nearly-85-rural-women-are-engaged-in-agriculture-but-only-13-own-land-63514#:~:text=Generally%2C%20a%20woman%20farmer%20puts,schooling%20and%20income%2Dgenerating%20savings
274 https://www.bbc.com/news/world-asia-india-59342627
275 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2088390®=3&lang=2
276 https://economictimes.indiatimes.com/industry/cons-products/fmcg/fmcg-sales-see-slow-growth-in-july-sept-amid-gst-rejig-rural-markets-outpace-urban-nielseniq/articleshow/125406616.cms?from=mdr

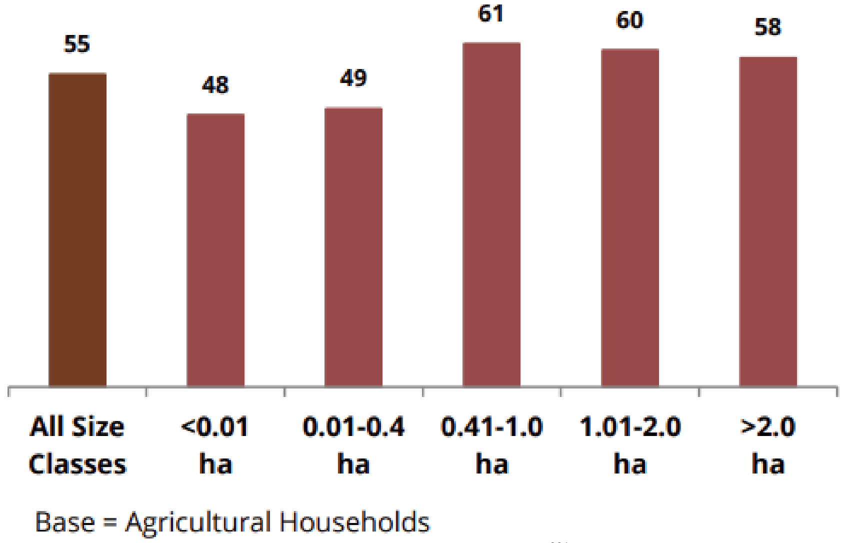
- Over the last decade, while the profit per hectare for paddy grew by about 54%, rural consumer prices rose by 65%.[277]
- The cost of high-yield and climate-resilient seed varieties is roughly 20-25% more than the conventional seeds due to research and distribution costs.[278]
- The government has presented GST 2.0 as a panacea for rural cost pressures, reducing rates on tractors, diesel engines, fertilisers, bio-pesticides, dairy inputs, and food processing items from 12-18% to 5% across most categories. In theory, this should lower input costs for farmers and support rural demand. In practice, these reductions have limited reach. Small landholders, tenant farmers, and marginal cultivators often cannot access new machinery or bulk inputs at scale, leaving them exposed to persistent high costs, informal charges, and high credit costs.[279]

Debt, Suicides and the Normalisation of Agrarian Distress

Rising costs, unstable incomes, and a hostile credit system have normalised distress, turning survival into a gamble and despair into policy routine. The consequence is visible on the ground, with thousands of farmers and agricultural labourers dying by suicide every year, debt and economic distress written repeatedly as the cause, even as the government insists the crisis has passed.

- 52% of agricultural households are indebted, with the incidence of debt highest among small and marginal farmers.[280]

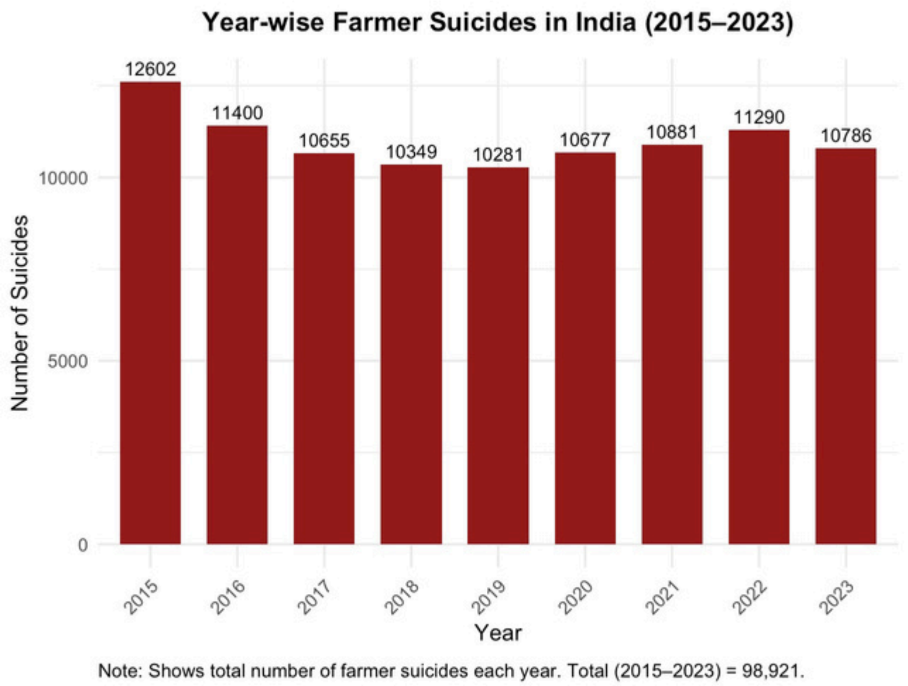
Figure 8.2 Incidence of Indebtedness among Agricultural Households by Size class of Land Possessed (%)



Source: NAFIS 2021-2022 [281]

[277] https://timesofindia.indiatimes.com/india/for-most-indian-farmers-costs-grow-faster-than-income/articleshow/122772650.cms#:~:text=Although%20this%20was%20a%2054,a%20decline%20in%20profit%20margins
[278] https://economictimes.indiatimes.com/small-biz/sustainability/india-bets-on-climate-resilient-seeds-for-food-security-but-farmers-see-little-value/articleshow/112913737.cms?from=mdr
[279] https://www.pib.gov.in/FactsheetDetails.aspx?Id=149269®=3&lang=2
[280] https://www.nabard.org/news-article.aspx?id=25&cid=552&nid=160
[281] https://www.nabard.org/auth/writereaddata/tender/2102255939NAFIS%202021-22%20Report%20Final.pdf

- 24.6% of agricultural households still depend on non-institutional sources of credit, including moneylenders, traders, and commission agents, despite repeated claims of financial inclusion.
- 10% of the agricultural households took loans to repay their previous loans, thus falling into a debt trap.[282]
- According to the National Crime Records Bureau (NCRB), 98,921 farmers lost their lives to suicide between 2015 and 2023, with the 2023 figures alone accounting for 10,786 individuals, including 4,690 farmers and 6,096 agricultural labourers.[283]



Source: Open Government Data (OGD) Platform[284]

Failed Farmer-focused Initiatives of the Modi Government

- RBI data shows bad loans in Kisan Credit Card (KCC) accounts rose 42% from Rs. 68,547 crores in March 2021 to Rs. 97,543 crores in December 2024, showing that KCCs have not been able to help many farmers improve their finances as they are struggling to repay and falling deeper into debt.[285]
- The e NAM platform's promise of a unified national market has collapsed in practice. Interstate trade volumes fell by 78% in 2024 from 18,005 tonnes to 3,935 tonnes, and just 472.62 tonnes were recorded by 2025-26, due to the absence of assaying infrastructure, weak buyer trust, and continued state level restrictions on agricultural trade.[286]

282 https://timesofindia.indiatimes.com/india/for-most-indian-farmers-costs-grow-faster-than-income/articleshow/122772650.cms#:~:text=Although%20this%20was%20a%2054,a%20decline%20in%20profit%20margins

283 https://timesofindia.indiatimes.com/india/10786-farmers-and-agri-labourers-committed-suicide-in-india-in-2023-maharashtra-reports-the-highest-38-of-them-followed-by-karnataka-at-22-ncrb/articleshow/124250410.cms

284 https://www.pib.gov.in/FactsheetDetails.aspx?Id=149269®=3&lang=2

285 https://indianexpress.com/article/express-exclusive/farm-lending-kisan-credit-card-bad-loans-rise-by-42-in-four-years-9879584/#:~:text=Farm%20lending:%20Kisan%20Credit%20Card,filed%20by%20The%20Indian%20Express

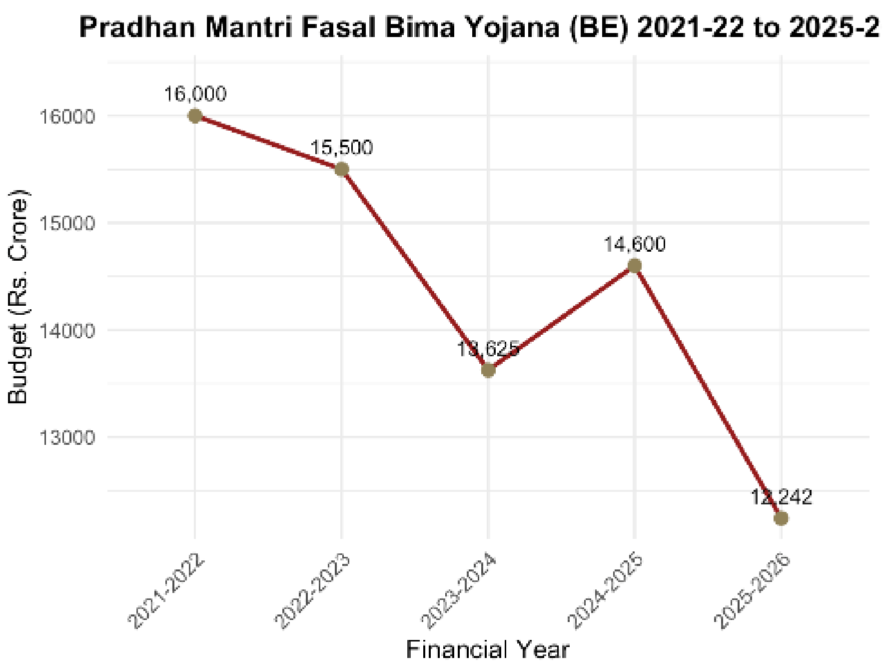
286 https://www.thehindubusinessline.com/economy/agri-business/inter-state-trade-on-e-nam-declines-by-78-in-2024-25/article69882340.ece

- The Namo Drone Didi scheme aimed to create women-led-agri-service enterprises enterprises by distributing drones to Self Help Groups (SHGs), but delivery and usability gaps persist. Against a target of 15,000 drones with an outlay of Rs. 1,261 crores for 2023-26, only about 1,094 drones were distributed in the first year.[287] Field reports from Maharashtra point to battery failures, frequent malfunctions, lack of local repair support, and long downtime, limiting actual use for women groups.[288]

Climate Vulnerability and the Withdrawal of the State from Risk Protection

Climate risk has become the everyday reality of Indian agriculture, but the Modi government has steadily withdrawn from protecting farmers against it. As droughts, floods and heat stress intensify, crop losses are no longer exceptional events but routine shocks built into every season. This withdrawal is now dressed up as atmanirbhar, where farmers are expected to fend for themselves rather than seek support. Insurance has been reduced to a paper scheme with delayed payouts and exclusions, while disaster compensation arrives late, diluted, or not at all. The cost of climate failure has been shifted from the government to already indebted households.

- In 2025, extreme weather (floods, heatwaves, and storms) damaged 17.4 million hectares of crops, nearly nine times the area affected in 2022.[289]
- Despite that, in the 2025-26 Union Budget, the allocation for the Pradhan Mantri Fasal Bima Yojana (PMFBY) was cut by 23% (to Rs.12,242 crore), the lowest in seven years.[290]
- With the government withdrawing from risk protection by cutting the PMFBY budget, about 25% (NABARD estimates) of rural households now rely on high-interest non-institutional lenders, leading to a cycle of permanent debt.



Source: Union Budget[291]

287 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2149706®=3&lang=2
288 https://www.thebridgechronicle.com/news/namo-drone-didi-scheme-battery-failures-lack-of-service-support-frustrate-beneficiaries
289 https://www.downtoearth.org.in/climate-change/year-of-extremes-india-hit-by-disasters-on-331-of-334-days-in-2025-up-from-295-in-2024-and-292-in-2022
290 https://www.downtoearth.org.in/agriculture/budget-2025-26-disasters-on-the-rise-but-crop-insurance-gets-lowest-allocation-in-last-seven-years
291 https://www.indiabudget.gov.in/

- Under the State Disaster Response Fund (SDRF), the input subsidy for crop loss remains as low as Rs. 6,800 per hectare for rainfed areas with an additional criterion of crop loss of more than 33%.[292]

Given these distressing conditions facing India's farmers and farm labourers, it is inexplicable that the Modi government replaced the available rights-based safety net, MGNREGA, with the VB-G RAM G scheme. As described in Chapter 4, the only real guarantee offered by the new scheme is worsening rural distress.

292 https://ndmindia.mha.gov.in/ndmi/viewUploadedDocument?uid=NEW151

9 Manufacturing and MSME

The Modi government promised substantial growth in the manufacturing sector and for Micro, Small, and Medium Enterprises (MSMEs). Instead, the last decade has been marked by stagnation and the steady erosion of India's industrial base. Instead of leading India's structural transformation, these crucial sectors continue to be stifled by short sighted policies and regulatory hurdles.

Make in India: Objectives vs Reality

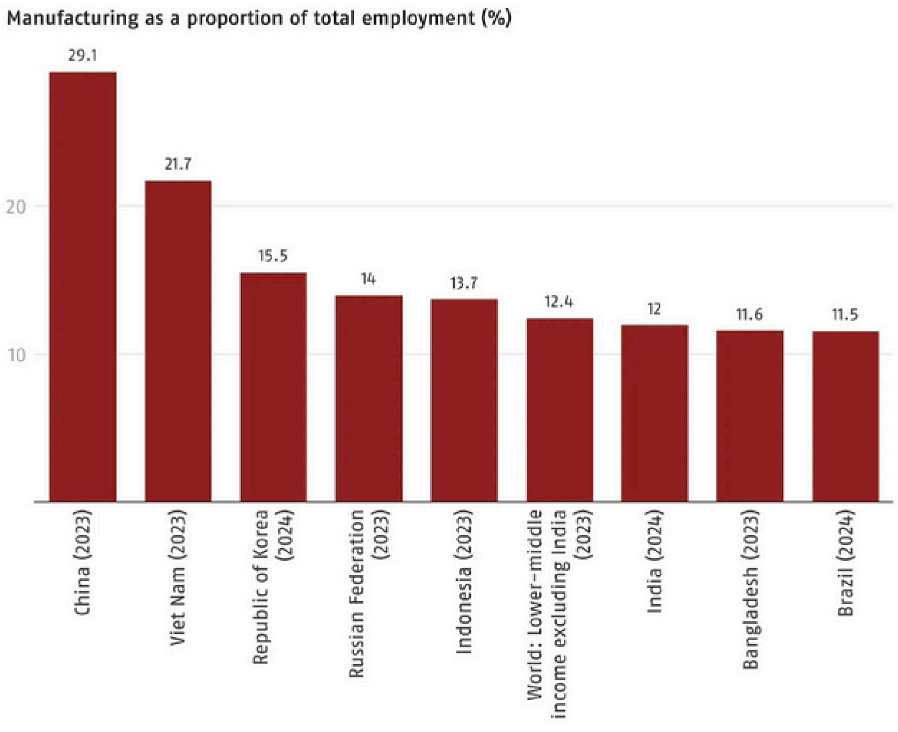
The Modi government announced the Make in India initiative in September 2014 to invigorate manufacturing and provide impetus to the economy. More than a decade later none of the three objectives have been achieved.

Target	Reality
Increasing manufacturing growth to 12-14% per annum	Manufacturing growth rate has averaged 6% (at constant prices) since 2013-14.
Increasing share of manufacturing in GDP to 25% by 2022	Share of manufacturing has remained stagnant and was at 15.7% (at constant prices) in 2024-25.
Creating 100 million jobs in the manufacturing sector by 2022	Manufacturing jobs halved between 2016 and 2021 The decade of Make in India saw the share of manufacturing in the workforce decline from 12.6% in 2011-12 to 11.4% in 2023-24

Manufacturing Sector not Creating Jobs

The Modi government has launched several initiatives aimed at increasing manufacturing, but all have failed to take off. Make in India, Production Linked Incentives (PLI), and the Atmanirbhar Bharat Abhiyan have yielded below par results with the share of manufacturing in GDP barely budging in the last 10 years. In fact, the share of workforce employed in manufacturing has dropped from 12.6% in 2011-12 to 11.4% in 2023-24.

India trails abysmally in terms of total percentage of employment in the manufacturing sector when compared to countries such as China, Vietnam, and Indonesia. According to the Economic Survey 2023-24, India needs to generate an average of nearly 78.5 lakh jobs every year for the next 10 years to productively engage its growing working population.[293] Some of this would have been possible if India had succeeded in following the typical model of development, where workers shift from agriculture to manufacturing, from farm to factory, increasing their and the economy's productivity as a result.



Source: Business Standard

Diminishing Share of Manufacturing in Employment: The share of manufacturing in total employment, which had risen from 10.5% in 2004 to 12.8% by 2012, has since reversed track, falling to 11.5% in 2024. More troublingly, manufacturing jobs declined in absolute terms until 2021, the first such contraction in the post-Independence period.[294]

293 Page 297, Economic Survey 2024-25
294 https://www.newindianexpress.com/business/2025/Aug/17/joblessness-is-far-worse-than-we-thought-it-was

Contract Work Replacing Full-time Jobs: The Annual Survey of Industries 2023-24, which tracks the organised sector manufacturing industries points out that the number of workers grew by 5.6% as compared to the previous fiscal year. However, at the same time, the share of contract workers grew to 42%. This share has been increasing by 1 percentage point every year underlying the increasingly temporary nature of work in organised manufacturing.[295]

The growth rate of manufacturing GVA (at constant prices) in 2023-24 was 17.5%. This was identical to 2011-12, suggesting that domestic output in the sector has grown at a 6% annual rate. In contrast, during 2004-05 to 2011-12 under the UPA government, the average annual growth of manufacturing was 9.5%. This reflects the Modi government's systemic failure to lift manufacturing meaningfully.[296]

Source: Reserve Bank of India

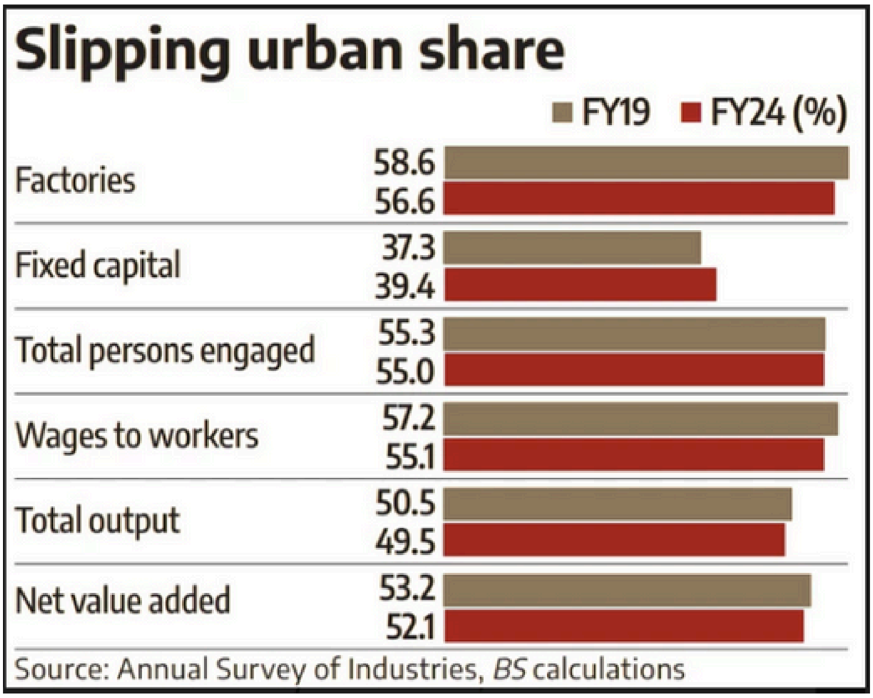
Reversal of Structural Transformation

Precarious employment conditions in urban areas have forced sections of the workforce back to rural areas, where they face underemployment and low productivity. The Annual Survey of Industries 2023-24 shows the consecutive declining urban share in total output, which was 50.5% in 2018-19 to 49.5% in 2023-24. Other indicators such as urban share of factories, persons engaged in manufacturing, wages to workers, and net value added also point to similar shifts.[297]

295 Page T7-1, Annual Survey of Industries, 2023-24

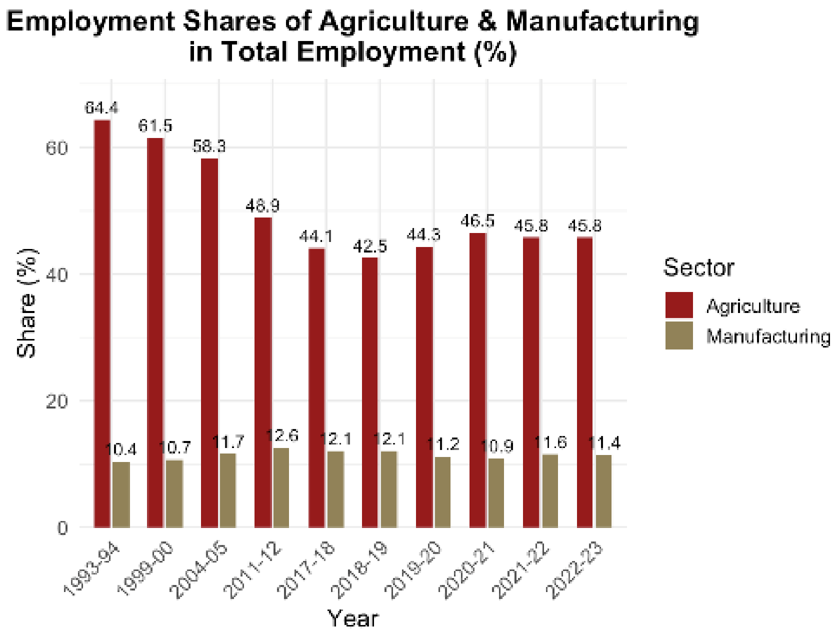
296 https://www.livemint.com/opinion/online-views/india-manufacturing-sector-industrial-growth-slowdown-gdp-overestimation-national-accounts-statistics-asi-nageswaran-11757748762381.html

297 https://www.business-standard.com/economy/news/villages-now-lead-india-s-manufacturing-output-urban-share-falls-below-50-125092600264_1.html



Source: Business Standard[298]

Thus, the trajectory of India's structural transformation has undergone a distressing reversal in the last decade due to the Modi government's unsound policy decisions. After more than half a century, the share of agriculture in total employment rose from 42% in 2018-19 to 45.8% in 2022-23, and further to 46.1 percent in 2023-24.[299] More people are going back to agriculture despite the low returns there because few gainful jobs exist in the manufacturing sector.



Source: National Sample Survey Organisation's Employment and Unemployment Surveys and Periodic Labour Force Surveys

298 https://www.business-standard.com/economy/news/villages-now-lead-india-s-manufacturing-output-urban-share-falls-below-50-125092600264_1.html
299 https://www.newindianexpress.com/business/2025/Aug/17/joblessness-is-far-worse-than-we-thought-it-was

From Make in India to Assemble in India: Low Value Addition and Deepening Import Dependence

The Make in India initiative, when announced in 2014, was hailed as the harbinger of a manufacturing upsurge in the country which would significantly reduce import dependence and create millions of jobs. But, in reality, it merely shifted dependence from downstream finished goods to upstream industrial inputs, leaving domestic industries vulnerable to supply shocks and geopolitical tensions.

The scale of the import dependency can be seen through India's trade deficit with China which hit a record $99.2 billion in 2024-25, up significantly from $85.08 billion in 2023-24.[300]

India still imports over 70% of the active pharmaceutical ingredients (APIs) used in the generic drug industry from China, despite targeted PLI schemes. 99% of the smartphone devices sold in India are assembled locally with extreme low local value addition of 6–8% for iPhones and 25–30% for some Samsung models, far below the targeted 35-40% by 2026.[301]

The Modi government's lack of sound strategy and vision has prevented India from realising its indigenisation aspirations and cost India the opportunity to secure investments from multinationals under their "China+1" strategy.

The Production-Linked Incentive Scheme: A Mechanism for Corporate Concentration, Not Broad-Based Growth.

PLI Benefits Concentrated among Large Firms

The PLI Scheme was launched in 2020 after the lukewarm performance of the Make in India initiative, with an outlay of Rs. 1.97 lakh crores covering 14 sectors. In September 2025, cumulative incentive disbursements stood at Rs 23,946 crore, or just 12% of the total envisaged outlay. [302]

Further worsening the scenario, under the PLI for smartphone manufacturing, the government has disbursed close to $1 billion, out of which five beneficiaries collectively received more than 98% of the total disbursals with little value addition and technology transfer.[303]

Moreover, out of the 14 envisioned sectors, large-scale electronics manufacturing and pharmaceuticals cornered about 70% of total incentive disbursements in 2024-25.[304]

300 https://www.indiatoday.in/business/story/make-in-india-made-in-china-manufacturing-economics-trade-deficit-report-pm-modi-geopolitical-2769387-2025-08-11
301 https://www.indiatoday.in/business/story/make-in-india-made-in-china-manufacturing-economics-trade-deficit-report-pm-modi-geopolitical-2769387-2025-08-11
302 https://www.businessworld.in/article/india-pli-incentives-lag-targets-as-disbursements-begin-accelerating-583862
303 https://indianexpress.com/article/express-exclusive/the-pli-push-1-billion-over-3-yrs-to-19-firms-fuels-record-surge-in-handset-exports-9833082/
304 https://timesofindia.indiatimes.com/business/india-business/electronics-pharma-get-70-of-pli-share/articleshow/122427578.cms

High Thresholds Exclude MSMEs

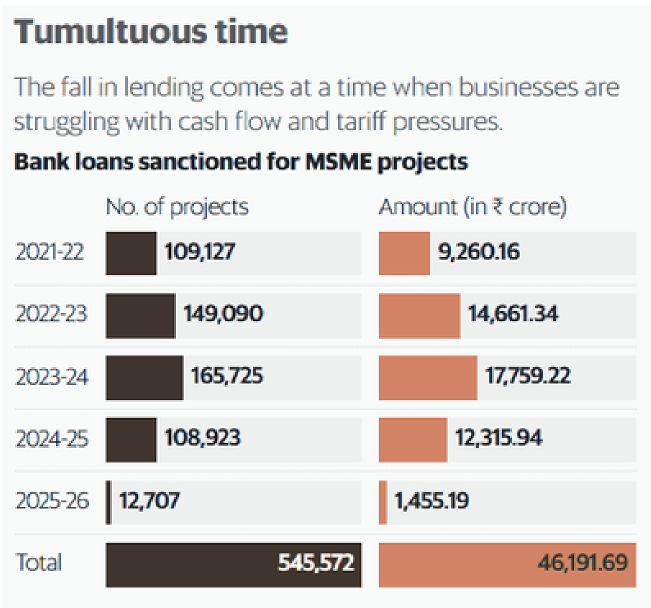
In addition to benefits being concentrated among a few large firms and a handful of sectors cornering most of the benefits, the PLI scheme's stringent entry barriers force start-ups and smaller firms out of the competition. For example, under the PLI guidelines, Original Equipment Manufacturer (OEM) applicants must show group global turnover of at least Rs. 10,000 crore and should also have invested Rs. 3,000 crores in fixed assets to claim PLI benefits. Even for non-automotive sectors, the minimum turnover threshold is Rs. 1,000 crore.

In addition to meeting the above criteria, they are further required to produce vehicles or components with at least 50% domestic value addition. Only after meeting all these criteria can applicants claim incentives ranging between 13-16% of 'determined sale value' from the government.[305]

Credit Starvation and Rising Insolvency Among MSMEs

Falling MSME Share in Bank Credit

MSMEs account for about 45% of India's exports, 30% of GDP, and are the second largest employer after agriculture.[306] Being a crucial sector in terms of job creation and export performance, sufficient loan availability for investment and working capital plays an important role. However, in the first six months of the current fiscal year, the Prime Minister's Employment Generation Programme (PMEGP) saw a steep deceleration of lending from Rs. 12,316 Cr to Rs. 1,455 Cr, a mere 12% of the previous fiscal year, essentially choking this core pillar of the Indian industries.[307]



Source: Mint[308]

305 https://auto.economictimes.indiatimes.com/news/industry/government-considers-new-pli-auto-scheme-for-startups-and-small-enterprises/126368130
306 https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154772&ModuleId=3®=3&lang=2
307 https://www.livemint.com/industry/pmegp-msme-bank-loans-employment-scheme-us-tariff-npas-11763978083461.html
308 https://www.livemint.com/industry/pmegp-msme-bank-loans-employment-scheme-us-tariff-npas-11763978083461.html

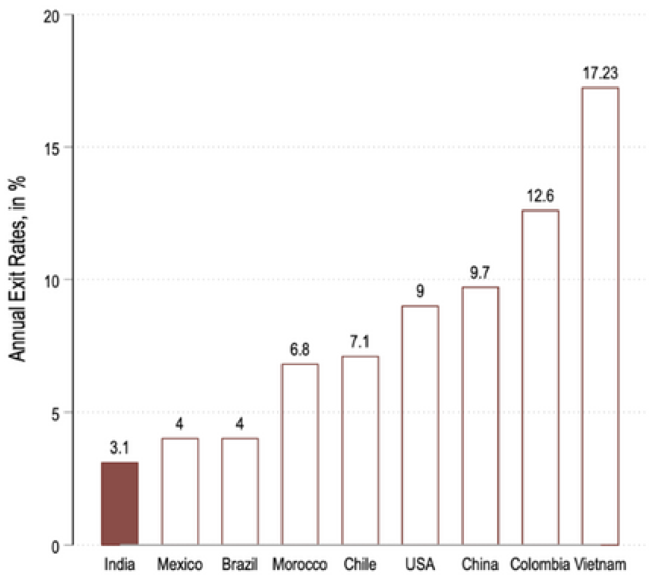
The estimated credit gap stands at nearly Rs. 30 lakh crores, approximately 24% of the total demand and close to 35% in the case of women owned MSMEs, severely limiting enterprise expansion and growth prospects.[309]

Worse, lenders are staring at a **steep concentration risk** by handing out a majority of the loans to a small section of the borrowing base.

- 8 lakh borrowers who represent just the 6.3% of the total 1.34 crore borrowers, have bagged 51.5% of the total outstanding loans.
- Borrowers with 6-10 loans and over 10 loans together account for nearly 30% of exposure, though they represent only 1.6% of borrowers.[310]

Stymied Ease of Doing Business:

One of the better indicators of the thriving economy is the ease with which companies can establish and exit the market. India performs poorly on this front with its exit rates among the lowest in the world, especially in the formal sector. While Vietnam, whose manufacturing boom uplifted the country's economy massively, sees an annual exit rate of around 17.23% in the manufacturing sector, the corresponding rate in Indian formal manufacturing is just 3.1%. This lower exit number suggests significant friction in the process of closing down loss-making companies, reflecting weaknesses in the Insolvency and Bankruptcy regime, and potentially leading to inefficient allocation of precious investment resources.[311]



Source: Centre For Economic and Policy Research

According to the Economic Survey of India 2020-21, even when companies are fully compliant and follow the due procedure without being involved in any litigation, closure takes an average of 4.3 years.[312] Out of this nearly three years are spent navigating myriad bureaucratic hurdles and getting clearances and refunds from government departments such as the Income Tax office, GST administration, and the Provident Fund authority.[313]

309 https://www.business-standard.com/industry/news/structural-issues-hit-msme-productivity-digital-readiness-strong-report-125110500711_1.html
310 https://economictimes.indiatimes.com/industry/banking/finance/lenders-to-msme-units-face-concentration-risk/articleshow/125915848.cms
311 https://cepr.org/voxeu/columns/exit-costs-are-entry-costs-why-india-needs-ease-exit-barriers-manufacturing-firms
312 Page 182, Economic Survey of India 2020-21
313 https://cepr.org/voxeu/columns/exit-costs-are-entry-costs-why-india-needs-ease-exit-barriers-manufacturing-firms

Regulatory Volatility and Compliance Burden for Small Manufacturers

Excessive Compliance Costs and Criminalisation of Minor Lapses

The Insolvency and Bankruptcy Code (IBC) framework, which was supposed to expedite insolvency cases and enhance the Ease of Doing Business is marred by limited capacity and with resolution processes stretching far beyond the statutory limits. More than 30,600 cases are currently pending before the National Company Law Tribunal,[314] with more than Rs. 10 lakh crores worth of recoveries stuck in distressed assets.[315]

MSMEs face over 1,450 regulatory obligations across seven categories of law, including environment, labour, finance, and corporate affairs. Essentially, a small enterprise now pays Rs. 13-17 lakh in compliance costs just to exist.[316] Moreover, almost two out of every five compliance violations carry jail terms.[317] The clear conclusion is that the Modi government has made it painfully difficult for MSMEs to thrive as a result of its ill-conceived and ineffective policies.

314 Page 68, Twenty Eighth Report, Ministry of Corporate Affairs (December, 2025)
315 https://economictimes.indiatimes.com/news/company/corporate-trends/with-mounting-pendency-infra-woes-nclt-struggles-as-insolvency-cases-surge-beyond-capacity/articleshow/126267043.cms
316 https://cfo.economictimes.indiatimes.com/news/governance-risk-compliance/msme-compliance-burden-over-1450-obligations-and-costs-up-to-rs-17-lakh-annually/122112548
317 https://economictimes.indiatimes.com/small-biz/sme-sector/regulatory-overload-msmes-face-rs-13-lakh-yearly-compliance-costs-over-1000-regulations-and-high-jail-risk-says-report/articleshow/122357206.cms

10 Investments, Trade, and Tariffs

The Modi Government's repeated declarations of being the Vishwa Guru sits uncomfortably beside the reality of how India has been treated by the United States on trade. Over the past year, the US has imposed the highest tariffs on Indian goods exports. Instead of securing relief or clarity through a long-awaited trade agreement, PM Modi has left Indian exporters vulnerable, risking massive job losses.

American politicians have made disturbing and deeply troubling remarks. President Trump has claimed repeatedly that he used the threat of high tariffs to pressure India to conclude a ceasefire with Pakistan in 2025,[318] even suggesting that Prime Minister Modi's decisions were shaped to "make me happy."[319] Senator Lindsey Graham stated that India was keen to "submit" and secure tariff concessions.[320] These statements show that India has been unable to defend its economic interests forcefully. They also point to a deeper failure of the government to respond decisively to tariff aggression or to secure fair market access for Indian producers.

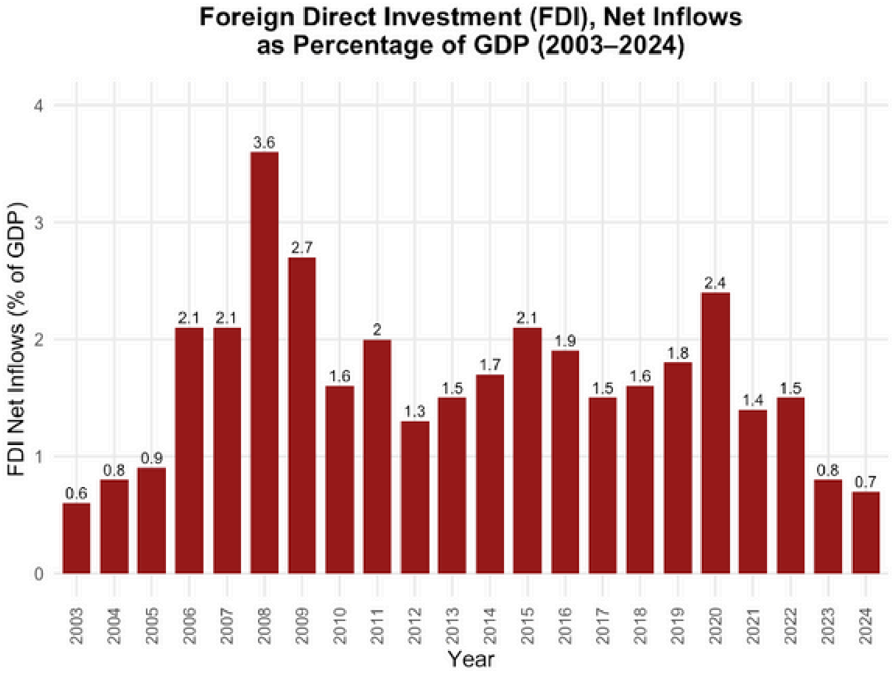
Falling Investments

Under the Modi government, India has been trapped in a prolonged phase of declining investor confidence, with falling foreign portfolio investment, stagnant foreign direct investment (FDI) and a sharp slowdown in domestic private capital formation.

Foreign portfolio investors continued to pull back from Indian markets throughout 2025, with equity markets witnessing withdrawals of nearly Rs.1.58 lakh crore, the largest annual outflow on record. This marked 2025 as the worst year for equity flows, surpassing the previous record outflow of Rs. 1.21 lakh crore in 2022.[321]

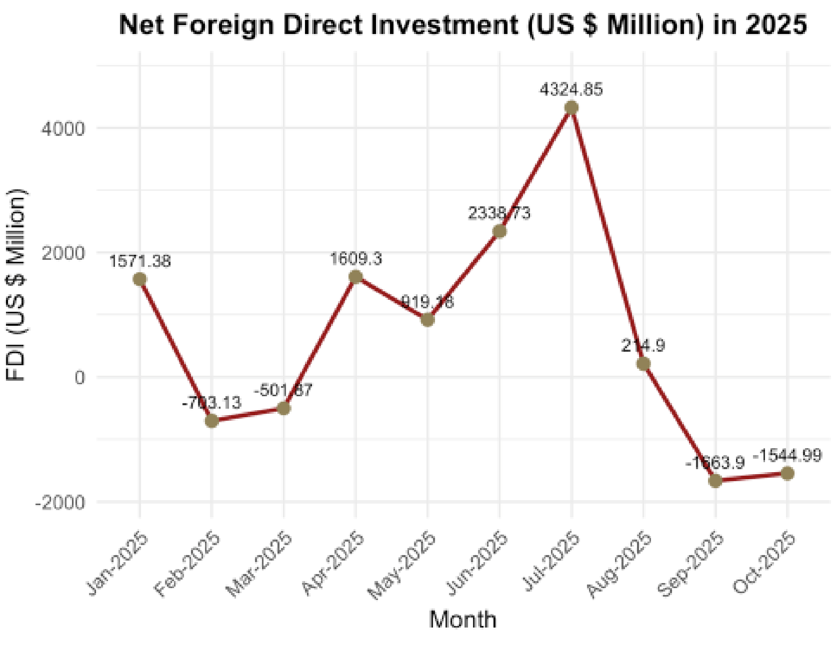
The Modi government highlights overall FDI numbers to project strength. However, this presentation leaves out the broader reality. When measured as a share of GDP, FDI has fallen to just 0.7% in 2024, indicating a crisis in India's ability to attract crucial long-term capital.

318 https://www.thehindu.com/news/national/trump-repeats-claim-of-ending-india-pakistan-conflict-during-netanyahu-meeting/article70454097.ece
319 https://www.usnews.com/news/top-news/articles/2026-01-04/trump-warns-of-higher-tariffs-on-india-over-russian-oil-purchases
320 https://scroll.in/latest/1089762/indian-ambassador-said-new-delhi-is-buying-less-russian-oil-urged-trump-to-cut-tariffs-us-senator
321 https://economictimes.indiatimes.com/markets/stocks/news/foreign-investors-exit-indian-stocks-at-record-scale-withdraw-rs-1-6-lakh-cr-in-2025/articleshow/126212789.cms?from=mdr



Source: World Bank

Net FDI has collapsed over the past four years, declining from USD 44 billion in 2020-21 to only USD 353 million in 2024-25, a decline of roughly 96%.[322] Reserve Bank of India (RBI) data shows that in October 2025 alone, outflows exceeded inflows by USD 1.5 billion. Gross direct investment into India fell to USD 6.5 billion during that month, an 8.8% decline from October 2024 and a 6.6% drop from September 2025, showing a loss of foreign investor confidence.[323]



Source: Reserve Bank of India

322 https://www.thehindu.com/business/markets/net-fdi-falls-96-in-2024-25-to-353-mn-gross-fdi-remains-robust/article69605398.ece
323 https://www.thehindu.com/business/Economy/net-fdi-negative-for-third-straight-month-in-october-2025-as-inflows-fell-outflows-grew/article70433074.ece

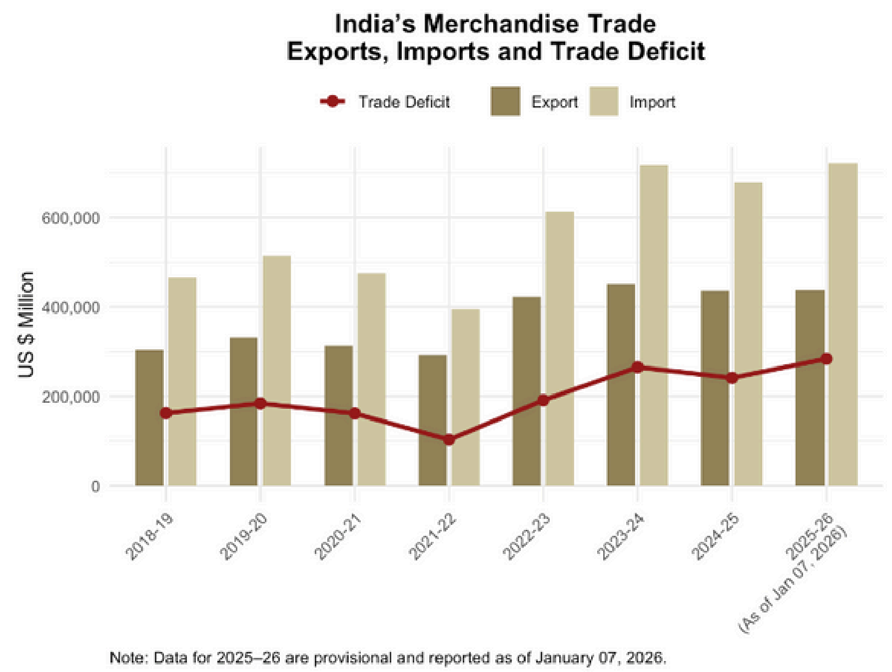
Domestic private investment has also remained subdued despite headline GDP growth. Private capital expenditure has been stuck at about 12% of GDP for more than a decade, with little sign of a sustained revival. Investments have lagged, barely crossing 30% of GDP.[324]

Portfolio outflows and weak FDI have contributed to pressure on the Indian Rupee. The Indian Rupee crashed below the psychologically important 90 per dollar threshold on December 3, 2025. Since April 2025, the rupee has suffered a shocking 5.6 per cent depreciation, plunging from Rs 85.51 to 90.30. This collapse singles out the Indian Rupee as one of the weakest performers globally in 2025. The long-term erosion of value is even more alarming; since April 2023, the rupee has hemorrhaged approximately 10 per cent of its worth, driving the Real Effective Exchange Rate (REER), a key measure of trade competitiveness, to 97.40 in September 2025, a staggering 7-year low since November 2018.[325]

Growing Trade Deficit

During the UPA Government between FY2004 and FY2014, India's exports grew at an annual average rate of 17.3%. In contrast, under the current government from FY2014 to FY2024, export growth has slowed sharply to a compound annual growth rate of just 3.3%.[326]

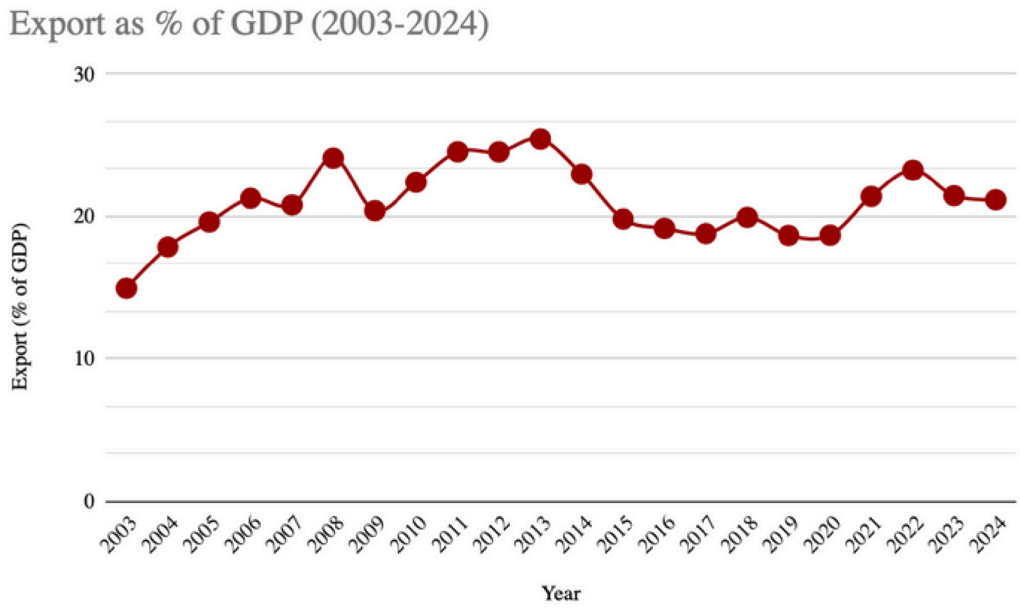
India's rising trade deficit has emerged as a consistent source of economic concern over the past decade. The trade deficit for FY2025-26 (up to January 7, 2026) has already crossed USD 283,495.52, the highest in the past eight years. While India's exports have grown in absolute terms from USD 303,526.16 in 2018-19 to USD 437,704.58 in the current financial year, imports have expanded at a much faster pace and have already crossed USD 721,200.10 in FY2025-26.



Source: Ministry of Commerce, Trade Statistics (Values in USD Million)

324 https://indianexpress.com/article/explained/explained-economics/gdp-is-growing-rapidly-why-isnt-private-capex-10432218/
325 https://www.deccanchronicle.com/nation/is-90-per-dollar-the-new-normal-1921427
326 https://economictimes.indiatimes.com/news/economy/foreign-trade/indias-share-inglobal-trade-doubled-since-2005-comparatively-moderated-in-last-10-years-report/articleshow/116676603.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst (December 2024)

Export data tell a clear story of contrast between the UPA and the Modi government. Between 2003 and 2014, India's exports as a share of GDP rose sharply from about 15% to nearly 25%. That trajectory has reversed since 2014. Under the Modi government, exports as a percentage of GDP have steadily declined, slipping from a high of 25% under UPA to 21% in 2024.



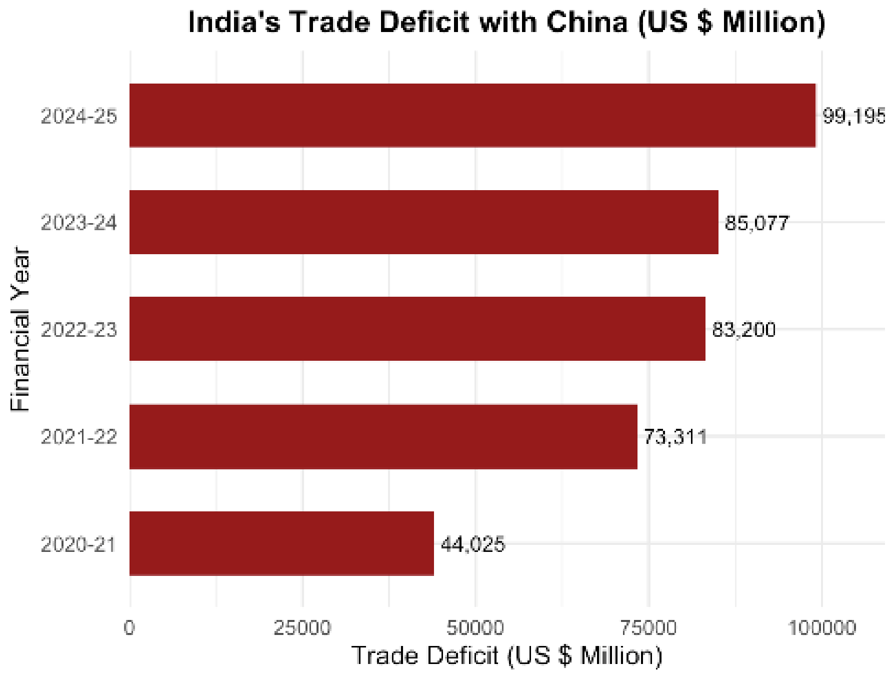
Source: World Bank

Trade Imbalance with China

India's trade strategy over the past decade has been marked by contradiction. Despite rhetorical commitment to self-reliance, strategic autonomy and an anti-China approach, the government has continued to deepen structural dependence on its primary geopolitical rival. Despite border tensions and policy pushes like "Make in India," China continues to dominate India's import basket, particularly in critical sectors such as electronics, pharmaceuticals, and renewable energy.

India's largest source of imports is China, driving a massive trade deficit and ongoing dependency. In FY 2024-25, the trade deficit with China rose to a historic high of USD 99.2 billion, with India importing Chinese goods worth USD 113.45 billion.[327] Since 2014-15, when the trade deficit stood at USD 48.48 billion, the trade deficit with China has doubled. Imports from China include electronics, telecom equipment, electrical and heavy machinery, nuclear reactors, organic chemicals, pharmaceuticals, textiles, automobiles, and various metal products.[328]

327 https://www.hindustantimes.com/india-news/indias-trade-deficit-with-china-surged-to-record-level-in-2024-25-govt-data-101744804910139.html
328 https://www.outlookbusiness.com/economy-and-policy/indias-trade-deficit-with-china-hits-record-992bn-manufacturing-gaps-to-blame



Source: Ministry of Commerce, Trade Statistics

Trade Agreements and Misaligned Priorities

The Modi government's record on negotiating Trade Agreements reveals a striking disconnect between rhetoric and results. While political slogans about "Atmanirbhar Bharat" and global ambition have been repeated frequently, India's actual progress in securing meaningful trade access for its industries has been very limited. **As of 2025, India does not have a comprehensive free trade agreement or bilateral trade agreement with any of its top five trading partners,** leaving our exporters without preferential access to key markets at a time of intensifying global competition.[329]

India-UK Free Trade Agreement: The only significant trade agreement in 2025 has been the Trade Agreement with the United Kingdom (currently ranked 16th in terms of total trade with India), concluded in July 2025 after nearly three years of negotiations. While this FTA is being hailed by the government as a landmark achievement, experts argue that it disproportionately benefits the UK, with the deal expected to increase UK exports to India by 60%, while Indian exports to the UK are projected to rise by only 25%.[330]As a result of the FTA, many manufacturing sectors could be severely impacted.[331]

329 Top 5 trading partners; United States, China, UAE, Russia, and Saudi Arabia for FY 2024-25. India signed a Comprehensive Economic Partnership Agreement (CEPA) with the UAE in 2022.
330 https://www.orfonline.org/expert-speak/the-india-uk-free-trade-agreement-a-deal-at-last
331 https://www.bilaterals.org/?ftas-it-is-time-for-india-to-pause

Manufacturers Left Vulnerable: India's decision to slash auto import tariffs from 100% to 10%, including on electric and hybrid vehicles, risks hollowing out local manufacturing, endangering over 4.5 crore jobs and nearly a half of India's manufacturing GDP.[332] [333] [334] This also undermines the "Make in India" rhetoric by encouraging imports over domestic production and sets a dangerous precedent for similar demands from the EU, US, Japan, and South Korea, threatening long-term industrial self-reliance.

The India-UK FTA also raises serious concerns over India's decision to open its massive USD 600 billion public procurement market to UK firms which could seriously hurt domestic MSMEs.[335] UK companies will now be eligible to compete for around 40,000 government tenders annually, worth at least GBP 38 billion, across sectors like construction, healthcare, energy, and transportation. The trajectory of the UK agreement shows how Modi's trade diplomacy has struggled to prioritise timely and substantive negotiation. Although initiated in early 2022, the negotiation took more than three years to conclude and was marked by repeated missed deadlines.

Further, India's outcomes under existing trade agreements have also been weak. The country continues to run merchandise trade deficits with most of its FTA partners, demonstrating the limited impact of tariff concessions on export expansion. By mid-2025, India was running deficits with five of its seven major FTA partners.[336] **In FY 2025-26, India has a trade deficit with 8 of its top 10 bilateral trading partners (as of January 2026),[337] reflecting structural weaknesses in export capacity.**

US Tariffs on India

India is facing a serious trade crisis after the Trump administration suddenly raised tariffs on Indian exports to 50% in August 2025, making India one of the US's most tariffed nations. The Modi government failed to anticipate, mitigate, or diplomatically counter this move. It failed to stand up for Indian exporters, failed to protect Indian jobs, and failed to respond with the urgency this crisis demands.

President Trump increased the rate to a punishing 50%, explicitly blaming India's continued purchase of Russian oil.[338] The lion's share of the windfall from cheaper Russian crude has been cornered by oil marketing companies and private conglomerates like Reliance Industries. Public Sector Undertakings (PSUs) like IOC and BPCL posted record profits and handed over large dividends to the government, but continued to charge high fuel prices to the consumers.[339]

332 https://www.livemint.com/economy/indiauk-trade-deal-tariffs-on-auto-imports-to-be-cut-to-10-whisky-and-gin-tariffs-down-to-75-11746542011632.html
333 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2121826
334 https://economictimes.indiatimes.com/industry/auto/auto-news/indias-automobile-industry-will-be-number-one-in-world-in-next-5-years-nitin-gadkari/articleshow/117353987.cms?from=mdr
335 The public procurement market refers to the total value of goods, services, and infrastructure that governments purchase from private or public entities using public funds. This can range from roads, railways, and hospitals to software, machinery, uniforms, and office supplies.
336 https://economictimes.indiatimes.com/news/economy/foreign-trade/its-not-so-goods-india-has-trade-gap-with-5-of-7-key-fta-partners/articleshow/122458696.cms?from=mdr
337 Trade Statistics, Ministry of Commerce & Industry (FY 2025-26)
338 https://www.whitehouse.gov/presidential-actions/2025/08/addressing-threats-to-the-united-states-by-the-government-of-the-russian-federation/
339 https://thewire.in/economy/psu-dividends-to-govt-have-doubled-in-last-five-years-report

The Modi government's poor handling of the trade crisis has badly hurt India's exporters and workers. Exports to the United States fell sharply following the announcement of new tariffs, and although export volumes have partially recovered in the past few months, they remain below levels seen prior to the tariff action.

Month (2025)	Export Value- USD Billion	Change vs. Previous Month (%)
April	8.4	–
May	8.8	4.80%
June	8.3	– 5.7%
July	8	– 3.6%
August	6.8	– 16.3%
September	5.5	– 20.3%
October	6.3	14.50%
November	6.9	9.50%

Source: Trade Statistics, Ministry of Commerce & Industry

Impact of Tariffs on Various Sectors

Textiles: The textile industry which employs over 45 million Indians (2nd largest after agriculture), has been in the line of fire due to US tariffs. The textile and apparel industry contributes 2.3% to our GDP, 13% to industrial production, and 12% to exports.[340]

According to the Confederation of Indian Textile Industry (CITI), textile shipments declined by 12.9% in October 2025 compared with the previous year, while apparel exports registered a fall of 12.88%. This is an overall decline of nearly 12.91% in textiles and garments,[341] a sector that has historically been one of India's most reliable export performers. Following the US tariff announcement, several reports indicated that American buyers cancelled orders in major textile centres including Ludhiana and Tiruppur, creating uncertainty over output requirements and forcing factories to brace for job losses.[342]

340 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2117470
341 https://timesofindia.indiatimes.com/city/ahmedabad/us-tariffs-hit-textiles-sector-double-digit-fall-in-exports/articleshow/125418858.cms
342 https://www.aljazeera.com/economy/2025/9/16/how-us-tariffs-are-unraveling-indias-textile-industry#:~:text=India%20has%20denounced%20the%20tariff,members%20of%20the%20rural%20workforce

A report by the Apparel Export Promotion Council in December indicated that Indian exporters have been losing about Rs. 45 crore per day over the past three months.[343] Several industry estimates indicate that over 85% of exporters are dealing with significant inventory accumulation due to slowdown of orders. The impact has been especially severe in Surat, where production has dropped by 30-40%, resulting in revenue losses of over Rs. 7,200 crores.[344]

Gems and Jewellery: Following the announcement of the US tariffs, the Gems and Jewellery Export Promotion Council projected that over 1.7 lakh skilled jobs could be impacted.[345] Overall exports of gold and other precious metal jewellery fell by 24.59% year on year in October 2025.[346] Some media reports indicate that India's gems and jewellery exports increased by 19.64% year on year in November 2025. However, a report by CareEdge cautioned that it is too early to conclude whether this represents a structural reorientation of India's export markets or merely a short-term adjustment.[347]

Leather Industry: India's leather industry is another sector which has been hit hard by the recent US tariffs, resulting in falling export volumes, shrinking orders and mounting financial stress across key manufacturing hubs. Exporters report that steep duties of up to 50% have sharply eroded price competitiveness, forcing them to offer discounts of 10-40% that still fail to retain market share from rival producers in Vietnam, Cambodia, Indonesia and the Philippines. Major clusters are operating amid severe uncertainty.[348]

Realities of Atmanirbhar Bharat

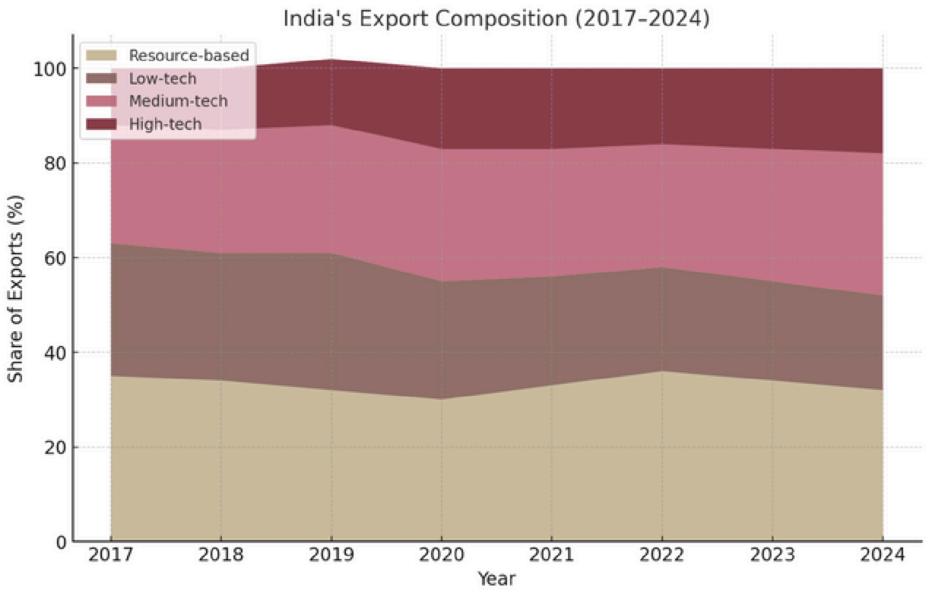
The post-COVID period offered India a rare opening to reposition itself in global supply chains as firms and governments across the globe sought alternatives to China. However, the Modi government failed to meaningfully tap this shift.

India continues to rely on exports that rank low on the Product Complexity Index; mainly comprising basic textiles, leather goods and resource-based products that require limited technological capability.[349] As a result, India's export basket has remained vulnerable to tariff shocks and external volatility, with little scope to switch to higher-value sectors when disruptions arise. The US tariff wave has exposed this structural fragility. Experts note that, despite more than a decade in office, the Modi government has made limited progress in building a more sophisticated export base.[350]

International rankings also showcase this issue. India remains stuck at 44th on the Harvard Growth Lab's Economic Complexity Index in 2023, barely changed from its position two decades ago. China, by comparison, has climbed steadily from 30th in 2000 to 16th, driven by a deliberate push into complex manufacturing and technology-intensive exports.[351]

343 https://www.thehindubusinessline.com/companies/punitive-us-tariffs-choke-orders-squeeze-margins-and-force-production-cuts-for-indian-textile-exporters/article70402455.ece
344 https://www.indiatoday.in/india-today-insight/story/how-trump-tariffs-are-piling-losses-uncertainty-on-indias-textile-sector-2805592-2025-10-19
345 https://www.thehindu.com/business/Industry/how-is-the-jewellery-sector-coping-with-us-tariffs-explained/article70086091.ece
346 Ministry of Commerce, Trade Statistics
347 https://economictimes.indiatimes.com/news/economy/foreign-trade/india-gems-and-jewellery-exports-after-shrimps-another-indian-sector-is-braving-trump-tariffs/articleshow/125975677.cms?from=mdr
348 https://www.thehindubusinessline.com/economy/tariffs-impacts-indian-leather-exporters-incurring-business-losses-in-us-staring-at-sharp-decline-in-shipments/article70429708.ece
349 https://theprint.in/opinion/indian-exports-trump-tariff-pci/2743637/
350 https://www.orfonline.org/expert-speak/us-tariffs-and-the-case-for-diversifying-india-s-export-basket
351 https://atlas.hks.harvard.edu/rankings

Even mid-tier economies such as Vietnam and Malaysia have expanded into high-value electronics and machinery, while India's export mix continues to be dominated by low-end goods, and medium-technology products show little momentum. This persistence of low-end categories highlights a deep structural weakness in the country's trade strategy and the Modi government's failure to push India up the global value chain.



Source: ORF[352]

[352] https://www.orfonline.org/expert-speak/us-tariffs-and-the-case-for-diversifying-india-s-export-basket

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The Real State of the Economy Report 2026 cuts through the hype and examines the factual realities of the Indian economy. This edition's focus is on a central contradiction of India's economy: As wealth and power continue to concentrate in a small segment of the population, public programmes intended to protect people from risk and deprivation are being steadily weakened. While this inequality intensifies, it is important to remember that this is a result of the Modi government's deliberate policy choices that have prioritised markets and corporate "champions" over livelihoods and social protection.

This constructive critique brings together evidence on work, welfare, and essential services to ask, "Who gains from growth, and who pays its cost?" It highlights problem areas in the hope that concerted government action can still reverse trends that worsen the economic future of the majority of Indians.

Prepared by the AICC Research Department, this report is intended to support informed debate and democratic accountability ahead of the Union government's annual budget. I thank the research team led by Akash Satyawali, Sneha Koshy, Asmi Sharma, Manisha Shastri, Srijan Thakur, Vaani Khanna, Pruthvish Gowda, and Rajkumar. Their disciplined use of data and rigorous analysis strengthened the report. Amitabh Dubey provided valuable insights. I also thank AICC General Secretary – Communications, Shri Jairam Ramesh, Chairman, Media and Publicity, Shri Pawan Khera, and Chairperson, Social Media, Smt. Supriya Shrinate for their support.

We hope this report serves as a useful resource for policymakers, researchers, and citizens concerned about inequality, livelihoods, and the future direction of India's economy.

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New Delhi, January 27, 2026

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