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Economic Growth and Living Standards in India: Why Human Development Outcomes Lag Evidence from Health, Education, and Income

Rohan Kohli[1*], Sananjay Biswas[2]

[1]American School of Bombay, Mumbai, India
[2]Pion Academy and Research Centre, Mumbai, India
Email: *kohlirohan08@gmail.com

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Abstract

Human Development in India is not advancing quickly enough, despite strong economic growth over the past 30 years—a concern the rest of the world shares. To ascertain India's comparative position with other countries, this study reviews research on economic growth and living standards. Relying on cross-national statistics and a human development perspective, the study explores why economic growth has failed to translate into better health, education, and well-being in society. As we show from our review, economic growth is a key driver of human development, but it is only as effective as the quality of institutions, income inequality in society, the extent of public spending on social sectors, and the formulation of policy. China, South Korea, and Sri Lanka have shown that inclusive policy and careful spending on health and education have benefits in terms of prosperity and human development. India has problems that include unequal access to basic services, inadequate investments in social infrastructure, underinvestment in the development and regional inequities. The general focus of these findings is to emphasize that the disparity between growth and development is not unique to India and that equitable growth in terms of economic development, which can only grow on a fairly basic standard, is very much a problem not unique to India. At the heart of comprehensive, internationally focused policy, the framework contends, should be an emphasis on economic success and human talent.

Keywords

Human Development, Economic Growth, Living Standards, Health and Education, Income Inequality

1. Introduction

For years, the fundamental objective of development strategy has been economic growth, implying that a rise in income leads to an increase in the level of living and better human well-being generally. Both the classical and the neoclassical models of growth emphasize growth according to market growth, productivity and accumulation of capital and discover a relationship among growth and well-being. However, empirical evidence of this connection between economic and human development is increasingly emerging around the world, and the relationship between economic growth and human development is not the straightforward and stable one (Ranis et al., 2000). While some countries have turned their economic expansion into big improvements in health, education and quality of life, others are grappling with income and human development inequality.

At the global level, the experiences of East Asian countries like China and South Korea indicate that robust growth, together with substantial public investment in social safety, education, and health, can significantly enhance human development indicators. Nations that emphasized inclusive policies and human resource development developed a positive feedback mechanism that linked growth to human development (Ranis et al., 2000). But the vast majority of developing countries have been described as having a "growth development disconnect", meaning their GDP growth cannot keep pace with the increasing standard of living (Saha, 2023). India is key in this global conversation. Since the change of economic liberalization in 1991, India's GDP and per capita income have gradually risen, making it one of the fastest-growing economies on earth. And yet human growth has been quite slow despite their immense economic advantage. Despite its vast economic wealth, the Human Development Index (HDI) for India is lower than that of other countries with equally and significantly lower incomes and thus suggests that the chasm between well-being in health, education, overall life satisfaction and overall well-being and economic growth in human development has not been filled in the long run in the time of globalization (Kumar & Batra, 2023). In the literature, this situation is sometimes called India's "growth human development paradox" (Saha, 2023; Banerjee, 2009).

This conundrum is borne further credence by an expanding body of empirical work available on a national and sub-national level. Research on Indian states reveals substantial geographical differences in the association between high economic growth and better human development (Ghosh, 2006; Mukherjee & Chakraborty, 2011). The increase in income rates tends to follow relatively small or slower changes in literacy, life expectancy, and health indices, indicating delayed and time-lagged structural limitations on the growth-development relation (Raj et al., 2024a). Furthermore, deep regional differences, especially between northern and southern states, support the relevance of state-level management, program quality, and economic disparity (Ghosh, 2011). In theory, economic progress and human development are mutual. Improvements in human capabilities increase labour productivity, which will help them to grow in the long term, and also it is

possible for expanding the economy to get money invested in social infrastructures, health and education programs (Ranis et al., 2000). But growth should certainly be seen in terms of expanding the opportunities and freedoms for a population and not just increasing its wealth, as the human development approach focuses on.

In this review, living standards refer to the quality of life and well-being of individuals and go beyond income levels only. Following the human development approach, living standards are measured using key measures, including health status, education, income security, and poverty alleviation, that together represent capabilities and possibilities of an individual to lead a better quality of life (Ranis et al., 2000). These measures are used in the review to assess the effect of economic growth on human development in India.

Figure 1 illustrates the connection between developments in human development and economic development by illustrating a symbiotic nature. Growth of wealth and income reflects an expanding economy. Higher family and public spending increases living, health, and education standards. Better human skills also lead to improvement as they lead to better human resources—people become more productive and creative. Such an approach makes a case for the importance of mediators like government, policy environment, and income distribution. It shows that growth is insufficient on its own and that meaningful, inclusive policies are needed for expansion to change human development.

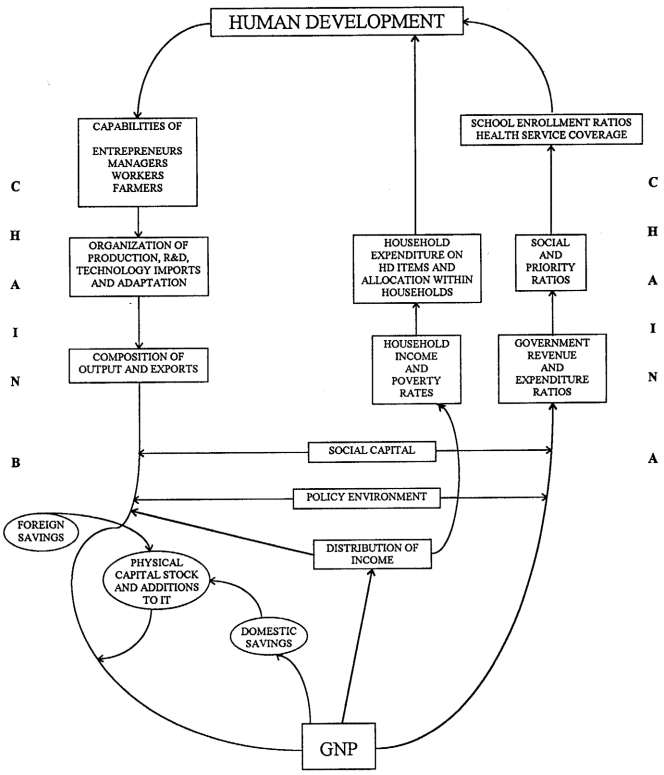

Figure 1. Growth-Human Development Disconnect: GDP growth does not always translate into improvements in human welfare (Ranis et al., 2000).

A range of institutional and structural barriers has emerged as crucial impediments to the process of transformation in the Indian case. The efficacy of development on improving living standards has faltered, as a result of a lack of sufficient public expenditure on health and education, increased income disparity, widespread informality in the labour market, and unequal access to essential services (Viswanathan & Bahinipati, 2021; Bose & Banerjee, 2025). In addition, the means by which growth may strengthen human development outcomes are undermined by poor public service delivery and governance issues.

This paper carried out a literature review using databases like Scopus, Web of Science, Google Scholar, Science Direct, Springerlink, and other international institutions including the World Bank, UNDP, ILO, etc. The search words used include economic growth, human development, standard of living, HDI, income inequality, health, education, poverty, and India. Most emphasis was put on articles that were peer-reviewed, government reports, and articles by international bodies, mainly written from 2000 to 2025, with some fundamental articles included to help formulate the theoretical background (Ranis et al., 2000; Ranis et al., 2004; Stewart et al., 2018; Deneulin & Shahani, 2009; Ramirez et al., 1997; Ranis & Stewart, 2012). The literature was then thematically reviewed to analyze the links between economic growth, health, education, income inequality, and regional disparities in India.

Data concerning country, time span of the study, indicators used, sources of information, and major results were selected and structured following the themes of health, education, income security, poverty, inequality, governance, and regional differences. In case where indicators relate to different years, the nearest observations during the given time period of comparison were used, with the year of reference stated in the relevant table or figure. In the case of indicators that had different meanings or different bases of measurements, they were not considered equivalent. The comparison across countries was done in a descriptive way and without the use of statistical pooling techniques. Therefore, the review establishes relations but no causality unless proven by the cited research.

2. Conceptual Framework

A complex understanding of the distinction between economic progress and human development requires an all-encompassing conceptual approach. This part first makes a distinction between economic growth and human development, elaborates on the human development approach based on Sen's capabilities framework, and finally examines the dynamic and reciprocal relationships between growth and human development. These perspectives as a group provide the theoretical basis from which to explain why rapid economic growth does not always lead to better living standards.

2.1. Economic Growth vs Human Development

As an example, the notion of "economic growth" traditionally refers to a steady

rise in a nation's production of goods and services, and is usually measured in terms of GDP or per capita income. In classical and neoclassical economic theory, growth is often seen as the aim of development, with the implicit inference that greater revenues will trickle down and raise living standards. This perspective prevailed in development strategy for most of the twentieth century, particularly in the post-war era. But an increasing number of theoretical and empirical arguments exist against such a growth-oriented perspective. Critics argue that GDP is only a partial measure of economic activity, neglecting some more broad features of a society's well-being, such as health, education, inequality and quality of life. Nations can thus experience rapid economic expansion while still experiencing ongoing deprivation in key societal indices.

The human development paradigm emerged as a solution to these constraints, changing the notion of progress from merely raising economic output to a sophisticated process aimed at improving human lives. The Human Development Index (HDI), which was created by the UNDP by integrating the indices of income, life expectancy, and education into a single composite measure, was a significant attempt to operationalize this new and larger understanding (Ranis et al., 2004; Stewart et al., 2018). According to research, economic progress and human development vary greatly across nation. For instance, cross-national research has shown that whereas certain low-income nations have exceptionally high levels of human development, other nations with fast economic growth are unable to attain comparable gains in health and educational results (Ranis et al., 2000).

Numerous institutional and structural factors modify the relationship between income and well-being. Even in the context of India, this distinction is important. Important human development indices have exhibited an inconsistent and slower-than-expected increase in the 1990s despite steady economic expansion. This bolsters the argument that, although economic development is crucial, it is not sufficient to raise living standards; rather, growth's distribution, inclusivity, and quality are also important.

2.2. Human Development Approach (Sen's Capability Framework)

The human development method draws theoretically on Amartya Sen's capacity framework, which represents a significant shift in the conception of development. Progress, according to Sen, is an expansion of human capabilities, which are considered substantive freedoms that people have to live lives they value (Deneulin & Shahani, 2009). The capacity approach's differentiation between functioning and capabilities is one of its main contributions. Capabilities are the actual opportunities or freedoms to accomplish certain functioning, whereas functioning are the actual accomplishments people have (e.g., being healthy, educated, or properly nourished). This distinction is important because, depending on their access to healthcare, education, and social opportunities, people with comparable income levels may have quite varied levels of well-being.

The capabilities approach highlights a number of fundamental ideas:

- Multidimensionality of development: Development includes participation, health, education, and dignity in addition to income.
- Freedom and agency: People ought to be able to make their own decisions and direct their own life.
- Equity and distribution: awareness development outcomes require an awareness of disparities in access to opportunities.
- Context sensitivity: The transformation of resources into skills is influenced by social, cultural, and institutional factors.

Many people consider the Human Development Index (HDI), which measures important aspects of human well-being, to be a useful implementation of the capacity approach. Scholars do concede, nevertheless, that the HDI only gives a limited picture of capacities and fails to adequately account for elements like social inclusion, political freedom, and empowerment (Stewart et al., 2018). Crucially, the capabilities perspective casts doubt on the notion that increased income inevitably results in better well-being. It emphasizes how a number of variables, including as public policy, social infrastructure, gender relations, and institutional quality, affect how income is converted into capabilities. For instance, depending on their spending in public services, two nations with comparable economic levels may have differing health and educational outcomes.

2.3. Growth Human Development Linkages

There is broad agreement in the development literature that there is a complicated, non-linear, and reciprocal relationship between economic progress and human development. Ranis, Stewart, and Ramirez provide a fundamental contribution by conceptualizing this interaction through two interconnected causal pathways. This approach has been extended and improved by later research, which emphasizes the influence of institutional and structural mediators on results in various nations and areas (Ranis et al., 2000).

- **Growth to Human Development**

Numerous ways that economic expansion can support human development are frequently identified in the research. A higher national income improves fiscal capacity, allowing governments to devote more funds to social safety, health care, and education. Rising incomes can enhance household access to healthcare, education, and nutrition, and economic growth can provide jobs and improve living standards. Review data, however, indicates that these effects are neither equally distributed nor automatic. The influence of growth on human development depends on the pattern and inclusivity of growth as well as public policy priorities, according to a recurrent result in both cross-country and country-specific studies. Social indicators frequently do not improve in proportion to growth that is unequal, sectorally concentrated, or accompanied by rising inequality. According to a number of studies, the growth-to-development transmission mechanism is considerably strengthened by increased public spending on health and education (Ranis et al., 2000; Ramirez et al., 1997).

- **Human Development to Growth**

In the literature, the opposite relationship from economic expansion to human development is also well-established. It is commonly acknowledged that advancements in health and education play a major role in the creation of human capital, which in turn boosts labor productivity, creativity, and long-term economic success. Most empirical studies show that educated and healthier populations are better equipped to embrace new technology and engage in higher-value economic activities. This body of work views human development not as an end in and of itself, but as a fundamental component of sustainable growth. Investments in health and education are therefore seen as both important economic tactics and social goals (Ranis & Stewart, 2012).

- **Virtuous and Vicious Cycles in the Literature**

The review's main conclusion is that human development and economic growth are self-reinforcing processes. Successful human resource investments and economic growth are typically accompanied by positive cycles of two things that rise in a mutually reinforcing manner as those aspects are developed. Conversely, inadequate human development can constrain growth by limiting human capital, and unequal or exclusive growth may stand in its way in future advancement in societal outcomes. The literature therefore stresses that vicious cycles and long-lasting development traps result from a failure in either dimension expansion or human development (Ranis & Stewart, 2012).

- **The Growth Development Nexus's Mediating Elements**

The reviewed literature generally agrees that the relationship between growth and human development is moderated by several significant factors. Among them are:

- Public spending on education and health
- Inequality and income distribution
- Governance and institutional quality
- Availability of essential services
- Informality and labor market frameworks

A large portion of the diversity seen among nations and regions in converting growth into higher living standards can be explained by these mediating factors. The literature consistently shows that the Indian climate is causing these transmission mechanisms to deteriorate. Persistent inequality, significant regional disparities, and relatively low public investment in social sectors have limited the extent to which economic expansion has led to widespread increases in human development (Raj et al., 2024b; Ray, 2009). This lends credence to the broader assertion that improving human development outcomes relies more on growth's inclusion and quality than on its quantity alone.

3. Thematic Literature Review

Over the past thirty years, there has been a substantial shift in the literature on human development and economic growth in India, moving away from a growth-

centric paradigm and toward a more holistic understanding of development. In early development rhetoric, economic expansion and growing living standards were thought to be favourably and inevitably associated. An rising quantity of empirical and theoretical research, which demonstrates that India's rapid economic growth has not led to advances in human development indicators like income equality, health, and education, challenges this premise.

Numerous studies, both cross-national and India-specific, have highlighted this growing Growth Development Disconnect. One of the most important frameworks is provided by Ranis, Stewart, and Ramirez, who show that although human development and economic growth are mutually reinforcing, the degree of this relationship depends on institutional quality, policy decisions, and the distributional pattern of growth (Ranis et al., 2000). The literature consistently highlights a paradox in the Indian context: improvements in non-income dimensions of well-being have been uneven, delayed, and highly unequal across regions and social groups, despite sustained high growth rates since the post-1991 reform period (Mukherjee et al., 2016).

Finding the institutional and structural mediators that influence this relationship is a significant contribution of current research. These include the amount of money spent by the government on health and education, the degree of income disparity, the dynamics of the labor market, especially informality, and the efficiency of governance structures. The lack of growth to be inclusive, redistributive, and capability-enhancing is the problem, according to an increasing number of studies (Ruzima & Veerachamy, 2023). The literature from many years ago places India's experience in the global context. However, growth by itself is never sufficient, nor is it sufficient in the absence of policy actions; this is evident in India's trajectory, where social sector outcomes have generally remained unequal. On the other hand, countries like South Korea and China have been able to use smart investments in human capital to convert economic growth into significant advancements in human development.

Studies reveal that there are substantial regional, state, and socioeconomic class differences in the gap between growth and human development. Regional disparities, caste or gender inequality, or rural-urban gaps have a substantial impact on access, education, healthcare, and employment possibilities. Scholars have emphasized studies that show how disaggregated analysis (beyond average national level) has shed light on the lopsided distribution of national development outcomes (Ghosh, 2011).

Selection of the group of countries under study in this review including China, South Korea, Sri Lanka, Bangladesh, Vietnam, Brazil, South Africa, and some advanced countries is due to obtaining the representative samples of countries with different levels of economic development, different levels of success in human development, different regional settings, and different policy approaches. Countries under study provide interesting points of references to see the similarity or difference between the patterns of economic growth in relation to different conditions

of health, education, income distribution, and standard of living (Ranis et al., 2000; United Nations Development Programme [UNDP], 2026).

3.1. Growth-Human Development Nexus

The literature on economic growth and human development has undergone a major paradigm shift over the last few decades, from linear and deterministic to conditional and context-dependent. That latter perspective of development implied that there would be a natural "trickle-down" process that would result in improved standards of living. There is a substantial body of empirical research out there to contradict this idea, illustrating that the link between growth and human development is not automatic, nor can it be expected in every country/area. A landmark work by Ranis, Stewart, & Ramirez (2000) identified a bidirectional causal relationship between economic growth and human development: economic growth facilitates human development at the same time as human capabilities may help in accelerating growth. Yet, whether and how these variables affect this pattern of development is strongly mediated by institutional quality, policies, and distributional dynamics (Ranis et al., 2000).

Figure 2 shows a correlation between GDP per capita per country and HDI. It shows the larger correlation between economic growth and the well-being of people. That this tendency is increasing suggests that better human development, on average, is typically associated with higher incomes. Nevertheless, the dispersed distribution of the countries around the trend line suggests that human growth is not solely determined by wealth. Despite having relatively low incomes, many countries have rather high HDIs. This shows how important social spending and sound public policy are. But people with comparable wealth behave in different ways, which means that it's really important that institutions are kind and hospitable.

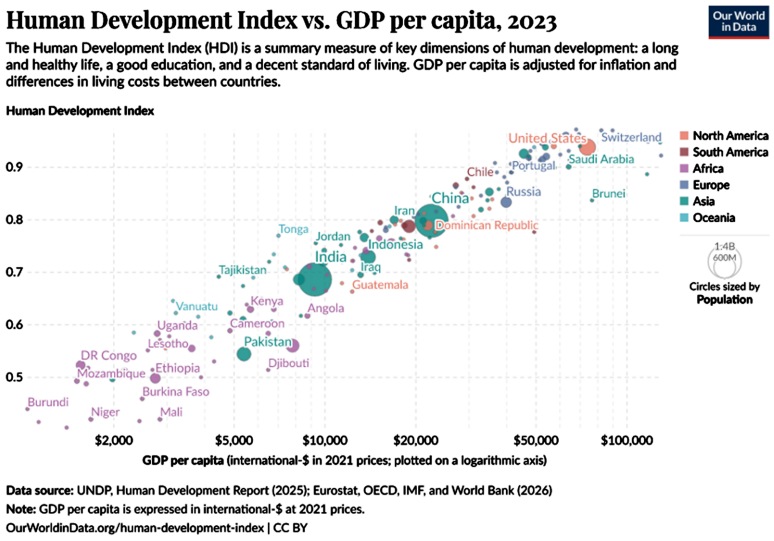

Figure 2. Variations in human development outcomes at comparable income levels among nations (United Nations Development Programme [UNDP], 2026).

The volatility of this relationship is even more evident by data from other countries. For example, the values of the Human Development Index (HDI) of countries with similar economic levels can vary dramatically, implicating income among the determinants of human development outcomes (UNDP & OPHI, 2023). The research demonstrates weak and uneven transmission channels between economic development and human development in the Indian context. Between 2000 and 2020, India's GDP grew at an average annual rate of 6% - 7%, making it one of the fastest-growing major economies. Indicators of human development have only slightly improved in spite of this. India's HDI score rose from 0.434 in 1990 to 0.644 in 2022, although it still falls short of numerous nations with similar economic levels, placing it in the medium human development category (UNDP & OPHI, 2023). This disparity is supported by sub-national data. According to Mukherjee, and Chakraborty economic growth by itself does not guarantee gains in human well-being because Indian states with comparable growth trajectories show significant diversity in health, education, and income outcomes (Mukherjee & Chakraborty, 2011). The question of whether India's growth can be described as "inclusive" is a major point of contention in the literature. While some studies show that poverty has significantly decreased India's multidimensional poverty rate fell from over 55% in 2005-06 to roughly 16% in 2019-21, others contend that the wider effects of prosperity have been constrained by growing inequality (UNDP & OPHI, 2023).

Data on inequality adds credence to this concern. The richest 10% of Indians make more than 57% of the country's income, demonstrating a very uneven distribution of growth advantages. Public policy and social sector investment are crucial for strengthening the growth-development link, according to recent empirical studies. Human development emerges from the greater public investment in health and education, notably in developing economies (Ruzima & Veerachamy, 2023). Health and education spending is far less than that of other countries and India's total social sector spending accounts for only a modest fraction of GDP. This underinvestment dilutes the efficiency of economic progress in creating progress in human skills.

The literature also recognizes that some factors of the job market, including informal work, hold particular significance. It finds that 80 to 85 percent of Indian workers work in the unorganized sector, which is poorly paid, irregular in work, and has little social safety (Bonnet et al., 2019). The relationship between growth and raising standards of living also diminishes when income growth is unevenly distributed among the population. Across several countries, **Table 1** shows the influence of human development indicators and income increase on health, education, and overall well-being, with significant differences observed.

3.2. Evidence from India

The Indian experience provides empirical evidence of the persistent discrepancy between rapid economic growth and relatively slow advancements in human

Table 1. Extended global comparison of economic growth and human development (United Nations Development Programme [UNDP], 2026; World Bank, 2026a; World Bank, 2026b).

Country	GDP Growth (%)	GDP per Capita ($)	HDI	Life Exp	Schooling (Years)	Health Exp (% GDP)	Gini
India	6.5	2400	0.644	67	6.7	2.1	35
China	6.0	12,700	0.788	78	8.0	5.4	38
Vietnam	6.2	4100	0.726	74	8.3	4.1	35
Sri Lanka	3.5	3800	0.782	77	10.8	3.8	39
Bangladesh	6.5	2700	0.661	72	7.4	2.3	32
Indonesia	5.0	4800	0.705	71	8.6	3.4	38
Philippines	5.5	3500	0.699	70	9.0	4.7	42
Thailand	3.5	7800	0.800	77	8.7	4.5	35
Malaysia	4.5	11,800	0.810	75	10.5	4.0	41
Türkiye	5.0	10,600	0.838	78	8.6	4.6	41
Brazil	2.5	9600	0.754	75	8.0	9.6	53
Mexico	2.0	10,000	0.758	75	9.2	6.2	45
South Africa	1.5	6800	0.713	64	10.2	8.3	63
South Korea	3.0	32,000	0.925	83	12.5	8.1	31
Japan	1.5	34,000	0.925	84	13.4	10.9	33
Germany	1.5	48,000	0.942	81	14.1	12.8	31
USA	2.0	76,000	0.921	77	13.7	16.6	41
Ethiopia	8.0	1000	0.498	66	3.2	3.7	35

development. India's GDP expanded at a compound annual growth rate (CAGR) of 6% - 7% between 2000 and 2020, making it one of the fastest-growing nations in the world since economic liberalization in 1991. This continued growth has seen per capita income rise from more than $367 in 1991 to more than $2,400 in 2022 (current US dollars) (Konstantinov, 2025). These economic progressions notwithstanding, progress in human development metrics has been small. India's Human Development Index (HDI) rose from 0.434 in 1990 to 0.644 in 2022, placing the country below other nations with comparable economic levels and placing it in the medium human development tier (United Nations Development Programme [UNDP], 2026).

A few selected countries' long-term GDP growth trends from 1960 to 2020 are depicted in **Figure 3**. It demonstrates how their economies have evolved significantly throughout that period. The graph illustrates how, over the past few decades, emerging economies like China have grown rapidly while the economies of wealthy nations like the US have grown moderately. Some countries like Brazil and India are growing slowly but steadily while some other countries experience slower growth. The graph shows the uneven development and change of the globe's economies over time. They also show how rapid growth is achievable,

though the rate of growth is different, and where growth occurs varies widely from country to country.

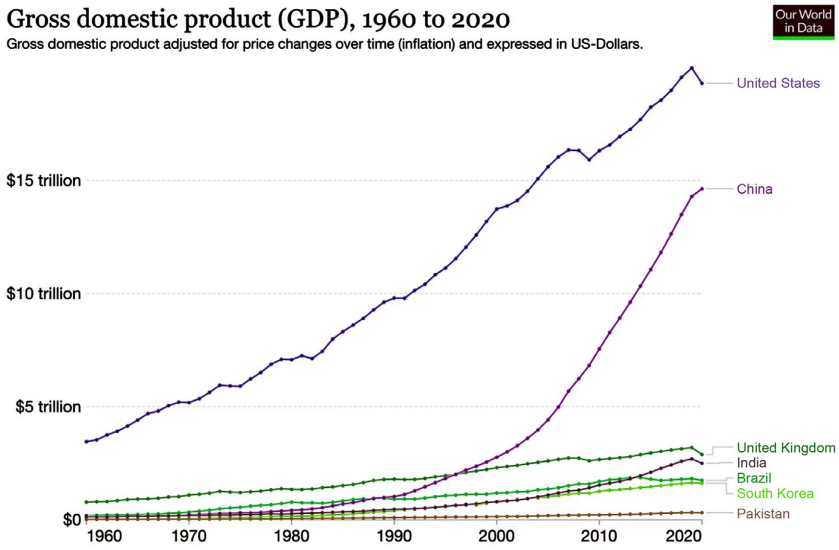

Figure 3. India's slow increases in human development metrics contrast with the country's fast economic growth.

The healthcare sector has its faults, though, despite overall metrics improving. Infant mortality is now estimated to be around 27 per 1000 live births while life expectancy has risen to about 67 years (World Bank, 2026b). Despite advances, structural obstacles remain. 35.5% of children under five years old are stunted [NFHS-5 2019-21], indicating widespread malnutrition and unequal access to nutrition and medical treatment. Health spending is relatively low, at around 2.1% of GDP (which adds to inefficiency in the healthcare sector and exacerbates disparities in treatment outcomes and access) (Ministry of Finance, Government of India, 2026). It is a comparable trend in the education sector. India has achieved approximately 95% primary enrollment, which is beneficial for access to education (World Bank, 2026b).

Educational outcome is still, however, inadequate. ASER Center (2022)'s assessment showed that there are only 42% of Grade 5 students that can read a text at the level of Grade 2 and this indicates large gaps in the level of foundational learning (ASER Centre, 2022). Given these enrollments, the overall picture is less favorable; improvements in educational service availability have not been accompanied by improvements in learning, meaning education is less well placed to develop human capital. India has become better at solving the problem of poverty in the last 20 years. More than 400 million people were lifted out of poverty as the multidimensional poverty rate dropped from over 55 per cent in 2005-06 to roughly 16 per cent in 2019-21 (United Nations Development Programme [UNDP], 2026). Raising inequality has accompanied that advance. The richest 10 percent of people manage to have more than 57 per cent of the country's income

and the last 50 percent only the 13 per cent of the sector, respectively, and show a very high disparity in the distribution of income.

India's employment structure is a basic structural driver of this inequality. Some 80 - 85 per cent of India's labour force is employed in the informal sector which have low pay, job insecurity and no social protection (Bonnet et al., 2019). The informal work does not allow the growth to be translated in stable income and increased standards of living, which is why we also called unemployed and informal growth. And there are still huge regional imbalances among Indian states. There are superior human development rates across Kerala and Tamil Nadu, with larger health outcomes, literacy and poverty rates, while Bihar and Uttar Pradesh lag behind.

These differences in development outcome highlight the crucial importance of institutional issues, by exposing the gaps in public investment, governance, and societal policy. The central message it delivers relative to India is this: economic growth has helped to reduce poverty, but has had mixed effects on human development—undermined by institutional shortcomings, structural disparities, and low social investment. So when we talk about economic growth, we are not just talking about an improved standard of living per se but also in connection with inclusive and effective economic policies guaranteeing human development by creating conditions for people to thrive.

3.3. Health Outcomes in India

The findings of the health achievement studies in India, whether as measurable improvements or ingrained structural discrimination, suggest a mixed story. India has advanced in landmark health indicators in the past 30 years. For instance, life expectancy increased from around 58.7 years in 1990 to about 67.2 in 2022 and infant-mortality rate (IMR) dropped from 88 per 1000 live births in 1990 to about 27 in 2020 (Singh & Ladusingh, 2016; International Institute for Population Sciences [IIPS] & ICF, 2021). However, the literature consistently finds that these developments are unevenly distributed according to socioeconomic statuses and geography. Based on analysis of the literature conducted by Bhan et al. (2016), it is concluded that caste, gender, income and geography are closely correlated with health inequalities to a significant extent, where disadvantaged individuals are significantly affected by the disparities.

Quantitative evidence emphasizes these differences even more. For instance, 35.5% of children under five suffer from stunting, according to the National Family Health Survey (International Institute for Population Sciences [IIPS] & ICF, 2021), with a much greater prevalence among rural and low-income households. Maternal mortality ratios also differ greatly between states, with lower-performing states having rates that are more than twice as high as those in higher-performing areas. The permanence of the dual burden of sickness is a major issue in the literature. In addition to seeing a sharp increase in non-communicable diseases (NCDs), which currently account for about 63% of all deaths, India is responsible

for a significant portion of the world's communicable diseases (World Health Organization [WHO], 2025a). There is ample evidence linking poverty, malnutrition, and health outcomes. According to Antony and Laxmaiah, a disproportionately large fraction of the world's malnourished population lives in India, demonstrating that nutritional deprivation is still a serious problem. According to recent estimates, India accounts for almost one-third of all cases of stunting worldwide, underscoring the limited influence of wealth development on nutritional outcomes (Antony & Laxmaiah, 2008).

The excessive dependence on private healthcare which exacts a considerable cost burden on the household is also a key issue noted in the literature. India has one of the highest rates of out-of-pocket medical expenses among major economies, accounting for about 48% - 55% of overall health expenditure (Nanda & Sharma, 2023). And millions of households live in poverty each year due to these massive medical expenses (Selvaraj & Karan, 2009). Outcomes may be explained by disparities in investment in subnational public health. According to Purohit (2008), there are much higher health indices that are recorded among the states that are more inclined to spend on public health, underscoring the role of public sector intervention in achieving the health goals. India's total current health expenditure, comprising government, private, and other health expenditure, is approximately 2.1% of GDP (World Bank, 2026b; Ministry of Finance, Government of India, 2026). This measure should be distinguished from government health expenditure alone. As per (Deaton & Drèze, 2010), under-investment is one of the most prominent factors contributing to the poorer health indices of India compared to countries with a comparable GDP. Gender disparity and imbalance in rural-urban inequalities are frequently addressed in the literature. Women face common obstacles in getting healthcare services and in rural areas, lack of access to both health workers and healthcare facilities. These disparities manifest in disparate health outcomes despite far-reaching economic progress. In **Table 2**, health outcomes and public health spending in countries show an association with health outcomes, with high public investment on healthcare resulting in an increased life expectancy, lower infant mortality, and lower maternal mortality.

Table 2. Health and education expenditure indicators across selected countries (World Bank, 2026b; World Health Organization [WHO], 2026; World Health Organization [WHO], 2025b).

Country	Total Current Health Expenditure (% of GDP)	Life Exp	IMR	MMR	OOP (%)
India	2.1	67	27	97	50
China	5.4	78	7	17	35
Vietnam	4.1	74	16	43	45
Sri Lanka	3.8	77	6	36	38
Bangladesh	2.3	72	24	123	74
Indonesia	3.4	71	21	177	32

Continued

Brazil	9.6	75	12	60	25
Mexico	6.2	75	13	33	41
South Africa	8.3	64	28	113	7
Türkiye	4.6	78	9	17	17
Thailand	4.5	77	7	37	12
Malaysia	4.0	75	7	29	36
South Korea	8.1	83	3	11	33
Japan	10.9	84	2	5	14
Germany	12.8	81	3	7	13
USA	16.6	77	5	19	11
Ethiopia	3.7	66	33	401	37

3.4. Education and Human Capital

The development literature generally recognizes education as an important mechanism for the translation of economic growth into human development, especially the process of enhancing human capital, productivity, and long-term economic potential. Yet, according to extant research on India, while education access has increased dramatically, change has been uneven in fairness, quality, and outcomes, preventing equitable development contribution. India has taken strides in expanding education accessibility over the past two decades. Enrollment in elementary education has surpassed 95% and gross enrollment rates have reached almost universal levels (Singh et al., 2023).

The literature, however, consistently highlights that higher enrollment has not resulted in comparable gains in learning outcomes. Only over 42% of Grade 5 kids in rural India can read a text at the Grade 2 level, according to the Annual Status of Education Report indicating serious deficiencies in foundational learning (ASER Centre, 2013). One of the main points of contention in the literature is the disparity between access and quality. A number of studies contend that poor learning outcomes undercut the function of education in improving human capital, despite the fact that enrollment increase is frequently hailed as a success of policy initiatives. Numerous studies show that low learning results and limited infrastructure are major obstacles that marginalized and rural populations must overcome in order to receive high-quality education (ASER Centre, 2013).

Education inequality continues to be a major issue and quite clearly also has been. Information from the National Sample Survey (NSS) and NFHS indicate that there are significant differences between rural and urban, gender and economic groups. For instance, school completion among rural and lower income residents is far lower than that of their counterparts in metropolises. Mospi.gov.in. And while they are getting less, gender differences still matter when it comes to educational attainment in many areas and especially in higher education, as well. The second issue is the skill mismatch problem. While the number of university stu-

dents has been rising, a good number of the graduates in our ranks do not possess the skills that employers want to hire them for. Only over 50% of graduates are deemed employable, which indicates a serious disparity between education and the need for labour as noted by labour market and demographic surveys.

Since potential productivity effects of building up human capital have not yet been realised, such "disconnection" undercuts the positive association between education level and prosperity. The literature also highlights the importance of public education expenditures. Government education expenditure in India is just around 3% - 4% of GDP and still less than the 6% in national education plans (World Bank, 2021). For example, Ruzima & Veerachamy (2023) showed that positive human development had a relationship with increased public expenditure on education if it was coupled both with good governance and targeted intervention. But the challenges of operational difficulties, institutional problems and geographic disparities render such investments more unlikely to be effective when it comes to the wider impact of education programs. It also highlights the lingering fragmentation of higher education and skill development systems and the inability to link academic training with career development. Consequently, the educational system has had little scope for inclusive development and structural reform. Table 3 shows the trends of the main indicators of access to education, quality of education, and human capital, which are illustrated by the variable changed in educational units per country along with changes in enrollment ratios, the level of education attainment, and the involvement of the government in the education.

Table 3. Education and human capital (United Nations Development Programme [UNDP], 2026; ASER Centre, 2022; World Bank, 2025a; Diaconescu & Wolff, 2024).

Country	Enrollment	Schooling Years	Learning Quality	Edu Exp (% GDP)
India	>95	6.7	Low	3 - 4
China	99	8.0	Moderate–High	4
Vietnam	98	8.3	High	4
Sri Lanka	98	10.8	High	4-5
Bangladesh	95	7.4	Moderate	2-3
Indonesia	95	8.6	Moderate	3.6
Brazil	98	8.0	Moderate	6
Mexico	97	9.2	Moderate	5
South Africa	98	10.2	Low	6
Türkiye	96	8.6	Moderate	4
Thailand	97	8.7	Moderate	4
Malaysia	98	10.5	High	4
South Korea	99	12.5	Very High	5
Japan	99	13.4	Very High	3.5
Germany	99	14.1	Very High	4.8
USA	99	13.7	High	6

3.5. Income, Poverty, and Inequality

The literature on income, poverty and inequality contains a dramatic paradox in relation to India's growth trajectory: declines in poverty are accompanied by a growing disparity in income and wealth. Despite economic growth lifting overall wealth and decreasing poverty, the spread of said gains has been uneven and challenges arise based on fairness of social status or the sustainability of development. Suryanarayana et al. (2016) add a considerable amount to this case by establishing that inequality-adjusted human development indicators are significantly lower than standard HDI values, implying that inequality affects the overall success of developmental outcomes.

The claims that India has achieved great strides in poverty eradication are confirmed in the empirical data. According to the Multidimensional Poverty Index (MPI), the percentage of people experiencing multidimensional poverty declined from around 55% in 2005-06 to around 16% in 2019-21, with a rise in over 400 million people out of poverty (UNDP & OPHI, 2023). Estimates from the World Bank show that extreme poverty (defined as $2.15 per day, PPP) has fallen sharply over the years, reflecting the positive effects of economic growth on income levels (Foster et al., 2025). As emphasized in the study, poverty is not just a deprivation of income, but also of education, medical care, sanitation facilities, and vital services—a fact that the research highlights is extremely hard to grasp and which should not be underestimated. All types of poverty do not improve our well-being after an increase in income. Wealth inequality in India for the period 2000 to 2021 can be seen in **Figure 4**. The increase in share of income captured by the top 10% and top 1% indicates accumulation of wealth with time. The share of income shared by the bottom 50% remains low and fairly constant. While the entire economy is growing, economic disparities increase, and this growing difference also reflects that. The percentage points to uneven distribution of growth gains and its consequences on inclusion in India. Inequality has greatly risen.

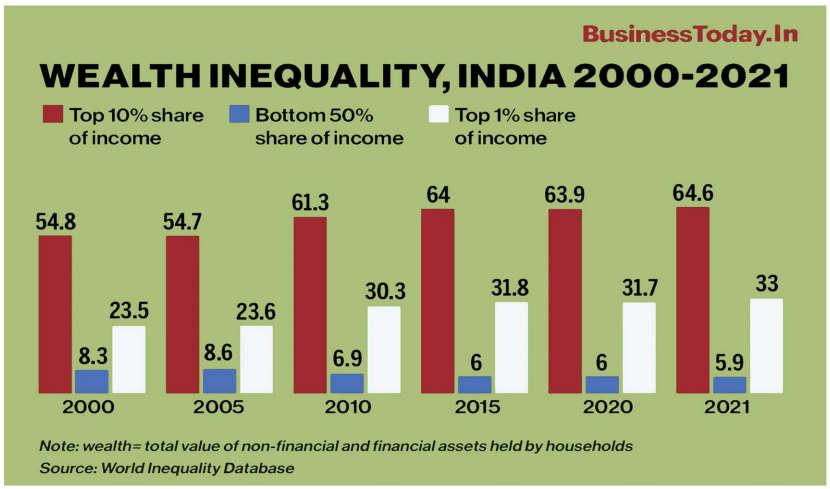

Figure 4. Structural inequality and labor informality limit the translation of growth into inclusive development (Legacy IAS, 2024).

The World Inequality Database has shown that the richest 10% of the population constitutes about 57% of national income, and the poorest 50% possesses merely approximately 13%, with this kind of income concentration being significant. Indeed, this expanding inequality can be recognized as a reflection of the difference between consumption and wealth that has increased since globalization. These discrepancies are found in most research literature claiming a further implication: that these gaps prevent economic growth from improving the quality of life of the larger population and society. The link between inequality and human progress has maximum coherence at sub-national level. As Maurya & Kanaujiya (2021) illustrate, states with higher income inequality tend to have worse human development outcomes with their income disparity, implying that inequality is a constraint rather than one of growth, reflecting the way inequality serves as an obstacle to development rather than merely an outcome of developments.

In addition, one important factor that is pointed out in the literature is the role of the informal sector that dominates the labor force of India. About 80-85 per cent of the labour force is in the informal sector, characterized by low wages, unstable employment, and no social protections (Bonnet et al., 2019). This aspect of the economy's structure enhances income inequality and limits the extent to which economic growth can be transferred into improved standards of living. After bouts of great economic growth, large portion of the population, however, still continues to engage in unskilled, low wages occupations with low productivity. Furthermore, the evidence shows that wage growth has lagged behind productivity growth, notably for the informal and agricultural sectors, driving income inequality up. The urban-rural divide dictates much of the GDP, as cities can produce more in the way of income and goods than rural communities. **Table 4** presents income distribution, level of poverty, and inequality between countries, illustrating how poverty reduction can co-exist with rising concentrations of income and structural inequality.

Table 4. Income distribution, poverty, and inequality (Bonnet et al., 2019; World Bank, 2026a; World Bank, 2025b).

Country	Poverty (%)	Top 10% Share	Bottom 50%	Gini	Informality
India	16	57%	13%	35	80 - 85
China	<5	41%	15%	38	50
Vietnam	5	36%	18%	35	55
Sri Lanka	<5	40%	14%	39	60
Bangladesh	18	41%	14%	32	85
Indonesia	10	45%	13%	38	70
Brazil	5	55%	12%	53	40
Mexico	10	52%	13%	45	55
South Africa	20	65%	10%	63	35
USA	12	47%	13%	41	20
Germany	<2	36%	20%	31	15
Japan	<2	32%	22%	33	10

3.6. Regional Disparities in Human Development

Regional disparities are an important feature of India's developmental history, shedding insight on the long-standing gap between economic growth and human development outcomes. While India is achieving progress at the national level (up to this point), aggregate measures frequently hide significant inter-state and intra-state inequalities, resulting in various developmental outcomes across the country. India's HDI in 2022 is 0.644 (UNDP & OPHI, 2023), placing it in the medium category of human development. Estimates at the state level show considerable disparities—the figure is around 0.77 in Kerala and 0.57 in Bihar—reflecting similar divisions recorded in middle- and low-income countries. The gap highlights the idea that national averages hide underlying structural inequities in healthcare, education, and income (United Nations Development Programme [UNDP], 2026).

Kerala, Tamil Nadu, Maharashtra and Punjab have done better in many of the performance measures which suggest they have progressed to relatively higher human development levels. Kerala has an infant mortality rate (IMR) of only 7 per 1,000 live births and a life expectancy of about 75 years, as well as a literacy rate of about 96% (NFHS-5, 2019-21). These results indicate continued capital spending on social welfare, health and education programs. Bihar, Uttar Pradesh, Madhya Pradesh and Jharkhand are lagging far behind. With a life expectancy of over 64 years, above 70% literacy level and an infant mortality rate between 35 to 40 per 1000 live births, Bihar still lag behind in most basic aspects of health. Yet many states still suffer from high poverty rates with little access to essential services such as education or health services.

The North-South discrepancy is one of the most intriguing elements that has elicited several comparisons, with southern and western states consistently outperforming the northern and eastern regions in human development. This variation reflects disparities in the historical economic trajectory, governance process quality, institutional performance, and public investment in socially responsive sectors of the economy. Southern states, in particular, tend to focus on education, public health, and social welfare, resulting in better development outcomes, whereas northern states have faced challenges such as weak governance systems and low social sector expenditure. In addition to interstate discrepancies, major rural-urban or intrastate gaps exacerbate the problem. Furthermore, metropolitan areas have better access to health care, educational institutions, infrastructure, and jobs, whereas rural areas may face a lack of fundamental services and infrastructure. There is evidence that rural people experience higher levels of poverty, lower literacy, and poorer health than urban people. Gender disparities remain, particularly in undeveloped communities where women are less likely to have access to education and healthcare.

The inequality in economic growth is one of the main causes of regional inequalities. High levels of economic growth and improved living standards have been experienced by states like Maharashtra, Gujarat, Tamil Nadu, and Karna-

taka, which are in the process of becoming more industrialized and open to international markets. In contrast, the less developed governments did not profit from globalization and economic growth, which exacerbated regional disparities. Leading states frequently have per capita incomes that are two to three times higher than those of lagging states, which exacerbates the gap in living standards and human development results. The literature emphasizes how crucial governance and public policy are in shaping regional development. Even at modest economic levels, countries that have made greater investments in social safety, health, and education have seen improvements in human development results. Conversely, states with lesser institutional capability and public investments perform worse, underscoring the influence of policy efficacy on the relationship between development and growth. Temporal differences in human growth amongst Indian states are shown side by side in Figure 5. Figure 5: From 1990 to 2019, HDI trends for 10 representative Indian states. States still differ greatly from one another, though. While Bihar and Uttar Pradesh continue to fall behind, other states, like Kerala, consistently score better than others. Regional inequality may still exist, as evidenced by the growing gap between states that are performing well and those that are not. Although there has undoubtedly been progress overall, the uneven rate of improvement highlights the necessity for policymakers to strive for the proper balance in certain sectors to guarantee that growth is balanced with equity for the majority.

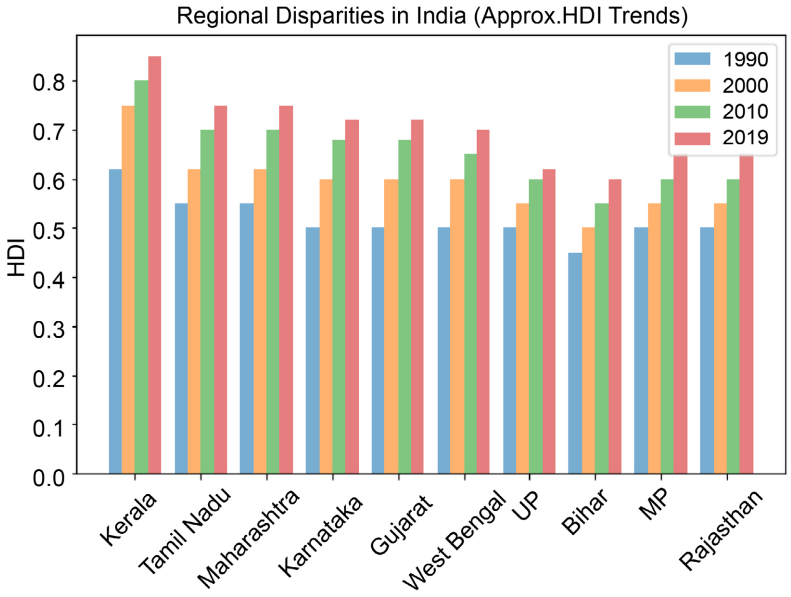

Figure 5. Regional disparities in human development across selected Indian states, showing gradual improvements in HDI over time alongside persistent inter-state inequalities.

Regional variation in India is remarkable from a comparative standpoint. The best-performing states, including Kerala, have comparable human development metrics to middle-income countries like Sri Lanka, while at the other end of the

scale, poor places like Bihar mirror lower-income countries in health, education, and income. This implies the development landscape of India is heterogeneous and is similar to that in the compilation of different developmental paths in one national narrative. Table 5 presents state-level differences in human development indices in India, where we see considerable regional disparities in health, education, and income that lead to disparate development.

Table 5. Regional disparities in India. (United Nations Development Programme [UNDP], 2026).

State	HDI	Literacy (%)	Life Exp	IMR	Poverty
Kerala	0.77	96	75	7	Low
Tamil Nadu	0.70	80+	72	15	Moderate
Karnataka	0.68	75	70	19	Moderate
Andhra Pradesh	0.66	67	69	23	Moderate
Telangana	0.67	72	70	21	Moderate
Maharashtra	0.69	82	70	19	Moderate
Gujarat	0.67	79	69	28	Moderate
Punjab	0.72	76	71	21	Low
Haryana	0.71	76	70	28	Moderate
West Bengal	0.64	77	69	22	Moderate
Odisha	0.61	73	65	36	High
Chhattisgarh	0.61	71	64	38	High
Madhya Pradesh	0.60	70	65	43	High
Rajasthan	0.63	69	66	35	High
Uttar Pradesh	0.60	73	65	43	High
Bihar	0.57	70	64	38	High
Jharkhand	0.60	67	65	32	High
Assam	0.61	73	67	32	High

Other Sources (International Institute for Population Sciences [IIPS] & ICF, 2021); Census of India; NITI Aayog (2023).

4. Trends in Economic Growth and Human Development Outcomes in India

This section explores the path of economic growth of India along with its consequences for standards of living and human development. Despite the impressive economic growth that India has experienced over the last decades, not all areas related to human development, such as improvements in health, education, income inequality, and poverty rate, have developed at a comparable speed. This is why this chapter explores different economic and human development variables to find out how far economic growth has led to positive changes in the well-being of Indians.

4.1. Trends in India's Economic Growth and Living Standards

India's journey since the early 1990s has been the same: the economy has developed swiftly, but there are still difficulties with inequality and, at times, slow growth in human development. The structural reforms of 1991 were a turning point. They made India's economy more open and market-driven, with ties to global markets. Before, it was essentially closed and governed by the government. This development made it possible for the economy to grow over time. India is one of the countries that is expanding the quickest right now. Over the previous 20 years, its GDP has expanded by an average of 6 to 7 percent each year. Overall, this fast growth has led to big increases in the country's income and standard of living. From 1991 to 1991 overall, this quick expansion has caused large rises in the country's income and level of living. From 1991 to 2022, the GDP per person went grown from more than $367 to more than $2400. This shows that the economy's ability to produce and capacity have expanded a lot (World Bank, 2026b).

However, the study highlights that the expansion of India's economy has not resulted in comparable improvements in more general measures of well-being (health, education, and income distribution). Resources and opportunities have been made possible by this progress, but the wealth has not been divided fairly throughout industries, geographical areas, and social classes, resulting in enduring differences in living standards. The "growth-development disconnect", which holds that gains in income do not always correspond to advancements in human capacities, is a fundamental issue that has surfaced in both theoretical and empirical studies. With an HDI of 0.644 in 2022, India continues to show medium human development despite strong GDP growth, following many nations with similar or lower income levels (United Nations Development Programme [UNDP], 2026). This mismatch can be attributed to several structural factors. However, India's economic growth was uneven by sector, with the services sector accounting for more than 50% of GDP although employing a smaller portion of the labour population. On the other hand, a sizable section of the population still works in low-productivity agriculture, which accounts for less than 20% of GDP. As a result, many people's income growth is still constrained.

Second, as a result, there was an uneven distribution of growth: richer states and urban cities benefited more than poor ones in economic development. This has only magnified regional disparities in income, infrastructure, and access to basic services such as healthcare and education. Third, the retention of high levels of informality in the labor market—about 80% - 85% of the workforce currently is in informal sectors—has made it more difficult to translate economic growth into stable and secure income gains. Informal employment is characterized by low income, deprivation of social security, and little prospect for skill development—factors that stymie standard of living increases.

In addition, the literature also finds that public investment in critical social sectors has not kept up with economic growth. Public health spending is about 2.1%

of the GDP, and education spending is about 3% - 4% of GDP, both below the global pattern. A lack of these resources has thwarted human capabilities, especially in health and education. Multidimensional poverty and inequality are still persisting, another aspect to be studied. Despite a significant drop in poverty in India from almost 55% in 2005-06 to about 16% in 2019-21 (UNDP & OPHI, 2023), income and wealth inequality is increasing as a leading cause of wealth gaps, where the top 10% share over 57% of the entire income (United Nations Development Programme [UNDP], 2026; World Inequality Database, 2026). This trend shows that despite positive growth, the fruits of development remain more concentrated predominantly in the hands of affluent groups, limiting their impact on human development. As well as health and education, non-income indices also have improved; but at a slower and uneven pace. Life expectancy has improved to around 67 years, but is still lower than in comparable countries, and educational attainment lags relatively despite higher enrollment. These disparities reflect shortcomings in delivery of service as well as quality. As a whole, these tendencies mirror a deeper reality: a requirement for (but a very limited capacity to deliver) economic growth in India vis-à-vis standards of living. How effective growth is at contributing to human development is influenced by a set of mediating factors, including public policy, institutional quality, income distribution and investment in the social sector.

4.2. Economic Growth Trends

India's economic structure has undergone significant change since the structural reforms began in 1991. It has transformed from a state-directed and inward-looking into a liberalized and world-connected market-focused state. This paradigm shift implied the opening up of trade, deregulation, and banking system restructuring are some of the key conditions for sustainable economic growth and a broader engagement with global value chains. Upon reforms, India emerged as one of the fastest-growing major economies of the globe. The average GDP for the country grew 6 to 7 percentage points every year during 2000-2020. The years 2003-2008 had very high growth rates (>8% - 9% growth per annum) (World Bank, 2025c). Global shakeouts (like COVID-19 and the 2008 financial crisis) haven't wiped out India's resilience. This rate has exploded in the other years.

India has a history of sustained prosperity and now is an indispensable contributor to the growth of the world economy. This increase has been accompanied by massive increases in incomes. From 1991 to 2022 GDP per capita amounted to about $367 and surged to >$2400 (current US$) or more than six times (World Bank, 2025c). But when we consider purchasing power parity (PPP), India's per capita income is well below that of many developing countries. It also shows that income improves, while important, fall short compared to other gains. Yet despite the success stories, as the literature on India shows with the past 10 years, India's progress has been uneven and unequal. With over 50% - 55% of GDP, the services sector became the primary driver of growth in India. The reason is due to sectors

such as information technology, finance and telecommunications. So too the manufacturing sector, which also held about the same size and accounted for only 15% - 17% of GDP. It has struggled in creating jobs and changing the country's economic conditions. Agriculture provides 15% - 18% of GDP to the economy but employs approximately 40% - 45% of the workforce. Here we have a huge gap between output and job creation. That's the example of how rural areas are inherently poorly industrialized and most are underworking or aren't worked enough for many of our people to earn more. India's development situation also shows a rather low employment elasticity, called "jobless growth". Jobs are not keeping pace with GDP growth, especially in the formal sector. 80% - 85% of the nation's people continue to work informally, indicating low wages, precarious work, and no social security (Bonnet et al., 2019).

India's economic growth has also been uneven, with the most developed states, like Maharashtra, Gujarat, Tamil Nadu and Karnataka, enjoying greater advantages from industrialisation, infrastructure development and foreign investment. Less developed states such as northern or eastern India have, however, expanded more slowly and undergone less massive structural transformation. Cities have also received a larger slice of the economic pie because they boast better infrastructure, greater access to markets and sectors with higher productivity. This has only widened the gap between rural areas and urban centers, making income and living conditions in every region still more uneven. The benefits of growth have not been shared equally among all income classes, according to the research: People who make more have enjoyed a larger share of the benefits. It deepens inequality and makes it even harder for economic progress to bring forth better human development.

4.3. Health Indicators

In the last 30 years, India has seen phenomenal advancement in health indices. The key is more public health initiatives, better medical care, better housing. One of the wonders of the age is that the infant mortality rate (IMR) fell dramatically, from 88 deaths per 1000 live births in 1990 to 27 in 2020 (World Bank, 2025d). Maternal mortality ratio (MMR) has also decreased drastically over the years. That's because increasing numbers of women have babies in hospitals, antenatal care is improving and the government is engaging in initiatives like the National Health Mission. These changes show that even basic health care has reached many more people. Especially for mothers with children.

On one hand, the literature tells us time and again that such general gains conceal rather serious structural problems and disparities in health. One of the most enduring problems is malnutrition, which still plagues many people over time, especially women and children. According to the National Family Health Survey (NFHS-5, 2019-21), 35.5 percent of young children under five are stunted; 32 percent are underweight; and many of them are wasting; they get insufficient food. This is the numbers that point to the fact that while the economy is developing,

nutrition generally doesn't improve significantly or evenly; it is not that rising income is having an entirely dramatic impact on fundamental health outcomes. Malnutrition is associated with poverty, inadequate sanitation, and a lack of access to quality health care. And this is what makes it a problem that extends over vast stretches of life.

The other major question is the emergence of dual burden of disease. India continues to have a high burden of communicable diseases, such as tuberculosis and infectious diseases, but it is witnessing a rapid increase in non-communicable diseases (NCDs) such as heart disease, diabetes, and cancer that currently account for approximately 63% of all fatalities (World Health Organization [WHO], 2026). Such an epidemiology transformation is the result of lifestyle transformation, urbanization, and aging of the population. It additionally adds stress to an already stretched healthcare system that must manage infectious and chronic diseases simultaneously. One major structural constraint was noted in the literature: the insufficient amount of public health expenditure. Health care expenditure in India, at 2.1% of GDP, is extremely low compared to many other countries and below the global average. Lack of funding thus tends to make public health care institutions more unavailable and lower quality, especially in the countryside and in neglected areas. As a result, India's healthcare is highly dependent on private healthcare facilities, which contributes to financial burden on families. OOP is about fifty percent of total health expenditure, among the largest estimates in global proportions (World Bank, 2026b).

4.4. Education Indicators

In thirty years, India made enormous strides toward accessibility at the primary level. Government programmes such as Sarva Shiksha Abhiyan and the Right to Education Act (2009) have made it possible for nearly all children to start in schooling. Indeed, the primary school gross enrollment ratio is more than 95% (World Bank, 2025e). But the evidence invariably backs that up: improved access as well as quality and outcomes in learning haven't kept pace. In the Annual Status of Education Report (ASER Centre, 2022), only roughly 42% of Grade 5 students can read a text at a Grade 2 level. Moreover, numerous students still struggle with the elementary math skills (ASER Centre, 2013). This disjuncture between enrollment and learning results in fact is indicative of the "learning crisis," because it suggests that going to school does not lead to good human capital building. With these factors, education is unable to play an all-important role in linking economic growth with higher productivity and living standards.

India's average school years are still low, at about 6.7 years. The time course in China is around 8 years and that in Sri Lanka is about 10.8 years (United Nations Development Programme [UNDP], 2026). This shows that even if you're able to reach that point from start to finish, keeping children in school and transferring them to higher education are extremely hard—especially for those at risk. Education remains based on differences: between rural and city, between men and

women, among people of different socio-economic backgrounds. For rural areas, infrastructure, teachers of good ability and learning resources are generally absent. In contrast, disadvantaged groups are still living in poverty and socially isolated. The gender gap in basic education has narrowed, but there still remain disparities between secondary and higher education, particularly in underdeveloped areas.

The other crucial issue that is critical in the literature is that of mismatch of skills. Despite a population that is receiving more degrees, a large number of graduates still don't have the skills that employers need. The India Skills Report points out that only around half of the graduates are considered employable. And this represents a divide between what schools educate and what business requires. About 3% - 4% of India's GDP is allocated to education, less than the required 6%. This results in less funds for infrastructure, teacher training, and quality improvement (World Bank, 2025a).

4.5. Income and Poverty Trends

Compared to past 20 years, the burden of poverty has decreased dramatically for India as a nation, with strong growth in its economy and the establishment of focused social welfare programs. The proportion of the population living in multidimensional poverty decreased from around 55% in 2005-06 to about 16.4% in 2019-21 according to the Global Multidimensional Poverty Index (MPI), while lifting over 400 million people out of poverty (United Nations Development Programme [UNDP], 2026), and other measures have contributed to a positive and significant number from poverty reduction. Likewise based on estimates of the international poverty line ($2.15 per day, PPP), the extreme poverty levels dramatically decreased, indicating growth in income levels alongside increasing access to basic services (World Bank, 2025b). Yet, the body of literature underlines that poverty continues to be multi-dimensional and inequitably distributed across India and not just limited to income deprivation, but can also represent significant restrictions on education, health, sanitation, and housing. This suggests that income poverty declines do not result in holistic advancements in living conditions.

Concurrently, income inequality has grown sharply, leading to questions of the expansion's inclusiveness. The World Inequality Database reports that over 57% of total income goes to the top 10% of the population and around 13% to the bottom 50%, which means economic gains are so highly unequal (World Inequality Database, 2026). That kind of concentration of income suppresses the way the economic expansion helps the general populace and erodes its influence on human development. A key structural cause of the above trends is the dominance of the informal sector which employs approximately 80% - 85% of the workforce (Bonnet et al., 2019). Informal employment is characterized by low wages, job insecurity, and lack of social protection, leading to persistent income vulnerability even during periods of economic growth. This pattern of expansion is commonly referred to as informalization of growth, where output expands without increasing employment quality.

Wage growth has also not kept pace with overall economic growth, particularly in agriculture and low-skill sectors. Disparities still persist between rural and urban areas, where rural areas experience higher levels of poverty and lower levels of income than urban areas. A major factor in poverty alleviation and social protection is government initiatives such as the Public Distribution System (PDS), MGNREGA, and direct benefit transfers. However, their impact on inequality has been much more limited due to issues related to targeting, implementation, and coverage.

5. Why Human Development Outcomes Lag

Despite the fact that the economy has been progressing slowly and consistently for the last three decades, enhancements in India's human development-related outcomes are sluggish and less consistent and suffer from structural constraints that have interlocking nature. One big problem is that the government does not spend enough on social services. Health care spending is only around 2.1% of GDP, and education spending is only about 3% - 4% of GDP, less than the world average. This is reducing the possibility of people to receive necessary services (World Bank, 2025f). Due to this lack of investment, the reliance on private services is high, most notably on health, where nearly half of all health costs stem from out-of-pocket spending. That leaves people more vulnerable financially and makes it more difficult for some people to access the care they need.

Increasing inequality, negatively impacting quality of life in the country, is impeding the power of economic growth. For instance, over 57% of the total income is taken home by the top 10% of the people and only 13% does the same share by the bottom 50% of the population (World Inequality Database, 2026). This kind of difference makes it more difficult for low income individuals to get basic services, like education and medical care, which has a negative impact on human development outcomes. Large differences between regions compound some of these inequalities, which is why health, education and income outcomes in Kerala and Tamil Nadu are substantially better than those in Bihar and Uttar Pradesh, which lag behind. Variability in governance, institutional capacity, and public investment levels plays a key driving role in this disparity. Moreover, the inefficiencies, leakages, and uneven implementation of public policy lead to inefficiencies and service delivery problems that take away from effective service effectiveness despite resources supplied to public schemes. Divisions in administrative responsibilities and resources for implementation on state level make policy implementation still less effective in practice than before. Another core structural limit relates to the manner in which India's economy has grown, characterized by "jobless growth" and a great deal of informal workers. On the other hand, while GDP has grown so rapidly, the official sector has not generated much in the way of employment. Approximately 80% - 85% of the working population is engaged in the informal economy, where salaries are low, jobs are insecure, and there is hardly any social protection. Such poor working conditions make it difficult to keep workers in their labour force

and where too few get the chance to benefit from the fruits of economic development. These reflections illustrate that slow progress in human development in India is not due simply to slow growth but how growth leads to better lives for people. Low public investment, inequality, regional imbalances, governance constraints and labor market informality combine to make it much harder for economic growth to become a lasting and widespread change in living standards.

6. Policy Implications

The key solution on a national scale to the growing gap between economic growth and human development in India needs a comprehensive policy package with a focus on human capital accumulation, inclusiveness, regional balance and institutional effectiveness. This article argues that we can just grow to some extent, but you must see beyond the numbers to understand how growth is not sufficient; the quality of this growth, or its distribution or governance quality, is also paramount. Perhaps the most promising option is to massively increase the amount of public spending on health and education, the two most essential components in human development. India invests around 2.1% of its GDP in health and 3% - 4% in education—below the global average. This leads to greater complexity in seeking help and less impact among individuals. That is public spending should grow to what other countries will be pushing for, like around 5% - 6% of GDP for education and more for health. But spending must not be just a focus but also an efficiency and outcome measure. That means strengthening primary health care systems, extending preventive care, strengthening nutrition programs, beefing up teacher training and addressing learning gaps. And investing in people makes them healthier, and delivers good long-term outcomes through their skills and creativity. And it is just as important to have methods of growth that are accessible to all, so that more people can participate in and gain from economic advancement.

In order to tackle the problem of jobless growth, we need policies that will foster growth (which creates a lot of jobs in manufacturing and other sectors) of production, which need many people. We also need to strengthen labor market institutions to create more formal jobs and develop new skill development systems to restore productivity and income security. Progressive taxes, targeted subsidies and a stronger social security system can also lower inequality, and guarantee the bigger gains from growth are shared in a better way. To help us get better, we also need to reduce differences between areas.

The fact that development results vary such an astonishing array of states points out how important it is to put a particular design in place for each sphere. This calls for more money for states that struggle, infrastructure, hospitals and schools in those parts of the country that are lagging behind and balanced industrialization in all regions. Improving rural infrastructure and connection is also important to narrowing the gap between rural and urban and making it easier for people to find jobs. A second area is enhancing governance and social welfare programs. Figure 6 depicts the full cycle of national public investment policy, il-

lustrating the interconnectedness of the four processes of planning, allotting resources, putting the policy into action, and evaluating it. It illustrates how national and sectoral priorities, coupled with budgeting and institutional structures, guide people's decision-making on what investments to make.

The cycle focuses on the need for continuous feedback mechanisms where a project output is used to assist in future planning and policy development. Fundamentally, the enablers that ensure that things operate effectively and are held accountable are technical skills, legal rules, and information systems. The public investment management gets more efficient by getting the stakeholders involved and the system related to the broader financial and governance systems. Even where resources are available, policy impact can be curtailed in practice through inefficiency in carrying out the plans, for instance leaks, incorrect targeting, and lack of accountability. Improving service delivery can come from strengthening institutions, making institutions more open to the public, applying digital technology for direct benefit transfers. In order to make the systems like the Public Distribution System (PDS), MGNREGA, and health insurance plans cover more people, work better and for everybody they will have to be reformed all the time. Policy quality can be further enhanced through deeper collaboration between national and state governments and increased power for local government. And there's even an underlying problem with the labor market that should be addressed through reducing the amount of "informal" jobs and raising the quality of work. Updating rules on how employment should be governed, providing more coverage for social security, and offering assistance to small and medium companies can also assist with job stability, and production. This is critical to ensure that economic growth translates into long-term increases in living standards and household incomes.

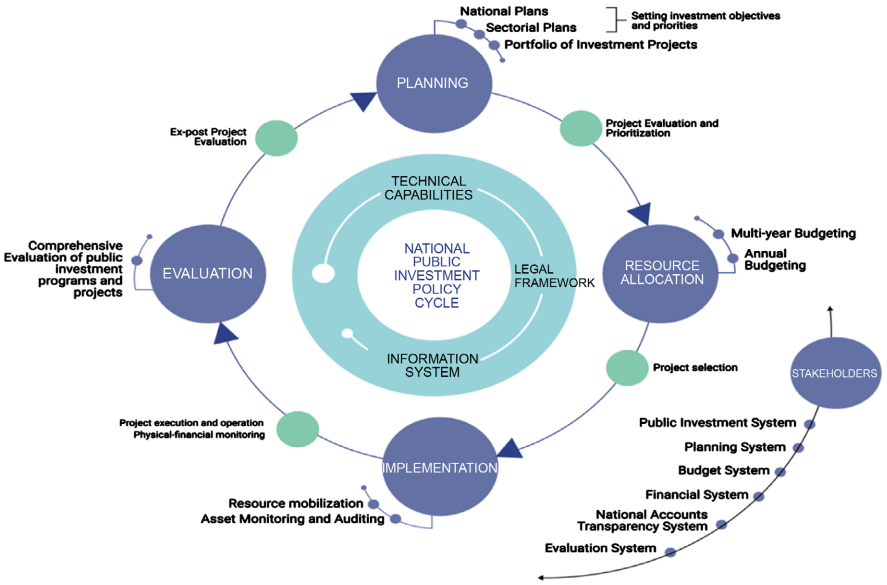

Figure 6. Policy pathways to convert economic growth into inclusive human development outcomes (Economic Commission for Latin America and the Caribbean [ECLAC], 2025).

7. Research Gaps and Future Directions

The existing literature provides some useful information as to how the economic growth of India is related with the human development, there are still vast gaps that need to be filled for such an understanding as to why the level of progress of living standards against economic growth continues to lag behind. These discrepancies need to be filled in so that there are openings in both academia and policy in the future. The study of human development outcomes has the limitation of relative deficiency with regard to micro-level assessments on human development achievements. Much existing research relies on national or state-level metrics such as GDP, HDI, and poverty rates. Such indicators normally hide stark differences between states, households, and individuals. There is a need for deeper investigations using household-level survey data like NFHS, NSS, or PLFS to understand the role of caste, gender, occupation, and location on health, education, and income opportunities. The above micro-level evidence may offer insight into the sources of inequality and can make it easier to identify targeted solutions for vulnerable communities.

Another critical gap within the study is to the impact of institutions and governance on development outcomes. While it is evident from literature that the quality of governance influences the performance of public spending and delivery of services, there is a lack of systematic empirical studies investigating how institutional differences in capacity, accountability, and inequality in implementation of policies among states influence human development outcomes. Study should, in general and more specifically, focus on constructing indicators and on examining their association with health, education, and welfare outcomes. A comparative analysis of Indian states (and with other developing nations) can also contribute to an understanding of how institutional gaps drive developmental pathways.

A third focus requiring further research is on how, over time, human capital builds and how it is associated with economic growth. Contemporary analyses generally focus on short-term measures (enrollment rates, basic health outcomes), but not the quality or the permanence of human capital development over a prolonged period of time. Future research should investigate the cumulative effects of early childhood nutrition, educational quality, skill acquisition, and labor market outcomes on long-term productivity and economic growth by assessing such a variety of variables. Longitudinal studies, which follow groups of people over time, would be particularly valuable for figuring out how these things work.

8. Conclusion

We have examined the intricate relationship between economic growth and human development in India from the contemporary paradigm of global economic development. It underscores a consistent and systemic gap between rising income and improving living standards. India has succeeded in becoming one of the fastest-growing major economies in the world following 1991 economic reforms.

However, the evidence seen in this study shows that such growth has not brought so much improvement to important areas of human development as health, education and overall well-being. The study points out that despite progress in poverty alleviation, increased life-expectancy, and access to education there have been uneven, inadequate and deeply unequal outcomes from one region or class with regard to areas and areas of the socio-economic hierarchy. Economic growth is an essential characteristic, but it's not enough to result in human development on a very large scale. Results emphasize that public investment in health and education, income distribution, governance quality, and labor market mechanisms of which we found mediating factors in terms of growth and its effects on welfare and livelihood. India's relatively low public expenditure in the social sector, deep inequality, persistent regional heterogeneity, and a high level of informality in the labor market, along with widespread labour market informality, has all coalesced to undermine the mechanisms that link economic development outcomes with human development outcomes.

Comparative studies in China, South Korea and Sri Lanka, among other countries, support this theory because it shows the effects that deliberate investments in human capital and inclusive structures in policies can greatly amplify the developmental contribution contributed by economic growth and it provides evidence as to its effectiveness. India's trajectory of growth, however, has had structural imbalances from sectoral concentration and jobless growth, and a lack of equal access to critical services. These have, in addition to preventing long-term, and inclusive advances in people's well-being, made it harder for India to achieve long-term and inclusive benefits. It also adds that converting the growth of economies into human development is a problem faced by not only India, but all developing countries. But why India's story is particularly significant is due to its massive population, spectrum of regional experiences and sheer size of growth-development gap. Policies must change from focusing on growth alone to taking into account the need for equal weight development to improve human capacities, reduce inequality, and make institutions more effective. It concludes that the only true yardstick of development is not merely how quick your rate of economic growth is, it is mainly the extent to which growth improves on the quality of living in terms of all segments of your population. To reconcile India's economic growth and human development, the country will be forced to adhere to policies that include everyone, invest more in people and improve governance and service delivery, it says. This holistic approach is the only way to transform economic growth into true, equitable, and sustainable improvements in the standard of living.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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