

Growth vs Equity: Dilemmas of India's Development Trajectory

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Abstract:

India's post-liberalization development experience presents a persistent dilemma between rapid economic growth and equitable distribution of its benefits. While the country has achieved impressive GDP growth, technological advancement, and global integration, these gains have been unevenly distributed across regions, social groups, and occupational categories. This imbalance has intensified income inequality, regional divergence, labour market insecurity, and social stratification. The paper critically examines India's development trajectory through the growth–equity lens, arguing that growth-centric strategies without adequate distributive mechanisms undermine human well-being and social sustainability. Drawing on interdisciplinary literature from development economics, political economy, and social policy, the study develops a conceptual framework linking unequal growth with economic insecurity, psychosocial stress, and reduced quality of life. The paper contends that equity is not antithetical to growth but a necessary condition for its durability. It concludes that India's development challenge lies not in choosing between growth and equity, but in designing a model of growth that is inclusive, regionally balanced, and people-centered.

Keywords: Economic Growth, Equity, Inequality, Development Trajectory, Inclusive Growth, and India.

1. INTRODUCTION

Since the economic reforms of the early 1990s, India has emerged as one of the fastest-growing major economies in the world. Liberalization, privatization, and globalization have accelerated economic expansion, expanded markets, and enhanced India's global economic standing. However, this growth has been accompanied by widening inequalities across income groups, regions, and social categories, raising critical questions about the nature and quality of development.

The central dilemma of India's development trajectory lies in the tension between growth and equity. While aggregate economic indicators suggest progress, distributive outcomes reveal deep structural imbalances. Growth has been concentrated in urban centers, service-sector hubs, and select states, while large parts of rural, eastern, and central India continue to experience stagnation, limited employment generation, and weak public services.

Development is increasingly recognized as more than an expansion of income or output. Persistent inequality erodes social cohesion, intensifies insecurity, and undermines individual well-being. In India, rising aspirations fuelled by media exposure and digital connectivity coexist with limited opportunities for large sections of the population, creating a paradox of growth without commensurate social progress.

This paper examines India's growth–equity dilemma by situating economic expansion within its broader social and institutional context. It argues that neglecting equity not only produces social distress but also threatens the sustainability of long-term growth. By integrating economic and social dimensions, the study contributes to debates on inclusive development and rethinking India's growth model.

1.2. Growth and Inequality in India: An Overview

India's growth experience has been characterized by structural unevenness. Inter-state disparities in per capita income have widened over time, with industrialized and urbanized states outperforming agrarian and resource-dependent regions. Metropolitan-centric development has reinforced rural–urban divides, while backward regions remain trapped in low productivity and weak infrastructure.

Income and wealth inequality have also intensified. A significant share of economic gains has accrued to top income groups, while wage growth for informal and low-skilled workers has remained sluggish. The dominance of informal employment, accounting for the vast majority of the workforce, has further limited the transmission of growth benefits to the broader population.

Labour market transformations associated with globalization and technological change have produced jobless or low-quality employment growth, particularly affecting youth and migrants. Rising living costs, housing insecurity, and limited access to social protection compound economic vulnerability, even among those formally employed.

These patterns reflect a growth model that prioritizes efficiency and competitiveness over redistribution and regional balance. As a result, growth has coexisted with persistent deprivation, highlighting the structural nature of India's equity challenge.

1.3. Equity as a Development Imperative

Equity in development refers not only to income redistribution but also to equal access to opportunities, security, and public services. Unequal access to education, healthcare, housing, and employment opportunities reinforces intergenerational disadvantage and restricts social mobility.

In India, social identities such as caste, gender, and location intersect with economic inequality, producing layered forms of exclusion. Marginalized communities face systemic barriers in accessing quality education, formal employment, and institutional support. Women's lower labour force participation and disproportionate care burdens further reflect inequitable development outcomes.

The absence of equity has broader consequences for social stability and democratic governance. Rising inequality fuels dissatisfaction, weakens trust in institutions, and intensifies perceptions of injustice. These outcomes suggest that equity is not merely a moral concern but a foundational requirement for a resilient development process.

2. REVIEW OF LITERATURE

Recent scholarship on India's development trajectory increasingly interrogates the long-standing assumption that rapid economic growth will automatically translate into equitable social outcomes. A growing body of literature argues that India's post-reform growth model has generated substantial aggregate gains while simultaneously intensifying income, wealth, and regional inequalities (Stiglitz, 2019; Chancel et al., 2022). Studies examining distributional outcomes highlight that the benefits of growth have accrued disproportionately to higher income groups, metropolitan regions, and skill-intensive sectors, reinforcing structural divides across states and social groups (Nagaraj, 2020; Deshpande, 2022). This evidence challenges the growth-first paradigm and calls for renewed attention to equity as a core development objective.

In the context of inclusive growth, recent empirical research emphasizes that India's development performance remains uneven when assessed beyond GDP indicators. While multidimensional poverty has declined in recent years, income and wealth concentration at the top has continued to rise, indicating that

poverty reduction has not been accompanied by proportional gains in distributive justice (Chancel et al., 2022; World Inequality Database, 2023). Scholars argue that growth-led poverty alleviation strategies, though effective in reducing extreme deprivation, have limited capacity to address structural inequality without deliberate redistributive interventions (Sen, 2020; Stiglitz, 2024). This literature underscores the need to distinguish between poverty reduction and equity enhancement in development analysis.

Labour market dynamics constitute a central theme in recent debates on growth and equity. Studies using Periodic Labour Force Survey data reveal that employment generation has lagged behind economic growth, with a persistent dominance of informal and precarious work arrangements (Mehrotra & Parida, 2019; Kalleberg, 2018). More recent analyses note that the quality of employment, rather than employment quantity alone, has emerged as a key equity concern, particularly for youth, women, and migrant workers (Srivastava, 2020; Mehrotra, 2023). Skill-biased technological change and digitalization have further widened wage disparities by favouring educated and urban workers, raising concerns about exclusionary growth patterns (OECD, 2021).

Regional inequality has received renewed scholarly attention over the past five years, with evidence suggesting divergence rather than convergence in inter-state income levels. High-growth states have benefited from better infrastructure, human capital, and institutional capacity, while lagging regions remain constrained by low investment and weak governance (Nagaraj, 2020; Bhatia et al., 2024). Recent spatial analyses indicate that uneven public service delivery in health, education, and social protection exacerbates regional inequities, reinforcing cycles of disadvantage (Economic Survey of India, 2024–25). These findings support the argument that growth without regional balance undermines national development cohesion.

An important strand of recent literature connects economic inequality with broader well-being outcomes, emphasizing that inequitable growth generates social and psychological costs. Studies drawing on social comparison and relative deprivation theories demonstrate that perceived inequality and insecurity often have stronger effects on well-being than absolute income levels (Wilkinson & Pickett, 2018; Buttrick et al., 2022). In the Indian context, rapid economic transformation combined with heightened exposure to consumption standards through media and digital platforms has intensified status anxiety and dissatisfaction among those excluded from growth benefits (Banerjee & Duflo, 2019; Patel et al., 2018). This line of research broadens the growth–equity debate by highlighting the non-material consequences of unequal development.

Recent policy-oriented studies increasingly argue that equity should be viewed as a productive factor rather than a constraint on growth. Evidence suggests that unequal societies face higher social fragmentation, lower trust in institutions, and reduced long-term growth potential (OECD, 2021; Stiglitz, 2024). In India, rising inequality has been linked to declining labour productivity, constrained human capital formation, and social discontent, which collectively threaten the sustainability of economic expansion (Economic Survey of India, 2024–25). Consequently, scholars advocate for a development strategy that integrates redistribution, employment security, and public investment as complements to growth rather than trade-offs.

3. RESEARCH METHODOLOGY

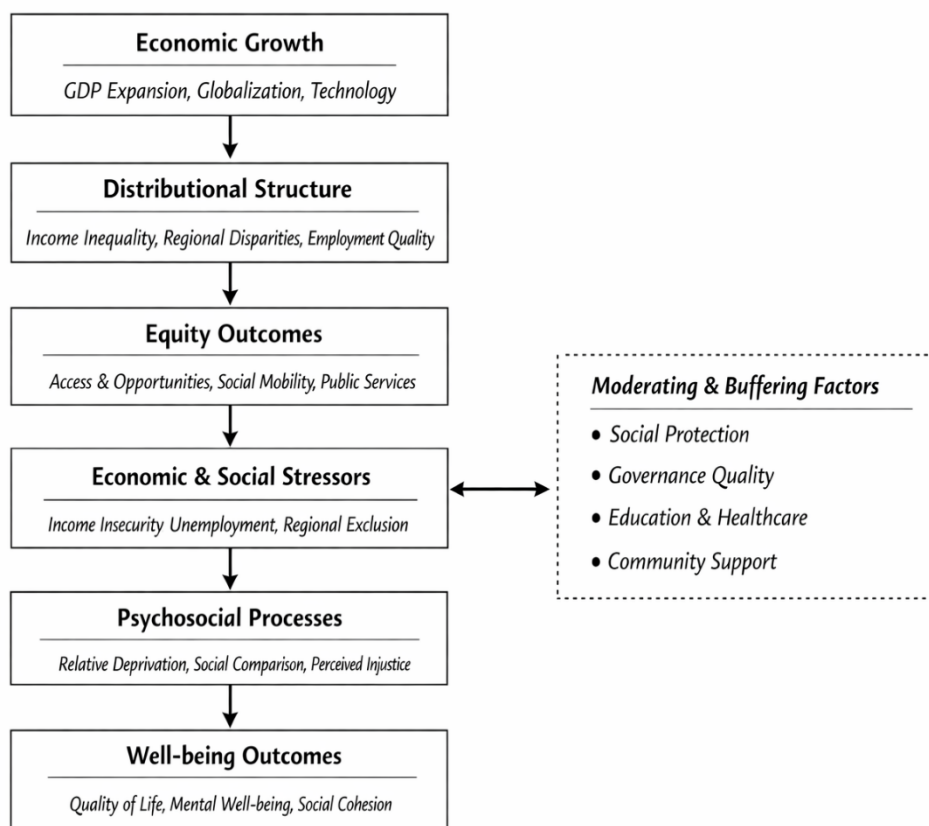
This study adopts a qualitative and conceptual research design to examine the dilemma between economic growth and equity in India's development trajectory. The analysis is grounded in interdisciplinary development theory, drawing on the Capability Approach, inequality theory, and political economy perspectives to interpret how growth processes interact with distributive outcomes. The study relies exclusively on secondary data obtained from government reports, national surveys, international

databases, and peer-reviewed literature published between 2019 and 2025. A systematic review of relevant studies was conducted using academic databases to identify key themes related to growth patterns, regional disparities, labour market dynamics, and equity outcomes. The analytical approach employs thematic synthesis and conceptual mapping to integrate economic and social dimensions of development. Evidence triangulation across multiple credible sources ensures analytical validity and reliability.

4. CONCEPTUAL FRAMEWORK: LINKING GROWTH, EQUITY, AND WELL-BEING

The paper proposes a conceptual framework that views unequal growth as a structural driver of social and economic stress, mediated by institutional and psychological factors.

Figure 1: Conceptual Framework: Linking Growth, Equity, and Well-being



The proposed conceptual framework explains how economic growth influences human well-being through the mediating role of equity and associated social and psychological mechanisms. It is grounded in development economics and well-being literature and emphasizes that growth alone does not guarantee improved quality of life unless accompanied by equitable distribution and inclusive institutions.

At the first level, economic growth represents aggregate expansion in output, income, and productive capacity driven by industrialization, globalization, technological change, and market integration. In the Indian context, growth has been uneven across regions and sectors, with concentration in urban and skill-intensive activities. While growth increases national income, its developmental impact depends critically on how its benefits are distributed.

The second level captures the distributional structure of growth, which determines whether economic gains are broadly shared or concentrated among specific regions, sectors, or social groups. Unequal distribution manifests through income inequality, regional divergence, and segmented labour markets

dominated by informal and precarious employment. This distributional structure directly shapes equity outcomes, defined as access to opportunities, upward mobility, employment security, and public services such as education and healthcare.

Inequitable growth produces economic and social stressors, including income volatility, unemployment or underemployment, migration pressures, and exclusion from development opportunities. These stressors disproportionately affect vulnerable populations such as informal workers, youth, women, and residents of lagging regions. However, the impact of these stressors on individuals is not purely material.

The framework highlights psychosocial processes as critical mediating mechanisms linking inequity to well-being. Relative deprivation arises when individuals compare their socioeconomic position with others and perceive unfair disadvantage. Social comparison and heightened exposure to consumption standards intensify status anxiety, frustration, and insecurity, particularly in high-growth but unequal environments. Perceived injustice and declining confidence in social mobility further exacerbate psychological strain.

These interacting economic and psychological forces ultimately shape well-being outcomes, including quality of life, mental well-being, life satisfaction, and social cohesion. The framework emphasizes that reduced well-being can occur even in periods of high growth when equity is weak, reinforcing the argument that growth without inclusion undermines human development.

Finally, the framework incorporates moderating and buffering factors such as social protection systems, governance quality, access to education and healthcare, and community support networks. Strong institutions and inclusive policies can weaken the negative link between inequality and well-being by reducing insecurity and enhancing resilience. Conversely, weak institutions intensify the adverse effects of inequitable growth.

5. DISCUSSION: RETHINKING THE GROWTH–EQUITY TRADE-OFF

The analysis of India's development trajectory challenges the conventional assumption that economic growth and equity exist in an inherent trade-off relationship. The dominant growth-first paradigm, which prioritizes aggregate output expansion with the expectation that benefits will eventually "trickle down," has proven insufficient in addressing persistent and multidimensional inequalities. India's experience demonstrates that while growth has generated substantial national income, its uneven distribution across regions, sectors, and social groups has produced structural inequities that undermine the broader objectives of development.

One of the central findings emerging from the conceptual framework is that unequal growth creates hidden social and economic costs that are often excluded from traditional economic evaluations. Growth concentrated in urban centers and high-productivity sectors has increased regional divergence and weakened rural and semi-urban economies. Individuals and households in lagging regions face stagnating incomes and limited employment opportunities, even as national indicators signal prosperity. This divergence erodes social cohesion and reinforces perceptions of exclusion, thereby weakening the social foundations necessary for sustained economic progress.

Labour market dynamics further complicate the growth–equity relationship. Despite high growth rates, India's employment generation has been characterized by informality, precarious work, and income volatility. The persistence of insecure employment indicates that growth has not translated into stable and dignified livelihoods for a large proportion of the workforce. This disconnect reveals that the quality of growth matters as much as its quantity. When growth fails to generate secure employment and upward

mobility, it intensifies economic insecurity and undermines household resilience, particularly among youth, women, and migrant workers.

The discussion also highlights the importance of psychosocial dimensions in rethinking the growth–equity trade-off. Unequal growth amplifies relative deprivation and social comparison as individuals assess their well-being not in absolute terms but relative to others. Increased exposure to consumption patterns and lifestyles through urbanization and digital media intensifies status anxiety and dissatisfaction among those excluded from growth benefits. These psychosocial mechanisms explain why subjective well-being and life satisfaction may stagnate or decline even during periods of rapid economic expansion.

Importantly, the findings suggest that inequity is not merely a social outcome of growth but a factor that can constrain future economic performance. Persistent inequality weakens human capital formation by limiting access to quality education, healthcare, and skill development. It also reduces labour productivity, increases social unrest, and erodes trust in institutions. From this perspective, equity emerges as a productive investment rather than a constraint on growth, challenging the narrative that redistribution necessarily slows economic progress.

The role of institutions and policy interventions is critical in mediating the growth–equity relationship. Strong social protection systems, effective governance, and equitable public service delivery can buffer the adverse effects of inequality by reducing insecurity and enhancing economic participation. Conversely, weak institutional capacity exacerbates exclusion and magnifies the negative consequences of uneven growth. This underscores the importance of embedding equity considerations within macroeconomic and development planning rather than treating them as residual welfare concerns.

Rethinking the growth–equity trade-off also requires revisiting development metrics. Overreliance on GDP as the primary indicator of progress obscures distributive outcomes and well-being dimensions. The discussion supports a shift toward multidimensional assessment frameworks that integrate equity, quality of employment, and well-being indicators alongside economic growth. Such an approach aligns development objectives with lived experiences and long-term sustainability.

Overall, the discussion reinforces the argument that India’s development challenge is not a choice between growth and equity but a failure to integrate the two effectively. Growth strategies that ignore equity risk producing fragile and exclusionary development outcomes. Conversely, equity-oriented policies that enhance opportunity, security, and inclusion can strengthen the durability of growth. Rethinking the growth–equity trade-off thus requires a paradigm shift toward inclusive, regionally balanced, and people-centered development models that recognize equity as a core driver of sustainable economic progress.

6. POLICY IMPLICATIONS

The findings of this study underscore the urgent need to reorient India’s development strategy toward a model that integrates equity as a central pillar of economic growth. First, macroeconomic policy must move beyond aggregate GDP targets and explicitly incorporate distributive outcomes as indicators of development performance. This requires systematic monitoring of income distribution, employment quality, and regional disparities alongside growth metrics. Embedding equity-sensitive indicators within national and state-level planning frameworks would ensure that growth strategies are evaluated not only by their scale but also by their inclusiveness.

Second, addressing regional imbalances should be a core policy priority. Targeted public investment in infrastructure, education, healthcare, and industrial capacity in lagging regions is essential for reducing spatial inequality and promoting balanced growth. Decentralized development planning, coupled with stronger fiscal transfers to underdeveloped states, can help narrow inter-state disparities and reduce

distress-driven migration. Regional equity is critical not only for social cohesion but also for expanding domestic demand and sustaining long-term growth.

Third, labour market reforms must focus on improving the quality and security of employment. Policies aimed at formalization, minimum wage enforcement, and expansion of social security coverage are crucial for reducing income volatility and economic insecurity. Skill development programs should be aligned with future employment opportunities and region-specific economic structures to enhance employability and upward mobility. By strengthening employment security, such measures can mitigate the psychosocial stress associated with precarious livelihoods.

Fourth, social protection systems should be expanded and redesigned to address the risks associated with unequal growth. Universal or near-universal access to health insurance, unemployment support, housing assistance, and old-age security can significantly buffer households against economic shocks. Integrating mental well-being considerations into social policy is particularly important, as insecurity and perceived exclusion often undermine quality of life even in periods of economic expansion.

Finally, governance quality and institutional capacity play a decisive role in translating growth into equitable outcomes. Transparent policy implementation, accountability mechanisms, and inclusive decision-making processes enhance public trust and reduce perceptions of injustice. Strengthening institutions at both central and state levels is therefore fundamental to resolving the growth–equity dilemma and ensuring socially sustainable development.

7. CONCLUSION

This study has examined the dilemma between economic growth and equity in India's development trajectory, arguing that the two should not be viewed as competing objectives but as mutually reinforcing components of sustainable development. While India's post-liberalization growth has generated significant economic gains, its uneven distribution across regions, sectors, and social groups has produced persistent inequalities that undermine human well-being and social cohesion.

By integrating insights from development economics, inequality theory, and well-being literature, the study demonstrates that growth divorced from equity generates hidden economic and social costs. Unequal access to opportunities, employment insecurity, and regional exclusion weaken human capital formation, intensify psychosocial stress, and threaten the durability of long-term growth. These findings challenge GDP-centric development models and reinforce the need for a broader, people-centered understanding of progress.

The analysis highlights that equity is not merely a redistributive concern but a structural determinant of development quality. Inclusive growth strategies that expand opportunity, security, and participation can strengthen economic resilience and social stability. Consequently, India's development challenge lies not in choosing between growth and equity, but in designing institutions and policies that integrate the two effectively. Reframing development in this manner is essential for achieving inclusive prosperity and long-term sustainability.

8. FUTURE RESEARCH DIRECTIONS

Future research should empirically test the conceptual framework proposed in this study using micro-level household data or state-level panel datasets. Quantitative analysis could examine the causal relationships between growth patterns, inequality indicators, and well-being outcomes to strengthen empirical validation. Longitudinal studies would be particularly valuable in capturing how prolonged exposure to economic insecurity and inequality affects individual and collective well-being over time.

Further studies could explore inter-state and inter-regional comparisons to identify institutional and policy factors that successfully moderate the adverse effects of unequal growth. Comparative research across Indian states with varying governance capacities and welfare regimes would provide insights into best practices for inclusive development. Additionally, sector-specific analyses focusing on manufacturing, services, and agriculture could illuminate how different growth pathways influence equity outcomes.

Future research should also examine the heterogeneous impacts of unequal growth on vulnerable populations, including women, youth, informal workers, and marginalized social groups. Integrating qualitative methods such as interviews and case studies would enrich understanding of lived experiences and subjective perceptions of inequality. Finally, interdisciplinary research linking economics, psychology, and public policy can further advance knowledge on how equity-oriented development strategies enhance well-being and sustain long-term economic growth.

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