Increasing Per Capita Income Of India

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Introduction:

Peter Drucker says that "the ultimate resource in economic development is people. It is people, not capital or raw materials, that can develop an economy". According to the **World Health Organisation**, the human development index includes various factors such as knowledge, health, and standard of living. Per capita income is one of the indicators of the standard of living of people. The phrase per capita is a Latin term that means **per head**. Per capita income is the average income earned by an individual within a particular territory. It affects people's economic activities or their purchasing power, impacting their quality of life. It is derived by dividing the gross domestic capital of a financial year by the total population of a particular territory.

Trends in per capita income in India after independence:

Per capita income in India has seen an **increasing trend since independence**. It is because of increasing GDP. GDP increased initially as a result of growth in the agriculture sector and later in the industrial and service sectors. As per the data from the World Bank, the per capita income of India in **1960 was $83.** After a decade, it rose to 112 dollars. In **2020, it was $1,913.** The world per capita income was $457 in the year 1960 and $812 a decade later. It reached $10,896 in 2020. This shows a huge difference between India's average per capita income and the world's. However, it includes nations with various developmental levels and divides its share commonly among the entire population. Thus, it would not be proper to draw a conclusion based on it.

It is important to consider inflation (which means a rise in the general price level of a good) while calculating the per capita income as it affects the purchasing power of the people. Looking at the nominal per capita income in assessing the standard of living of people would raise a challenge as it didn't consider inflation. For example, assume that a person A from country X has a per capita income of 100 rupees per year in year 1. Out of this income, she consumes food worth 50 rupees, spends 20 rupees on house rent, 10 rupees on health services, and 20 rupees on entertainment. If income rises by 5% and prices of food rise by 10 percent in year 2, nominal per capita income rises by 5%. Though there is no change in purchasing power, nominal per capita income shows an increasing trend. This challenge is solved using real per capita income, as it shows no increase in her purchasing power because it considers inflation.

Due to the above-mentioned reasons, this paper also likes to throw some light on the trend of real per capita income in India. Real per capita income is calculated by the given formula, which is **nominal GDP/1+deflator/population**. The real per capita income of India was 78.9$, 110.7$, and 435.4$ in

1960, 1980, and 2000, respectively. If it is compared to the nominal per capita income during the same periods, we could find a **difference of 7%, 2%, and 2%** in the above-mentioned time periods. In the year 2022, there will be a **difference of around 8% between real per capita income and nominal per capita income.**

Table 1: This table shows the real per capita income and nominal per capita income of India in dollars

Year	Real per capita income in Dollars	Nominal per capita income in dollars
1960	78.9	83
1970	114.7	112
1980	110.77	267
1990	297.91	369
2000	435.4	442
2010	1252.64	1351
2020	1827.3	1913
2021	2062.79	2238
2022	2206.41	2389

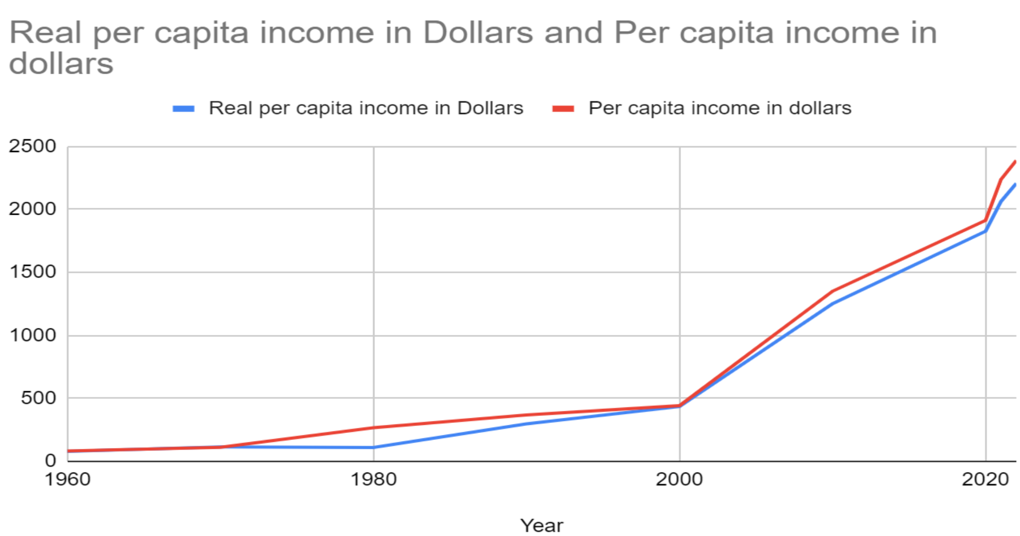

Figure 1: This figure shows the trend of real and nominal per capita income of India.

<u>Per capita income of developed countries in Europe, Asia, and America:</u>

If we look at the per capita income of the developed countries in Europe, there is a huge difference between them and India. For example, **Luxembourg had the highest per capita income of $1,32,370 in 2022,** according to the reports of the International Monetary Fund. This is nearly 98 times more than the per capita income of India. Though less population is one of the factors contributing to the high per capita income of Luxembourg, its economic stability, external trade, and banking have a crucial impact on achieving it.

According to the reports of the IMF, **Singapore,** being the most developed country in Asia, has the **6th highest per capita income in the world**. It is $83,890 in 2023 and estimated to reach 1 lakh dollars by 2027. The main reason behind its success has been the internal business environment and the efforts of the government in tackling corruption, building human resources, and achieving the rule of law. Because it has attracted more foreign direct investment and also resulted in human development.

The **USA ranks 7th in having the highest GDP per capita in the world.** $80,030 is its per capita income in 2023. The reasons behind having a high per capita income are supportive tax systems, good infrastructure facilities, and the availability of abundant mineral resources and raw materials. It helps in production and trade, resulting in a higher GDP. In addition to that, higher work productivity is also considered responsible for the higher per capita income.

<u>Per capita income of some underdeveloped countries:</u>

Burundi is one of the least developed countries. It had a per capita income of $309 in 2022. It is equal to 12% of India's per capita income. There are several reasons behind such a poor per capita income, such as 90% of employment share in the agriculture sector, an underdeveloped manufacturing sector, political instability, etc. **Sierra Leone,** situated in the West African region, ranks second in having the lowest per capita income in the world. In 2022, it had a per capita income of $471.66. According to the report of the World Bank, poor fiscal policies, corruption, depreciation of currency, improper management of the macroeconomy, high inflation, and poor industrial development have resulted in low per capita income.

<u>Per capita income of some developing countries:</u>

According to the definition of the World Bank, developing countries are sovereign nations that have fewer developed industrial sectors and a lower human development index in comparison with developed nations. If we look at the per capita income of developing nations, it varies widely. Yet, a neighbouring nation of India, that is, Bangladesh, is studied to understand the level of per capita income of developing nations other than India. In the year 2022, the **per capita income of Bangladesh was $2,688.3.** This is more than India's per capita income. Bangladesh's efforts in the manufacturing sector, active involvement of women in the workforce, stress on human development, and international trade have resulted in a per capita income that is higher than India's.

China, being one of the neighbouring states of India, will have a per capita income of **$12,150 in 2023.** Its initial efforts on education and health, a giant working population, investments in the industrial sector, international trade, and market reforms are responsible for its per capita income status.

Observation of various developmental-level economies shows that there are some common factors whose success impacts the per capita income of a country. They are:

1. Economic factors:
- Tax structure
- FDI inflow
- Corruption
- International trade

2. Social factors:
- Health
- Education

3. Political factors:
- Political stability

This paper attempts to find out the challenges that India is facing in achieving high per capita income by analyzing its performance in the above-mentioned factors.

1. Economic Factors

- **Tax structure in India and its impact on its per capita income:**

Generally, investments increase production and GDP, further impacting per capita income. Therefore, in developing nations, there is a need to create a business-supportive environment to attract investments. Liberal tax reforms are one way to create that supportive environment. Huge taxes reduce the profits of producers and also impact future investments, diverting investments to tax-haven countries. Taxes also act as a trade barrier. In India, after independence, the tax structure hasn't been so favorable for businesses. Generating revenue for the government seemed much more necessary by then. Even the research says that increased economic restrictions negatively impact only high-income countries, not low- and middle-income countries.

However, during the 1991 economic reforms, many changes were made to the tax structure. It **lowered the marginal wealth tax rates to 30% from 60%**. India, initially being a closed economy, put in a lot of tariffs and duties to regulate international trade. Later, it adopted globalization. From there on, **duties have been reduced from 300% to 30%.**

In the past decade, various **tax reforms** have been introduced by the government of India, which involve tax exemptions and concessions.

- ❖ **The introduction of a goods and services tax in 2017** is one such reform. This tax has put an end to the entry tax (which used to be paid whenever there was an interstate trade) and the central sales tax. Through this, the GST has reduced the cost of internal trade.
- ❖ In order to promote domestic manufacturing, the government has **reduced the tax rate to 15% for new domestic manufacturing companies.** Particularly those companies that have not enjoyed any kind of exemption or incentive. This ordinance also exempts these companies from paying the minimum alternate tax. Here, minimum alternate tax is the tax that tries to ensure that companies pay at least the minimum amount of tax and put some limit on tax exemptions.
- ❖ Even the government has **reduced the minimum alternate tax rate from 18.5% to 15%** for other companies. This allows companies to utilize more tax exemption or concession opportunities, reducing the cost of production.

These reforms show that the **government is making efforts to create a business-favored environment,** which could increase production, resulting in a higher per capita income.

- **FDI inflows status of India and its impact on per capita income:**

Since independence, the Indian government has tried to keep a large number of companies under public control and left a few areas for private investment. It also followed **import substitution and industrialization to improve domestic capability in heavy industries.** Thus, it preferred foreign direct investments instead of foreign portfolio investments. However, it didn't give 100% ownership in direct investments to foreign entities; instead, it gave major shares to domestic entities. Being a newly independent country with a huge population and problems like poverty, illiteracy, dependency on agriculture, and the major involvement of the government in the production process, it did not attract much investment, particularly from foreign investors. Gradually, **the proportion changed, and the number of fields of production under public control was reduced**.

For instance, in the late 1960s, foreign investors could not hold more than 40% of the ownership of businesses and were restricted only to the manufacturing sector. Whereas in 1990, foreign direct investments were welcomed in new sectors like the management of roads, airlines, telecommunication, construction, banking, and others. In 2014, FDI was given permission to hold 100% ownership in the telecommunications sector. In the same way, the proportion of other sectors was also revised. **FDI has seen an increasing trend since 2006.** This trend impacts per capita income as higher FDI promotes GDP growth, further increasing per capita income.

However, **FDI inflows have not shown any constant trends**. It has been fluctuating due to internal and external scenarios. Anyhow, it has remained at a higher level. If we look at the sectoral distribution of such investments, one of the major shares is going to the service sector. Countries with growing economies, like China, utilize more investments in the manufacturing sector than the service sector.

In 2021–22, India received a record high FDI of 83.57 billion dollars. Unfortunately, there is a 13% drop in FDI inflows during 2022–23, due to high inflation in the USA and Europe. The study shows that a **1% increase in FDI inflows leads to a 0.02% growth in GDP**, further raising per capita income. It also shows that the same percentage of FDI inflow growth in China results in a 0.07% increase in its GDP. This showcases the **need to focus on proper utilization of available FDI inflows** to have an optimum impact on improving GDP.

- **Corruption in India and its impact on per capita income**:

  India ranks 85th out of 180 countries in the corruption perception index report by Transparency International for the year 2022. This has remained stagnant in the last few decades. Thus making it a matter of worry. The study says that nations with wealthy and educated people would have less corruption. It is because educated people keep public officials in check and take action against corruption. It is easy for officials to escape from public surveillance by dominating poor and illiterate people. The alarming level of corruption is affecting the economic growth of India. It is leading to leakages of public funds and is becoming a hurdle for investments. Within India, there is diversity in corruption levels among states. According to the **India Corruption Survey 2019, states** such as **Rajasthan, Bihar, and Uttar Pradesh have high corruption levels,** whereas states like **Kerala, Odisha, and Haryana have the lowest corruption levels.** Basically, states with high corruption levels have less gross state product, and states with low corruption levels have a higher gross state product. This indicates the impact of income on corruption levels. Higher transparency and accountability in the system help in its efficient functioning. It further promotes economic activities, leading to economic growth. Thus, we could see the **presence of a negative relationship between corruption and per capita income in India** and a need to tackle it to raise its per capita income.

- **International trade and its impact on the per capita income of India:**
  The World Bank report says that liberalization in **trade increases the economic growth of a country by 1% to 1.5%.** It also says that exporting countries promote gender balance in the labor force. 90% of the export processing work will include female workers working for higher wages. Since the 1991 economic reforms, India has been a part of the global market. It has primarily contributed to commercial services. Its top import commodities are crude oil, gems, and precious metals. Sometimes India has witnessed a trade deficit and sometimes a surplus due to varied reasons. For the last seven months, the trade deficit has been increasing. This is **because of a 6% fall in India's exports.**

  A trade deficit caused by an increase in imports means that the purchasing power of people has increased, because of which they are demanding more goods. If the trade deficit is because of a fall in exports, it may be because of a fall in demand for domestic goods in the international market or a fall in domestic production. Both scenarios have different impacts on the economic growth of a country. Thus, there is an **absence of a clear relationship between international trade and economic growth,** which could help understand the impact of international trade on the per capita income of India.

2. **<u>Social Factors:</u>**

Social factors that determine per capita income are health and education. Here, education plays an important role because it increases participation in the labor force, improves human capital, reduces corruption, and promotes female participation in employment. Affordable and accessible health facilities assist in increasing the productivity of the labor force and also reducing out-of-pocket expenditures. As per the economic survey of 2022–23, **approximately 50% of the health expenditures are made by the citizens' pockets.** However, out-of-pocket expenditure has decreased in comparison with previous years. Countries with high per capita income and better human development have less out-of-pocket expenditure. For example, in **Singapore, its out-of-pocket expenditure was 19%** in 2022. This shows that there is a long way for India to achieve that level.

The quality of education has remained poor in government schools in India. Budgetary allocation for the education sector has kept on decreasing over the last seven years. The budget estimate for 2015–16 allocated **10.4% of funds for the education sector**, whereas the budget estimate for 2022–23 allocated **9.5% of funds** for it. Enrollment figures in higher studies have grown in India. Even **female participation in STEM programmes is nearly 43%**, which is higher than in developed nations. The literacy level in India differs across states. For instance, Kerala has a high literacy rate, whereas Bihar has the lowest literacy rate in India. This not only impacts the country socially but also creates income inequalities and unequal economic growth within the country. Thus, there is a **need to focus on reducing out-of-pocket expenditure on health and providing better-quality education.**

3. **<u>Political factors:</u>**

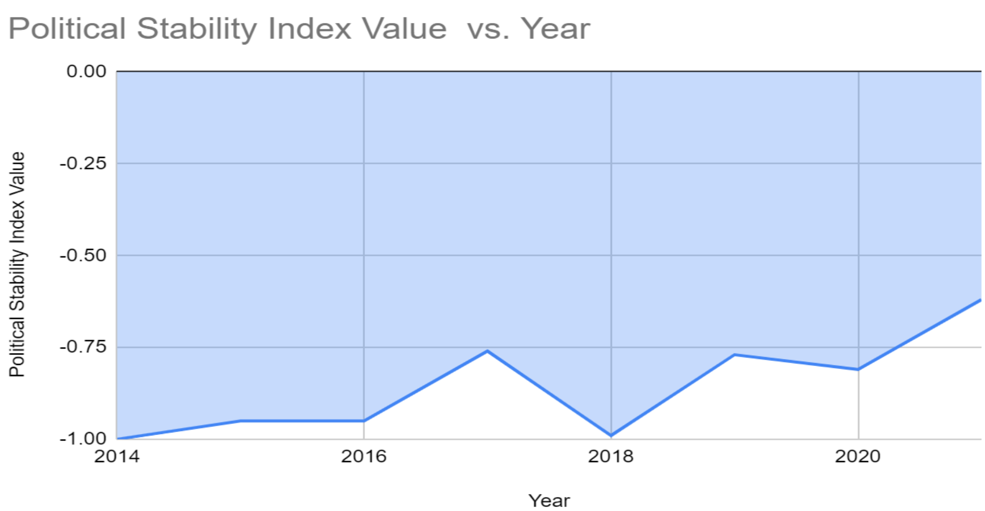

Figure 2: This graph depicts the trends in India's political stability.

The International Monetary Fund has conducted a study on 169 countries' political stability and its impact on economic growth from 1960 to 2014. The results of this study show that there is a significant negative impact of political instability on economic growth. Political instability not only changes governments but also impacts their policy priorities. Political instability also results in the discontinuity of policies, which could impact the macroeconomy as a whole. It also says that political instability impacts total factor productivity, further impacting GDP per capita. It shows that it's not necessarily the change of government that impacts, but also the shuffling of the cabinet.

The political stability of India after independence has witnessed major political instability during the 1975–77 national emergency. This period is also considered the dark period of Indian democracy.

However, the rate of political instability has seen a decreasing trend in India. The World Bank political stability index evaluates the political stability of countries on the following scale: -2.5: weak, and 2.5: strong. The political stability index shows that **India's political stability value in 2021 was -0.6.** The average political stability value of India from 1991 to 2021 has been -1.08. Whereas the global average has been -0.7, this shows the **need for more efforts to bring political stability** to India and achieve economic growth.

Impact of the Direct Benefit Transfer Scheme on per capita income in India:

According to the Economic Survey of 2015–16, many subsidies from the government benefited non-poor citizens, whereas poor and needy people suffered from market distortions. This is a result of leakages of government funds. It also resulted in a high opportunity cost for those funds. Thus, they highlighted the need for the government's support in letting needy people benefit from such subsidies.

Therefore, a direct benefit transfer scheme was introduced. It is a mechanism that assists in transferring benefits directly to the beneficiaries, curbing any kind of leakage or involvement of a third party in the distribution process. It transfers subsidies to the Aadhar card-linked bank accounts of beneficiaries. Thus, the International Monetary Fund has called it a **logistical marvel**. A study made in Haryana by Ranbhir Singh, an associate professor at the University of Delhi, shows that it has helped around **85% of rural beneficiaries** and **69% of urban beneficiaries.** He also highlights that this scheme has **saved 1,200 crore rupees from leakages.**

This initiative has also increased the reach of government welfare schemes. By saving public money from leakages, it is not only curbing corruption but also enabling the government to divert that money to other policies. The study was conducted on the impact of DBT on curbing leakages. Through LPG subsidies and its black market in India, Prabhat Barnwal shows that direct subsidy transfers to the beneficiaries would r**educe fuel purchases in the domestic market by 11–14%.** This reduction is because of the stepback of illegal users of domestic LPG cylinders for commercial purposes through the black market. They used to prefer domestic LPG cylinders for commercial purposes in order to enjoy subsidies through fake identities. However, this was mitigated by 11–14% through the direct benefit transfer scheme. Benefits being properly reached to the needy are assisting in their welfare. It is also positively **impacting the per capita income of people by improving their purchasing power**.

<u>Recommendations:</u>

Based on the above-analyzed factors, this paper recommends some policy changes that could be made to improve the per capita income of India.

- **Preventing, monitoring, and evaluating corruption:**
  From British India until now, several legal and institutional reforms have been made by the Government of India to curb corruption. According to the committee on the prevention of corruption chaired by Shri K. Santhanam, the Central Vigilance Commission was formed in 1965. This commission was formed to prosecute central officers of government or corporations according to the Prevention of Corruption Act of 1988. At the state level, the parliamentary system of ombudsman, called Lokayukta, was adopted. Later in 2014, a national-level ombudsman called Lokpal to prosecute corrupt public officials, including ministers and prime ministers, was implemented through the Lokpal Act.

However, CVC has a record of 6,697 cases under court trial, and 275 of them have been under trial for the last 20 years. The conviction rate of CVC cases was 69.8% in 2020, but in 2021 it was reduced to 65%. Nearly 118 cases of corruption, including those involving IAS officers, ministers, bank officers, and higher-level public officials, are waiting to get approval from the union and state governments to begin prosecution against them. For example, a request by the CBI to undertake prosecution against Member of Parliament Mrs. Menaka Gandhi in a corruption case that was registered in 2006 has been pending in the Ministry of Home Affairs since 2020. Though the Lokpal bill has been passed after several withdrawals and collapses, officers have been appointed to the office in 2019. A recent response from Lokpal shows that it has disposed of 68% of corruption cases without any investigation as they were not in the prescribed format. It has investigated three cases so far and has not prosecuted even a single public official with allegations of corruption. The recent amendment to the Prevention of Corruption Act says that investigation officers need the permission of political heads or Government heads before investigating officers above the level of joint secretary.

Thus, the above analysis of the anti-corruption bureau and investigative agencies in India highlights their weak performance, lack of active prosecution, delay in government actions in appointing necessary officials, influence of political authority in the investigations, lack of the government's effort in preventing corruption, and lack of clarity in the objective. There is also a lack of checks and balances for these investigative agencies as they report to the Government, and there is a high chance that the Government misuses this power and only targets opposition party leaders to weaken them or blackmail them to defect to other parties.

Making independent agencies without political influences won't just be the solution; instead, a strong political will, effort, and inclusion to end corruption are required. That is possible by making an elected representative responsible for the performance of the strategies built to prevent corruption.

The Government could work on building a strategy or an annual action plan. It could work to promote and support NGOs that create awareness about corruption and people's rights at the grassroots. It could also find high-risk sectors and bring policies specific to those sectors based on targets. It could also develop **the Anti-Corruption Index,** which gives quick results in assessing corruption department- and project-wise. This would also help in the efficient allocation and utilization of resources. As the testing is done periodically, the evaluation of Government actions could be done efficiently. Countries with growing economies and less corruption are working on finding new types of corruption. Though a few procedures seem technically correct, they are morally corrupt. For example, in India, an income tax-paying person would make every small and big purchase on EMI in order to get some tax concessions. Though this is technically correct, from a macro perspective, it causes revenue loss to the government. Thus, the government could work on **detecting new types of corrupt activities.**

Enhancing the power of the Central Vigilance Commission, Lokayukta, and Lokpal by allowing them to file suo moto cases making these agencies responsible for giving annual reports to the judiciary would help to maintain transparency in these agencies. They would also be given permission to proceed with the prosecution without waiting for the permission of any state or union governments. Delay in granting permissions would negatively impact the investigation and keep cases piling up. The Central Bureau of Investigation comes under the Delhi Special Establishment Police Act of 1946. It not only investigates matters related to money laundering, corruption, and economic crime but also helps in investigating other kinds of criminal incidents. However, the investigative agency works under the Ministry of Home Affairs. In order to avoid political influence in the investigation process, there is a need to **establish separate investigating agencies for all kinds of economic crimes at the CBI level and to bring all corruption cases, prosecution agencies, and this investigating agency under the same umbrella.**

The mechanism to attain transparency in the Government functioning, which was introduced in 2005 under the Right to Information, is facing difficulties in achieving its aim. Under this act, if an applicant is not satisfied with the answer, he or she could appeal to the information commissioner within a specified time period of receiving the answer. However, 25% of the posts of information commissioners are vacant across the country; two states don't even have Chief Information Commissioners. Around 11 states have enabled the online mode of filing applications, whereas the rest of the states accept applications offline, making it more time-consuming.

Thus, there is a **need for regular appointments of officers and the adoption of technology** in receiving applications, complaints, and appeals, making the process easier.

- **Efficient use of FDI inflows**

  In order to promote the growth of per capita income, there is a need to promote the export-oriented manufacturing sector. In promoting such productions, investments play a crucial role. For instance, Bangladesh receives the highest FDI in South Asia after India. The sector that receives the most FDI in Bangladesh is the textile sector. Even China directs 90% of the FDI inflows to the manufacturing sector, particularly the export-oriented manufacturing sector. Whereas 54% of the foreign direct investments go to the service sector in India. However, the service sector has an employment share of 30%. **Only 25% of the FDI will get invested in the manufacturing sector.** That too includes a major part in internal market-targeted goods such as the production of beverages, etc. This may negatively impact domestic producers through competition. It is suggested that **promoting India's FDI inflows into export-oriented manufacturing through infrastructure development and liberal export policies would improve its per capita income.**

- **More investment in health and quality education**

  The importance of health facilities and quality education in the growth of per capita income has been discussed before. It also finds issues in India's health and education systems. Thus, this paper would suggest speeding up the registration process of the Ayushman Bharat National Health Scheme, which has not been registered by 50% of the targeted beneficiaries yet. This could avoid delays in accessing health insurance for needy people. **Kumar R. writes** in his paper that the majority of the villagers in India travel a minimum of 100 kilometers to avail of health care facilities. They bear major out-of-pocket expenditures on health, pushing them to poverty. Thus, it is suggested to open "**Grameen clinics" influenced by Delhi Mohalla clinics.** This requires an increase in budget allocation to the health sector for infrastructure building in rural areas and to provide better health facilities.

  Even the focus on the delivery of a quality education needs to be ensured. This could be done through periodic and better training of teachers, upskilling teachers in using technology in their teaching methodology for more impact. Studies show that a lack of work-life balance and workload negatively impacts the quality of their work. In India, teachers face a burden due to poor student-teacher ratios, involvement in non-teaching assignments, etc. Thus, this paper recommends building clerical or technical teams to assist teachers in non-teaching assignments. It also recommends regular teacher appointments to maintain a good student-teacher ratio.

One of the biggest issues in higher education is the quality of medical education. However, the government has worked to **increase the number of medical colleges by 69% and medical seats by 107% in the last nine years.** Anyhow, the infrastructure facilities, availability of qualified lecturers, and proper practice have been poor. Recently, the National Medical Commission recognised 40 medical colleges due to a lack of faculty and not following its rules. It has also warned that 100 more medical colleges may lose their recognition. De-recognition would further create issues for students who have already been admitted there, and it would also create a scarcity of medical seats in future academic cycles. Thus, steps could be taken to improve infrastructure, management, and the quality of study instead of derecognizing them. The government could also mandate the **active hiring of qualified faculty f**or medical colleges.

- **Building a climate-change-resilient business ecosystem in India:**
  In India, electricity is produced from various sources, like 65% from thermal power plants, 20% from hydroelectric power, 3% from nuclear power, and 10% from solar energy, biomass, etc. However, the major way of producing electricity is through thermal power plants, which use non-renewable resources and cause high air pollution. Thus, India has set a target of achieving 50% of clean energy consumption by 2030. Under this initiative, it is promoting domestic production of solar panels by providing subsidies. It is also reducing competition from foreign products by imposing 40% duties and taxes on them.

  Currently, the **El Nino effect** is leading to drought-like situations in Karnataka, Andhra Pradesh, and many other states of India, affecting the southwest monsoon. Drought has badly affected food grain production and energy production. Due to a shortage of water, the amount of energy production based on hydroelectric power systems has decreased, and the energy demand from the agriculture sector for irrigation purposes has increased. In order to handle this situation, state governments are taking several actions that are choking the export-oriented and domestic market-oriented manufacturing sectors. For instance, the Karnataka state government is making scheduled power cuts for long hours, which is slowing down and disrupting the manufacturing process that is highly dependent on electricity to run machines, etc. The Andhra Pradesh Government has raised the price of electricity and also levied heavy energy taxes and duties on commercial consumers. These steps are increasing their costs of production and raising the prices of their commodities.

  A rise in price is further resulting in low demand on the market. One of the options to sustain climate change and its impacts is to build **a resilient system**. Thus, manufacturing industries could be promoted to produce a major part of their energy consumption in sustainable ways. Government support could be extended to these industries that try to fulfill their own energy consumption through subsidies and tax concessions. This will also foster its target of achieving 50% clean energy consumption by 2023. Here, these industries could be promoted to opt for solar energy and its innovative products. For example, Michigan University has invented completely transparent solar panels that could be utilized as windows. They are efficient and easy to set up.

Thus, building such a climate-resilient business ecosystem increases production and investments, further increasing job opportunities with better ecosystems. Increased job opportunities would have a positive impact on the per capita income of a nation.

- **Increasing political stability**
  Achieving political stability and economic growth are interrelated. Poor economic development, high income inequalities, high inflation, unemployment, and poverty lead to political instability in developing nations. Political instability further impacts GDP growth, impacting production. Thus, the nation gets caught in a **vicious cycle of political instability and poor economic development.** Due to weak political stability and low per capita income, India should focus on **reducing inflation, income inequalities, and unemployment, thus promoting political stability.**

Political instability could also be seen in India due to political reasons such as defection, coalition governments, first past the post system, etc. Defection is a process where an elected representative from any particular party shifts parties for personal gain. This may lead to re-elections or when a group of representatives shifts parties, resulting in a change of governments. The presence of a multiparty system in India makes it hard for a single party to get an absolute majority, resulting in a coalition of different parties. Due to ideological differences, internal clashes, and struggles for position, coalition governments fall before the end of the term. Even coalition governments suffer from having effective policies as they have internal differences in priorities. India also conducts general elections of the lower house and state legislatures through the first-past-the-post system. Under this system, a candidate who receives the most votes will win. However, in India, due to multiparty politics, the number of candidates for a constituency will be higher, which will lead to the division of votes into small fractions. Thus, a person who gets more votes than that small fraction will generally win. Whereas more than two-thirds of the cast votes aren't choosing him or her. This also makes an elected person bring major policies that are in favor of the community or region that voted for him or that have a shared interest. This results in a lack of inclusive policies and disbelief or hate among those two thirds of people and the government or an elected person.

Thus, there is a need to modify the anti-defection law, which just disqualifies it. It also makes that person responsible for the expense of the election and shouldn't be allowed to stand for reelection. There are better ways to stabilize the coalition government. It should also try to introduce a proportional representation system. Though we didn't adopt it at the beginning as we had a large section of the illiterate and poor, With time, there has been an improvement in the literacy rate. Thus, it's the right time to introduce a proportional representation system to not let any vote go to waste.

- **Effective implementation of employment programmes:**

India could also learn from poor-per-capita-income countries that a major dependence of employment on the agriculture sector negatively impacts the economic growth of a country. Though the agriculture sector's share in GDP has fallen drastically to 18%, its share in providing employment still remains at 49%. This shows the presence of **disguised unemployment and also decreases marginal productivity in the agriculture sector of India**. It results in low income for households involved in agriculture. It could also lead to an income gap between urban and rural households.

The Indian Government has tried to tackle the issue of rural unemployment through the **Mahatma Gandhi National Rural Employment Guarantee Scheme.** This programme guarantees 100 days of unskilled employment to rural people in India with minimum wages. The high level of corruption in its implementation is weakening its impact. There is a lack **of proper auditing** in many states, like Karnataka and Bihar, due to a lack of funds. Another circumstance where social audit has found misappropriation of 86.2 crore rupees in the financial year 2022–23, yet the recovery of that amount has been just 20.8% in total. In the same way, in 2021–22, around 171 crore rupees of misappropriation were found, but the recovery amount was just 15% of it. Lack of regular social audits and **poor recovery of the misappropriated funds** have made the process of achieving its objectives more challenging for the government.

Even a reduction in the budget allocation to this scheme would impact the livelihoods of rural people. As per the parliamentary committee report, **29,400 crore rupees have been reduced in the 2023–24 budget allocation to MGNREGA** if it is compared to revised budget estimates for 2022–23. This would allow the current job holders to get employment only for around 22 work days. Misappropriation usually happens because of overestimations of the number of workers required, bogus rolls, etc.

Thus, this paper recommends **strengthening such employment schemes** through proper allocation of funds, regular social auditing, proper monitoring, and **creating awareness among the workers** about their rights to utilize this opportunity efficiently.

Conclusion:

This paper has analyzed hurdles in the way of fastening GDP per capita growth and suggests some long-term measures. However, in India, we could see **"K'-shaped income growth**, which means the rich are getting richer and the poor are getting poorer. This is also resulting in the concentration of wealth in a few hands. The richest, constituting 1% of the population, gained 73% of the generated wealth in 2017, while 670 million poor people saw only a 1% increase in wealth. Per capita income fails to showcase this inequality, as it is just calculating an average. Thus, there is a need to focus on reducing this inequality and bringing upward-sloping growth instead of K-shaped growth. India could learn from other countries that a **holistic approach** is crucial to achieving high per capita income. Maintaining economic stability, an efficient banking system, growth-oriented monetary policies, and development-oriented fiscal policies are proven to increase per capita income.

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