

Development, Disparities, and the State: Why Welfare Policy Matters

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ABSTRACT

Development is a complex, multidimensional process encompassing economic growth, social progress, and environmental sustainability. In India, post-liberalisation growth since the 1991 New Economic Policy (NEP) has been impressive by global standards, yet its social inclusiveness remains profoundly limited. Persistent regional disparities and intra-state imbalances reveal that economic growth has failed to translate into proportionate improvements in human development. Against this backdrop, this paper examines the interplay between development, disparity, and the role of the state in India. It argues that the efficacy of subnational units – Indian states – in designing and implementing welfare policies is crucial to addressing socio-economic inequalities. Drawing on international comparative literature from East Asia and the OECD, as well as empirical data from national indices including the NITI Aayog's Multidimensional Poverty Index and UNDP Human Development Reports, the paper makes a case for a reinvigorated, contextually-sensitive welfare state in India. The analysis foregrounds the limits of market-led growth, revisits the relevance of welfare provisioning in capitalist economies, and identifies persistent structural challenges that impede equitable development at the subnational level.

Keywords: socio-economic development, regional disparity, inequality, welfare state, social policy, India, federalism

1. Introduction

India's trajectory of economic growth over the past three decades presents a paradox of considerable analytical and policy significance. Since the introduction of liberalisation, privatisation, and globalisation (LPG) reforms in 1991, the country has emerged as one of the fastest-growing major economies in the world, consistently ranking among the top six nations by Gross Domestic Product (GDP) (Bajpai, 2021; IMF, 2021). Yet this economic dynamism has coexisted with and has arguably reinforced deep and persistent socio-economic inequalities. As per the Human Development Report 2021-22, India occupies the 132nd position among 191 countries in the medium human development category, a ranking that underscores the decoupling of economic growth from meaningful improvements in human welfare (UNDP, 2022).

Several fundamental questions frame the inquiry of this paper. Has the process of economic growth produced a trickle-down effect across income groups and regions? Have development policies substantively addressed disparities between and within states? Does economic growth automatically generate human development? And, crucially, if welfare policies matter, what accounts for variations in state-level performance in their implementation?

These are not merely academic questions. According to the World Inequality Report 2022, India is

among the most unequal countries in the world in terms of both income and wealth distribution. The top 1 per cent of the population holds over one-third of total national wealth, while the bottom 50 per cent holds less than 6 per cent (Chancel et al., 2022). This level of concentrated wealth is not only economically distortionary but politically destabilising, particularly within a democratic framework premised on equal citizenship. As Amartya Sen and Jean Drèze powerfully argue in *An Uncertain Glory: India and its Contradictions* (2013), India's failure to convert rapid GDP growth into improvements in health, education, and nutrition stands in stark contrast to the experience of its South Asian neighbours like Bangladesh and Nepal which have achieved comparable or superior human development outcomes with significantly lower per capita incomes.

The argument advanced in this paper is threefold. First, economic growth, while necessary, is not sufficient to deliver equitable human development without deliberate state intervention. Second, in the context of India's federal structure and the post-1991 expansion of state-level authority, subnational governments have become pivotal actors in the welfare policy landscape. Third, a renewed and contextually-adapted welfare state is not antithetical to capitalist development but is, rather, a functional precondition for India's long-term democratic and developmental aspirations. The paper proceeds through four main sections: a review of the relationship between economic conditions and human development; an examination of the case for welfare policy in India; a discussion of interstate disparities and subnational performance; and a concluding synthesis of findings with implications for future research and policy.

2. Beyond Per Capita Income: Rethinking the Economic Determinants of Human Development

For much of the post-war period, the dominant conception of development was synonymous with economic growth measured by per capita income or GDP. The transformative shift towards a human-centred paradigm began in 1990, when the United Nations Development Programme (UNDP) introduced the Human Development Index (HDI), conceptualised by Dr. Mahbub ul Haq in collaboration with Prof. Amartya Sen. The HDI reconstituted development as the expansion of human capabilities, measured through longevity, education, and living standards (UNDP, 2022). This theoretical reorientation was consequential: it displaced GDP growth from its position as the terminal goal of development policy and repositioned it as one instrument among several.

The empirical relationship between economic growth and human development is, however, neither simple nor unidirectional. Evidence from cross-country studies reveals a general positive correlation, particularly in the early phases of industrialisation. Wang (2003) and Pritchett and Viarengo (2010) document a positive impact of income growth on health outcomes in low-income countries. Preston (1980) attributed approximately half of the 50 per cent rise in life expectancy observed in developing countries between 1940 and 1970 to improvements in standards of living. Ranis, Stewart, and Ramirez (2000), in their cross-country regression study covering 1960-1992, found that rising GDP and per capita incomes contributed to increased life expectancy through improved living standards, healthcare, and educational attainment.

Yet significant outliers challenge any deterministic reading of this relationship. Dipa Sinha (2016) argues that countries such as Kuwait, Qatar, and the UAE, which exhibit lower HDI scores relative to their GNI per capita, while Ireland, Fiji, Ukraine, and Tajikistan rank considerably higher on the HDI than on GNI-based rankings. Sri Lanka, Cuba, and Costa Rica represent paradigmatic cases of high human development achieved at modest income levels, a phenomenon sometimes termed the "human

development success story.” Conversely, the UNDP’s 2014 comparative data show that low-income economies such as Cambodia, Bangladesh, and Vietnam have outperformed expectations in indicators like life expectancy and mean years of schooling. These cases confirm that, while there is a broad positive association between per capita income and human development, the distributional character of growth and the quality of public provisioning fundamentally shape outcomes.

The Indian evidence is particularly instructive. A major study by Subramanyam et al. (2011) on childhood undernutrition across Indian states using three rounds of the National Family Health Survey (NFHS) failed to establish a consistent relationship between state-level economic growth and reductions in undernutrition rates, finding no statistically significant link between per capita state domestic product and child malnutrition. Deolalikar’s (2005) analysis identified substantial interstate differences in infant and child mortality even after controlling for household living standards, maternal education, caste, and infrastructure access, differences attributable as the study suggested to variations in public health provisioning. Dholakia (2003), in contrast, identified a two-way causal relationship between per capita income and human development in Indian states between 1981 and 2000, with economic growth producing human development gains after a two-year lag and human development contributing to economic growth after an eight-year lag. Taken together, these studies suggest a complex feedback loop between economic and human development in which the quality of state intervention mediates outcomes at critical junctures.

The conceptual implication is clear: causality between economic development and human development runs in both directions (Dholakia, 2003, 2009; Suri et al., 2011). Human capital investment improves workforce quality, productivity, and long-run growth prospects – a dynamic amply documented in East Asian developmental states. At the same time, economic growth creates fiscal space for expanded social provisioning. The critical variable, then, is neither the level of economic growth per se nor the existence of welfare programmes in isolation, but the political commitment and administrative capacity of the state to translate economic resources into human development outcomes. The implication for Indian states is direct: where governance quality is high and welfare delivery is effective, even modest economic growth can yield significant human development improvements.

3. The Case for Welfare Policy: Relevance in a Liberalising Economy

3.1 Welfare States and Capitalist Development: A Contested Relationship

The debate over the compatibility of welfare provisioning with market-oriented economic organisation has been a defining tension in development studies since the ascendancy of neoliberalism in the 1980s. Scholarly voices from Nikolas Rose’s (1996) proclamation of ‘the death of the social’ to David Harvey’s (1995) critique of the retreat of the Keynesian state have variously announced or lamented the erosion of the welfare state as a coherent governmental project. In the Indian context, Patnaik (2007) has identified a structural shift from a ‘facilitator’ state to a ‘regulator and penal’ state as the corollary of neoliberal reform.

Against this trajectory, David Garland’s (2014) sociological reanalysis of the welfare state is instructive. Garland argues that the welfare state must be understood as a ‘normal social fact’ – an enduring and structurally embedded feature of advanced capitalist societies rather than an anomalous or ideologically suspect residual. Drawing on comparative cases from Sweden, the United States, the United Kingdom, Denmark, Italy, and Germany, Garland identifies three broad welfare regime types: the social democratic (characterised by universalist provision), the corporatist Christian democratic (relying on

occupational and contributory mechanisms), and the liberal market-oriented (with means-tested residual programmes). In each case, he demonstrates that the welfare state persists not as an ideological deviation from capitalism but as a mode of governmentality that manages social risks inherent to market economies. The practical upshot is to foreclose the argument that welfare provisioning is somehow exogenous to or inconsistent with market-driven development.

Comparative evidence from East Asia further complicates simplistic neoliberal prescriptions. Gyu-Jin Hwang's (2012) analysis of welfare state development in Japan, Korea, and Taiwan demonstrates that all three high-growth developmental states underwent a universal expansion of social policies over the medium term. The initial rationale for limited social welfare – sustained economic growth producing broadly shared prosperity, was undermined by the volatility and inequality upon economic liberalisation. Greater openness to global markets created new social risks and demands for compensation, compelling democratic governments to respond with expanded social insurance. Significantly, social policy in these economies was not framed as antithetical to growth but was adapted within an overarching growth framework, reinforcing rather than constraining economic dynamism. The East Asian experience thus offers India a relevant model: welfare expansion need not conflict with market orientation but can be structured to enhance productive capacity and social cohesion simultaneously.

3.2 India's Welfare State: Constitutional Mandate and Implementation Deficit

India's commitment to social welfare is constitutionally guaranteed. Article 39 of the Directive Principles of State Policy mandates that the state direct its policy towards securing adequate means of livelihood for all citizens, equitable distribution of material resources, and prevention of concentration of wealth. The Indian republic is constitutionally declared 'socialist,' establishing a normative framework for redistributive state action. Nevertheless, the translation of constitutional aspiration into effective social protection has been deeply uneven.

Jha, Ramakumar, and Acharya (2012) argue that Indian policymakers have systematically failed to operationalise the social security commitments outlined in the constitution, characterising the country's social protection system as inadequate relative to comparable-income nations and disproportionately oriented towards the formal sector minority. Bardhan (2011) offers an equally trenchant critique, attributing the failure to deliver even basic social protection to poor governance, absent performance incentives, and widespread programme leakage. Rudra (2007) adds a structural dimension, contending that India's welfare state has been configured primarily around protection from international competition rather than empowering citizens to participate productively in the liberalised economy.

These critiques notwithstanding, the period since the early 2000s has witnessed a significant expansion of rights-based social entitlements in India. The Sarva Shiksha Abhiyan (later subsumed into Samagra Shiksha Abhiyan in 2018) sought universal primary education; the National Rural and Urban Health Missions aimed to improve primary healthcare; the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) established a statutory right to employment for rural households; the Rashtriya Swasthya Bima Yojana (RSBY), subsequently replaced by Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PM-JAY), extended health insurance coverage to economically vulnerable families. Rights-based frameworks for information access, education, employment, and food further broadened the scope of social entitlement. As Drèze and Khera (2017) document, the proportion of the Indian population covered by social protection schemes has increased substantially since 2000.

Yet the substantive impact of this expanded framework has been partial and uneven. Tillin, Deshpande, and Kailash (2015) demonstrate that while the central government expanded welfare programmes partly

as an instrument of political consolidation, the realisation of these schemes critically depends on implementation at the subnational level, which in turn reflects local constellations of power, administrative capacity, and political will. The persistence of regional disparity despite the proliferation of welfare schemes thus reflects not the irrelevance of social policy but the institutional and political constraints on its effective delivery.

4. Regional Disparities, Subnational Variation, and the Imperative of State-Level Analysis

4.1 Regional Disparity in India

India's regional development landscape is marked by stark and structurally entrenched disparities that have persisted and, in some dimensions, intensified through the liberalisation era. Studies by Kurian (2000, 2007), Ohlan (2013), and Sinha (2016) consistently document superior human development outcomes in India's southern states relative to the northern and central heartland. Per capita income differentials are particularly pronounced: data from the Reserve Bank of India's Handbook of Statistics on Indian States (2021-22) reveal that Goa's per capita income is approximately ten times that of Bihar. These income gaps compound across dimensions, generating self-reinforcing cycles of low investment, poor infrastructure, weak social indicators, and limited political voice.

The NITI Aayog's National Multidimensional Poverty Index Report (2021), based on National Family Health Survey-4 data, provides a detailed mapping of multidimensional poverty across India's states and districts. The index captures three human development dimensions – health, education, and standard of living – across twelve indicators including nutrition, child and adolescent mortality, maternal health, years of schooling, school attendance, cooking fuel, sanitation, drinking water, electricity, housing, assets, and bank account access. The index's cartographic representation reveals a sharp north-south disparity: states in the north-central heartland – Bihar, Jharkhand, Uttar Pradesh, Madhya Pradesh exhibit the highest multidimensional poverty incidence, while southern and western states demonstrate considerably lower poverty levels. This geographic pattern confirms the analytical consensus on India's North-South development divide (Bose, 2000, 2007) and underscores the inadequacy of aggregate national statistics as guides to policy.

Interstate disparities in HDI have persisted even as India's aggregate human development score improved from 0.434 in 1990 to 0.633 in 2021 (Global Data Lab). Studies by Chakraborty (2009), Dholakia (2003, 2009), Diwakar (2009), and Ohlan (2013) further identify significant intra-state disparities, particularly between districts, suggesting that the unit of policy analysis and intervention must extend below the state level to capture the full texture of unequal development. Datt and Ravallion (1997) attribute much of the variation in long-term poverty reduction performance across states to differences in initial conditions – particularly physical infrastructure and human capital which themselves reflect historical patterns of public expenditure. Purfield (2006), examining data over three decades, documents a widening gap in per capita income between richer and poorer states during the post-liberalisation period, suggesting that market integration has amplified rather than attenuated regional divergence.

4.2 The Subnational State as a Developmental Actor

The political economy of Indian federalism since the 1980s has significantly elevated the developmental role of state governments. The progressive decentralisation of economic policy and the regionalisation of electoral politics have transformed states from administrative extensions of the centre into autonomous and influential actors in shaping the development environment. The emergence of state-level elites

frequently representing previously mobilised backward caste and community groups, has produced a politics of welfare provisioning that is deeply intertwined with electoral competition and identity mobilisation (Chhibber and Nooruddin, 1999; Tillin et al., 2015). Ahluwalia's (2000, 2001) analysis of post-reform state performance demonstrates considerable variation in economic outcomes that is only partially explained by structural factors, suggesting the independent role of state-level governance choices.

Kohli (2006a, 2006b; 2012) situates these dynamics within a broader argument about the politics of economic growth in India, demonstrating that state-level political-institutional configurations significantly shape investment climates, infrastructure provision, and ultimately economic and human development trajectories. States with cohesive, programmatically oriented political establishments – most notably Kerala – have consistently outperformed comparable states on social indicators, even at modest levels of per capita income. Kerala's experience, extensively documented by Chakraborty (2009) and others, remains the paradigmatic Indian case of human development achievement through sustained public investment and civic activism.

The central empirical implication of this analysis is that interstate variation in welfare policy performance is neither random nor simply reducible to initial economic conditions. It reflects politically constituted choices about the allocation of public resources, the organisational infrastructure of service delivery, and the degree of accountability to the poorest constituents. The identification of these political and institutional variables is, therefore, essential to any programme aimed at improving development outcomes in lagging states.

5. Conclusion: Development, Democracy, and the Welfare Imperative

This paper has argued that the persistent decoupling of economic growth from equitable human development in India cannot be addressed by market forces alone. The evidence reviewed from cross-country comparative studies, India's own human development experience, interstate disparity data, and welfare state theory, all converges on a single conclusion: deliberate, sustained, and institutionally capable state intervention in the social domain is both necessary and legitimate.

The tensions created by the lopsided development model, intensified since the 1991 New Economic Policy reforms, have produced a geography of inequality that is not merely a statistical artefact but a lived political reality for hundreds of millions of Indians. The World Inequality Report 2022's identification of India as the country where inequality has increased most rapidly is not simply an indictment of economic policy; it is a challenge to the democratic compact itself. Political equality, which is the foundational premise of India's constitutional democracy, is corroded by conditions in which basic capabilities such as nutrition, health, education, and shelter remain inaccessible to large segments of the citizens.

The comparative evidence from East Asia, Western Europe, and within India itself demonstrates that welfare state institutions are not incompatible with capitalist development but are, in many configurations, constitutive of its long-run sustainability. The post-1991 expansion of centrally sponsored welfare schemes in India represents an acknowledgement of this reality, even if the substantive outcomes have been constrained by implementation deficits at the subnational level. The critical analytical and policy frontier, therefore, lies not in adjudicating whether India should have a welfare state, but in understanding what institutional, political, and fiscal conditions enable effective welfare provisioning across its highly diverse state-level contexts.

Several questions remain open and warrant systematic investigation. First, what explains the variation in state-level implementation capacity for centrally sponsored schemes, controlling for economic and demographic factors? Second, how do changes in governing political coalitions at the state level affect the balance between growth-oriented and redistributive policy priorities? Third, how does the multidimensional character of poverty, one encompassing health, education, and living standards simultaneously require the integration of welfare policy across sectoral silos that are institutionally separated? Addressing these questions is not an academic luxury but a political necessity as India navigates its developmental trajectory in the coming decades.

India enters the current era as the world's most populous democracy and one of its fastest-growing major economies. These are assets of historic proportions. Whether they translate into a development path that lifts the poorest and most marginalised constituents of the nation will depend less on the aggregate rate of economic growth than on the political will, institutional capacity, and fiscal commitment of state governments to ensure that the fruits of growth are widely shared. The welfare state, far from being an anachronism of the Keynesian era, remains the indispensable institutional framework through which market societies negotiate the social costs of capital accumulation and manage the conditions of their own democratic legitimacy.

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