

India – The Road Ahead

MCR HRD Institute, Hyderabad

17th October 2025

“The **purpose of a government** is to make it easy for people to do good and difficult to do evil.”

– *William Gladstone*

A Functioning Democracy – Four Conditions by Myron Weiner



Successes of Indian Democracy

- *Peaceful integration of Princely States*
- *Deft handling of linguistic diversity*
- *True Federalism*
- *Regular elections and peaceful transfer of power*
- *Green Revolution and food security*
- *Fundamental Rights and Constitutional institutions that have stood the test of time*
- *Dismantling of the License-Permit-Quota raj and modest economic growth*
- *Preservation and strengthening of Unity - Order - Liberty*

Still a lot of angst..

Comparison of Various Development Indicators Among 55 Large Economies											
Rank	GDP Per Capita (PPP, 2023)	Life Expectancy (2022)	IMR (2022)	MMR (2020)	Out-of-Pocket-Expenditure on Healthcare (2021)	EYS (Expected Years of Schooling, 2022)	MYS (Mean Years of Schooling, 2022)	HDI (Human Development Index, 2022)	Power Consumption (Kwh Per capita, 2019)	Employment in Agriculture (% of total employment, 2022)	LFPR (Labor Force Participation Rate - Female, 2022)
1	Ireland	Japan	Hong Kong	Norway	South Africa	Australia	Germany	Switzerland	Norway	Singapore	Vietnam
2	Switzerland	Hong Kong	Japan	Poland	France	Greece	Switzerland	Norway	Qatar	Hong Kong	New Zealand
3	Norway	Switzerland	Norway	Australia	Thailand	Turkey	Canada	Hong Kong	Sweden	Israel	Peru
4	Singapore	Australia	Singapore	Spain	Netherlands	New Zealand	United States	Sweden	Canada	Belgium	Qatar
5	United States	Sweden	Finland	Israel	Saudi Arabia	Finland	Israel	Denmark	UAE	United Kingdom	Sweden
6	Denmark	Spain	Sweden	Czechia	UAE	Ireland	United Kingdom	Ireland	Finland	Germany	Netherlands
7	Australia	Ireland	Czechia	Hong Kong	Ireland	Sweden	Poland	Germany	United States	Canada	Singapore
8	Netherlands	Italy	Italy	Netherlands	United States	Argentina	Norway	Singapore	South Korea	UAE	Kazakhstan
9	Austria	Singapore	South Korea	Japan	New Zealand	Belgium	Denmark	Australia	Saudi Arabia	United States	Australia
10	Sweden	New Zealand	Spain	Germany	Japan	Denmark	New Zealand	Netherlands	Australia	Sweden	Norway
11	Finland	Israel	Austria	Ireland	Germany	Norway	Finland	Belgium	Singapore	Netherlands	Switzerland
12	Belgium	South Korea	Portugal	Austria	Denmark	Netherlands	Czechia	Finland	France	Denmark	Canada
13	Canada	Norway	Ireland	Belgium	Czechia	Hong Kong	UAE	United Kingdom	Belgium	Norway	Israel
14	UAE	France	Israel	Italy	Sweden	Spain	Australia	New Zealand	New Zealand	Australia	China
15	Germany	United Kingdom	Germany	Denmark	United Kingdom	United Kingdom	Sweden	UAE	Israel	Switzerland	Thailand
16	Israel	Netherlands	Denmark	Sweden	Colombia	Germany	Japan	Canada	Japan	Czechia	Denmark
17	Hong Kong	Belgium	Belgium	Singapore	Australia	UAE	South Korea	South Korea	Czechia	France	Ireland
18	United Kingdom	Portugal	Australia	Switzerland	Norway	Singapore	Netherlands	United States	Russia	Saudi Arabia	Finland
19	New Zealand	Denmark	Hungary	New Zealand	Canada	Portugal	Belgium	Austria	Austria	Japan	United Kingdom
20	France	Canada	France	South Korea	Austria	Chile	Kazakhstan	Japan	Switzerland	Austria	United States
21	Italy	Finland	Greece	Finland	Finland	Italy	Russia	Israel	Netherlands	Finland	Austria
22	Japan	Austria	Netherlands	France	Turkey	Switzerland	Hong Kong	Spain	Germany	Italy	Germany
23	South Korea	Germany	Switzerland	Greece	Belgium	South Korea	Austria	France	Ireland	Spain	Malaysia
24	Spain	Greece	United Kingdom	UAE	Israel	United States	Hungary	Italy	China	Ireland	Russia
25	Czechia	Thailand	Poland	United Kingdom	Poland	Austria	Singapore	Czechia	Kazakhstan	Hungary	UAE
26	Saudi Arabia	Chile	Russia	Romania	Romania	Czechia	France	Greece	Spain	Portugal	South Korea
27	Portugal	UAE	New Zealand	Canada	Spain	France	Ireland	Poland	Denmark	South Korea	Portugal

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28	Greece	Czechia	UAE	Portugal	Italy	Canada	South Africa	Saudi Arabia	Greece	Russia	Japan
29	Hungary	China	Canada	Kazakhstan	Argentina	Poland	Greece	Portugal	Malaysia	New Zealand	Brazil
30	Poland	Turkey	China	Russia	Singapore	Russia	Romania	Chile	Italy	Chile	Hungary
31	Romania	Saudi Arabia	Chile	Hungary	Brazil	Thailand	Saudi Arabia	Turkey	Portugal	Argentina	Spain
32	Chile	United States	United States	Chile	Switzerland	Brazil	Argentina	Hungary	Hong Kong	Poland	Hong Kong
33	Mexico	Poland	Romania	Saudi Arabia	Hungary	Algeria	Chile	Argentina	Poland	Iraq	France
34	Russia	Algeria	Saudi Arabia	Egypt	Kazakhstan	Japan	Malaysia	Romania	United Kingdom	Brazil	Indonesia
35	Argentina	Malaysia	Malaysia	Turkey	Peru	China	Italy	Russia	Chile	Algeria	Czechia
36	Kazakhstan	Argentina	Thailand	United States	Russia	Saudi Arabia	Spain	Malaysia	Turkey	Malaysia	Argentina
37	Turkey	Hungary	Turkey	Malaysia	Indonesia	Hungary	Peru	Thailand	Iran	Greece	Nigeria
38	China	Romania	Argentina	Iran	Portugal	Israel	Egypt	Iran	South Africa	Mexico	Colombia
39	Malaysia	Mexico	Kazakhstan	China	South Korea	Kazakhstan	Iran	Kazakhstan	Argentina	Kazakhstan	South Africa
40	Brazil	Vietnam	Iran	Thailand	Hong Kong	Peru	Portugal	China	Brazil	Colombia	Belgium
41	Peru	Iran	Colombia	Argentina	Chile	Iran	Mexico	Mexico	Romania	Iran	Poland
42	Thailand	Kazakhstan	Mexico	Mexico	Malaysia	Romania	Philippines	Peru	Mexico	Turkey	Philippines
43	Colombia	Bangladesh	Peru	Peru	Greece	Mexico	Colombia	Brazil	Thailand	Romania	Chile
44	South Africa	Colombia	Brazil	Brazil	China	Colombia	Thailand	Colombia	Vietnam	Egypt	Italy
45	Iraq	Brazil	Egypt	Colombia	Iran	South Africa	Turkey	Algeria	Iraq	South Africa	Mexico
46	Algeria	Peru	Vietnam	Iraq	Algeria	Indonesia	Indonesia	Egypt	Egypt	China	Greece
47	Indonesia	Russia	Indonesia	Philippines	Vietnam	Vietnam	Vietnam	Vietnam	Cuba	Philippines	Romania
48	Iran	Philippines	Algeria	Algeria	Mexico	Malaysia	Brazil	South Africa	Peru	Peru	Turkey
49	Vietnam	Iraq	Iraq	India	Philippines	Egypt	China	Indonesia	Colombia	Indonesia	Saudi Arabia
50	Philippines	Egypt	Philippines	Bangladesh	India	Philippines	Nigeria	Philippines	India	Thailand	India
51	Egypt	Indonesia	Bangladesh	Vietnam	Iraq	India	Bangladesh	Iraq	Indonesia	Vietnam	Bangladesh
52	Bangladesh	India	India	South Africa	Egypt	Iraq	Algeria	Bangladesh	Philippines	Pakistan	Pakistan
53	India	Pakistan	South Africa	Pakistan	Pakistan	Bangladesh	Iraq	India	Pakistan	Bangladesh	Egypt
54	Nigeria	South Africa	Pakistan	Indonesia	Bangladesh	Nigeria	India	Nigeria	Bangladesh	Nigeria	Iran
55	Pakistan	Nigeria	Nigeria	Nigeria	Nigeria	Pakistan	Pakistan	Pakistan	Nigeria	India	Iraq

Unfinished Tasks

**Core functions still
neglected**

**Doing business in India is
still difficult**

**Local Governments are
still weak**

**Opportunity denied to
most people – education,
healthcare, rule of law**

**Minimal productivity
increase**

**Service delivery is still
poor**

**Deepening rural & agrarian
crisis**

Shifting corruption

**Growing distortions in the
political process – money
power, populism,
polarisation**

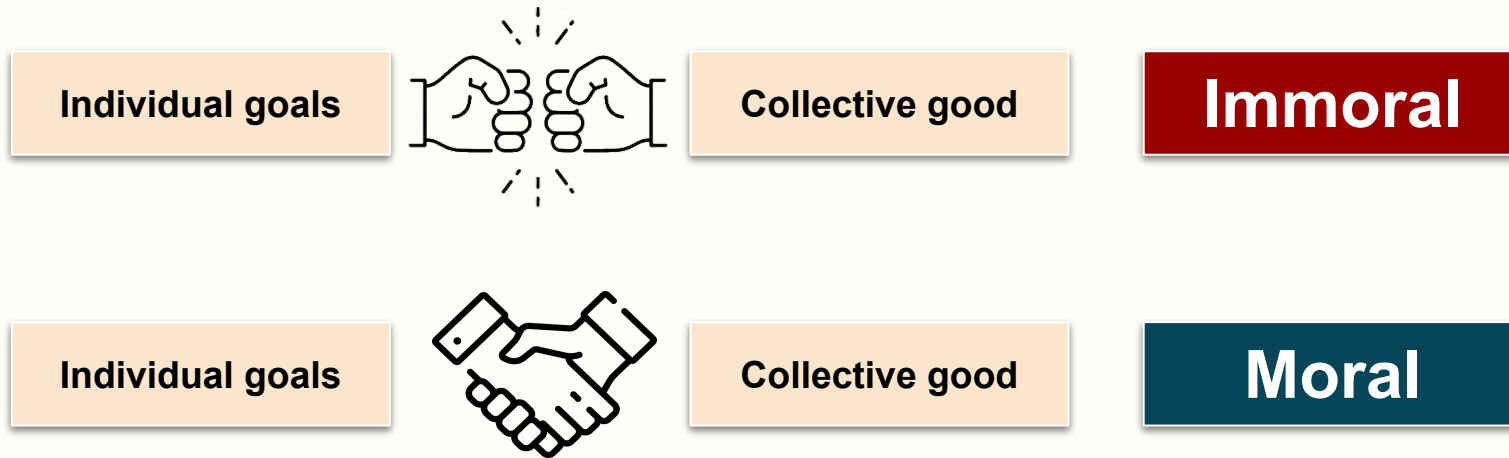
Three central questions

- Do we **lack morals and values**?
- Are we **even capable** of democratic governance?
- What is the roadblock – **values or institutions**?

What is morality?

- That which **reconciles** individual goals with public good

Central Principle of Morality



Calculus of Risk & Reward

WHEN GOOD BEHAVIOUR IS NOT REWARDED
AND **BAD BEHAVIOUR IS REWARDED**



WHEN **GOOD BEHAVIOUR IS REWARDED**
AND BAD BEHAVIOUR IS PUNISHED

Institutions that determine the calculus of risk & reward

Religion

- Most Indians are God-fearing

Society

- Strong family bonds
- Fear of social sanctions / loss of face
- Sense of Dharma beyond faith
- Acceptance of multiple faiths / belief systems
- Contentment
- Sense of community

State

- The real challenge is failings of the Indian state
- With increasing urbanisation and lives becoming more impersonal, the state assumes greater importance

Indian Society: Flaws and Correctives

Dr. Carolyn Elliott summed up the societal flaws as **absence of a sense of equality, trust & common fate**.

Equality

- Suffer from **moral neutrality to inequity by birth**
- Can be corrected by **movements within civil society, and political institutions**

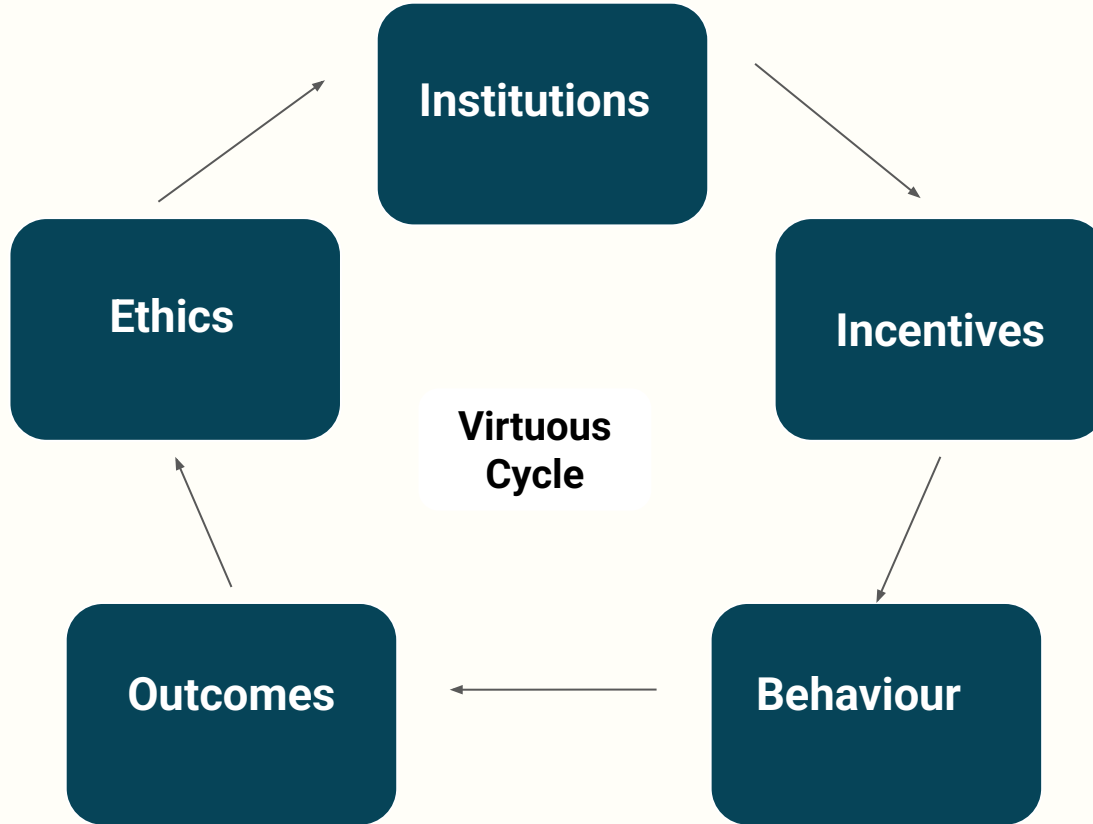
Trust

- Better-off sections of society **instinctively reject the capacity of all citizens** for self-governance
- Trust that binds family, caste group must be **extended in all social interactions across diverse groups**

Sense of common fate

- Vital to bind people to create an orderly society
- Citizens should recognize that **rights and duties coexist**; one's rights are translated as duties of others, and vice versa

Regulating Human Behaviour: A Virtuous Cycle



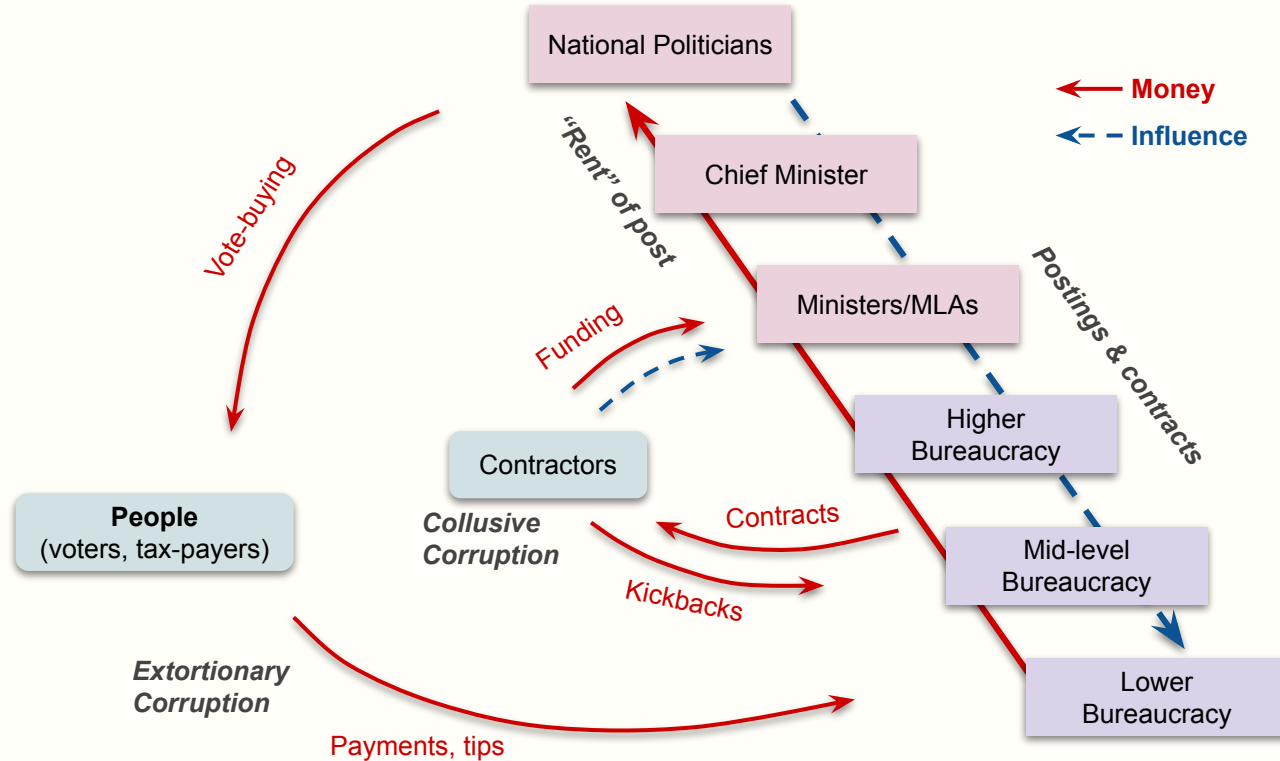
- Changing **incentives alter behaviour** that results in **better outcomes**
- Better outcomes create an **ethical society** that further strengthens the **institutions**
- Institutions that **reward good behaviour** and **punish bad behaviour**

Institutions and Incentives Shape Outcomes

Where institutions and incentives are in place, corruption has declined

- Railway Reservation – Technology and Transparency
- Telephone services – Competition and Choice
- Spectrum allocation – Competition and Transparency through competitive bidding
- Passport – Technology; Transparency; Predictability

Dangerously Stable Equilibrium



Crisis of Governance

- **Inefficient** state apparatus →
 - Substandard **public amenities**
 - **No decent education** in government schools
 - **Poor health care**
- Red Tapism & **unresponsive** bureaucracy →
 - All **pervasive corruption**
- Failure of **Rule of Law** →
 - **Criminalisation** of Politics
- **Money & muscle-power** in elections
 - Vicious **cycle of corruption**
 - Even honest public servants are **passive and helpless**

Distortions of State Power

Positive power restricted — Negative power unchecked

A system of alibis — Victims of a vicious cycle

Change of players — No change in the rules of the game

***Political process ought to be the solution;
But has become the **problem** itself***

Political Crisis in India: Interlocking Vicious Cycles

Inexhaustible demand for illegitimate funds

Direct and indirect cost of political activity driven up by informal political machinery

Most expenditure incurred for vote buying

Poor service delivery and vote delinked from consequence

Rise of political fiefdoms

Entry barriers as money, caste and local clout become critical

Vote delinked from public good

Centralised polity drives voter to maximise short-term gain

Taxes delinked from services

Deeper fiscal crisis as raising taxes or de-subsidizing or reducing public sector wages is disincentivized

Political survival and honesty incompatible

Dependence on legislator support for survival makes corruption and misgovernance endemic

Social divisions are exacerbated

Vote bank politics – marginalisation and ghettoisation based on primordial loyalties

Competence & integrity excluded

Need for money & caste-clout excludes competent elements from public policy & governance

How did we get here?

The initial conditions...



How did we get here?

& choices made at the time of independence...

**System of Rule of
Law**

Weak instruments

**First-past-the-post
System**

**Competition for marginal
vote in a poor society**

**Economic
Socialism**

**Embracing state monopoly,
and fueling corruption and
dependence**

**The challenge then is to alter incentives
to alter behaviour...**

Altering Incentives – Electoral & Political Reforms

First-past-the-post (FPTP) system

A Winner-take-all system

**LEADS
TO**

**Divisiveness and
political fragmentation.**

**LEADS
TO**

Dominance of
zero-sum-game issues
like *reservations*.

Vs.

Proportional Representation

Marginal Vote no longer all-important

**LEADS
TO**

Reduction in
competitive populism.
Disappearance of
Political fiefdoms.

**LEADS
TO**

**Representation to
small parties**, scattered
minorities and legitimate
reform groups, not
money power.

Risk: Political Fragmentation

Corrective: Reasonably high threshold vote requirement

Internal party democracy by law

Transparent and democratic procedures in political parties for
selecting electoral candidates & office bearers.

Strong & Effective Rule of Law Instruments

**Independent crime
investigation**
without fear or favour

**Supported by cutting-edge
forensic technology**

**Strong & competent
prosecution**
for criminals not to go
unpunished

**District Chief of Prosecution
drawn from the judiciary**

**Adequate courts, simple
procedures**
making justice accessible

**Local courts for offences ≤ 3
years of punishment**

Altering Incentives – Decentralisation of Power

Empowered & Effective Local Governments

Vote



Public Good

Taxes



Services

Authority



Accountability

Shri R.S. Bharathi's work in Alandur Municipality provides an example of how effective local governments can be if these links are clearly established.

India's Growth Trajectory

India has achieved growth rates of 6-7% due to prudent economic management, infrastructure development, and conducive investment climate

But the path ahead is challenging

Short-term global headwinds

- Contemporary political events, and impact of tariffs on inflation and trade balances

Long-term concerns

- Slowdown in global population growth and limited technological breakthroughs

Domestic Challenge that could Derail Growth

Fiscal **profligacy**.

Governance **delinked** from the people.

Low productivity: *Poor **education** outcomes and inadequate access to **healthcare**.*

Pattern of **urbanisation**.

Failure of **Rule of Law**.

Why Growth Matters?

- The **difference between sustained 7% growth rate versus 8% growth rate** over ten years for an economy of India's size would mean **a difference in GDP of \$600 billion or about Rs. 50,00,000 crores of GDP** lost per year after 10 years.
- Our Tax-to-GDP ratio is about 18-19%, this implies that the **Union and states lose over Rs. 9 lakh crores revenue every year**, which could have been deployed for more ISW promoting welfare, and better infrastructure to promote further higher growth and employment.

Fundamental Clash in Economic Vision

Fiscal Prudence and creating market conditions to enhance incomes and create wealth

Vs.

Clamour for short-term individual welfare and redistributive policies

Popular demand reinforcing short-term policies

- Across elections in major States, political parties have offered Individual Short-term Welfare (ISW) measures, or **'guarantees'**.
- While the extent of promises varies, the **emphasis** remains on short-term benefits.

India's Challenge is Unique

While the clamour for immediate or short-term benefits is observed in other democracies as well, the cause for concern is particularly unique to India.

Three key figures that define our economy¹

- **65%** of the population lives in **rural areas**, *lacking basic amenities like good quality education, healthcare, and civic amenities.*¹
- **46%** of the population depends on **agriculture**, *as source of primary livelihood.*²
- **80-90%** of the workforce is in the **unorganised sector**, *eking out a precarious livelihood.*³

Balancing Welfare with Growth – A Non-Negotiable Priority

Sustained economic growth requires prudent fiscal management

Limited Resources & Expanding Needs

Development needs

Infrastructure, Healthcare, Education

Non-discretionary expenditure

Salaries, Pensions, Interest Payments

Short-term welfare

Essential in a poor democracy

Unchecked Profligate Spending

Crowds out productive, growth enhancing investments.

Leads to a debt-trap situation.

Burdens future generations.

Impact on the Poor

The most vulnerable to fiscal instability.

India ranks among the **bottom seven among 55 large economies** in socio-economic indicators.¹

Poverty is perpetuated.

WHAT NEXT?



Therefore, holistic, *Inclusive Growth*

The **strong economic growth impulse** is our greatest hope for **a better democracy**

- Higher incomes and better quality of life promote **better governance, citizen participation, and empowerment**
- While welfare may take care of the immediate basic needs, **history has taught us that mere redistribution will not lead to improved lives for all.**

Components of Inclusive Growth

Core governance functions that facilitate economic growth while benefiting the vast majority

Fiscal prudence

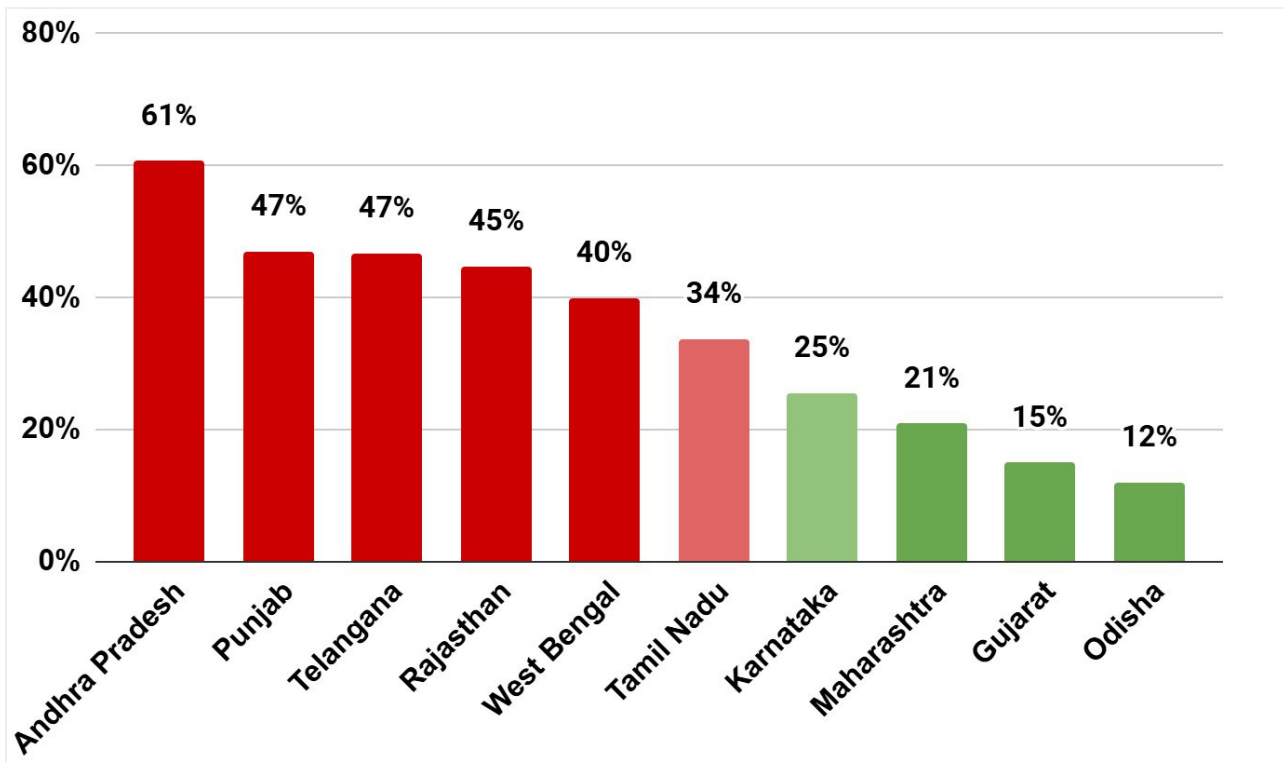
Education

Healthcare

Rule of Law

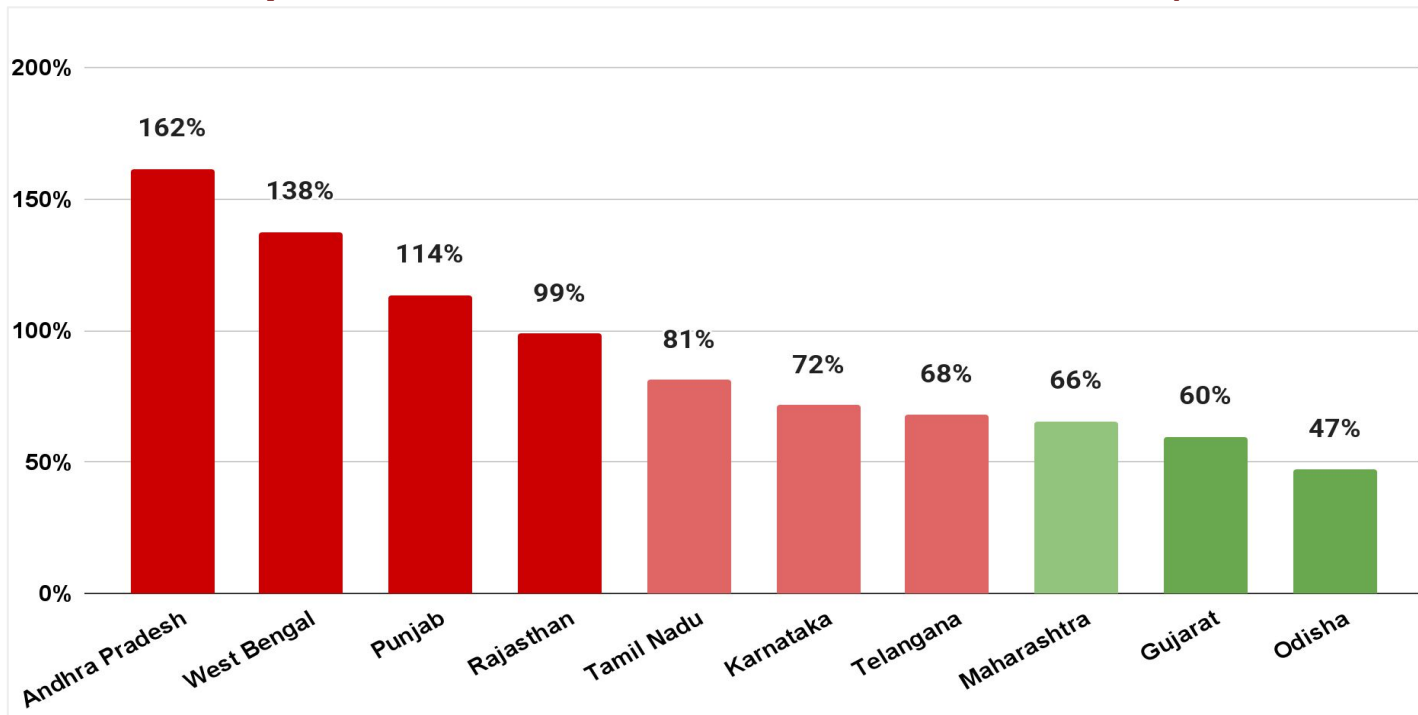
**Small Town
Development**

Debt-to-GSDP ratio (2024-25 RE)



FRBM Target:
20%

Committed Expenditure as a Share of Own Revenues (2024-25 RE)

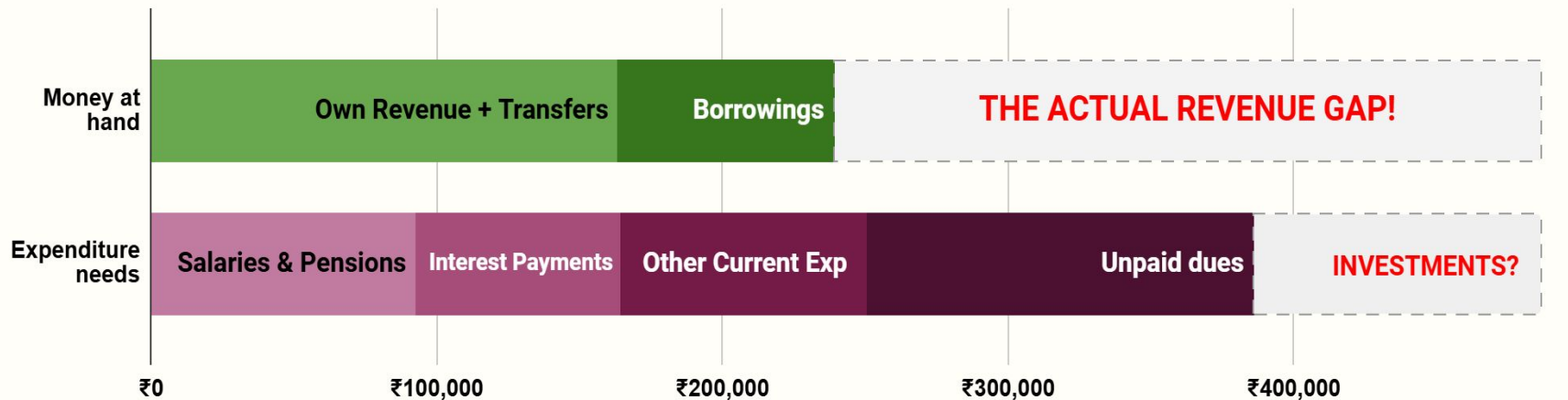


For many States, **expenditure on salaries, pensions, and interest payments exceeds own revenues.**

- **Debt burden is extremely high:** Debt-to-GSDP ratio at **~61%**, including outstanding dues and guarantees (FY 2025).
- **Debt servicing burden is ~70%** of the State's own revenues (FY 2025).
- A real risk of the State falling into a **Debt Trap!**

AP FY 25: Gross imbalance in revenues & expenditure obligations

Source: White Paper on State Finances, July 2024, Govt. of AP



A Framework for Fiscal Prudence: *Key Recommendations*

1. **Nil revenue deficit** as a condition to borrow under Article 293(4)

- a. *Phase out revenue deficit grants*
- b. *The Union be subject to the same rule, monitored by Parliament*

2. **Off-Budget borrowings & deferred bills** to reflect in budgets and for the application of Art 293(4)

3. One-time measure to restore the health of **fiscally stressed States**

4. **Independent, transparent, non-partisan** exercise of functions

5. Authoritative **data collection and monitoring** and real-time public disclosure

6. Tools like **fiscal stress test** could be explored

7. Conduct **ex-ante evaluation** of fiscal policies; **cost-benefit analysis** of large capital projects

8. **Sinking fund** for commitments posing future liabilities

- a. *In case of reversal to Old Pension Scheme (OPS)*
- b. *Defined-benefit, non-contributory, unfunded defense pensions*

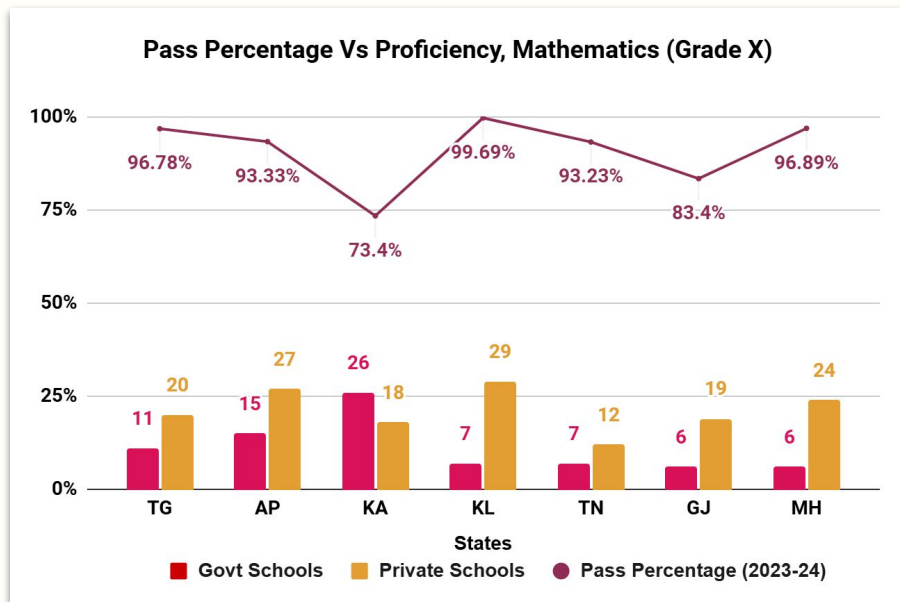
9. Switch to an **accrual-based accounting system**

Art 293 as a tool to ensure fiscal discipline

Independent monitoring & oversight of public expenditure

Protect **intergenerational equity** & ensure **long-term health** of public finances

Poor learning outcomes across States and across management types

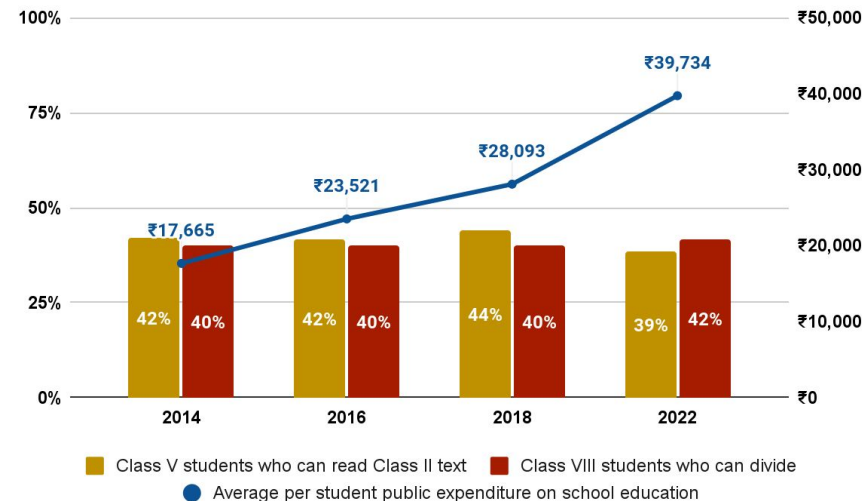


Note: TG - Telangana, AP - Andhra Pradesh, KA - Karnataka, KL - Kerala, TN - Tamil Nadu, GJ - Gujarat, MH - Maharashtra.

Source: Proficiency levels: National Achievement Survey 2021; Pass Percentage, 2023-24: Newspaper Reports

More expenditure by itself is not leading to better outcomes

Expenditure vs Outcomes, Government School Education



Sources: ASER Reports, U-DISE, Analysis of Budgeted Expenditure on Education Reports

Components of an effective assessment framework

Stress-free continuous assessments from Grade 6, not one high-stakes test.

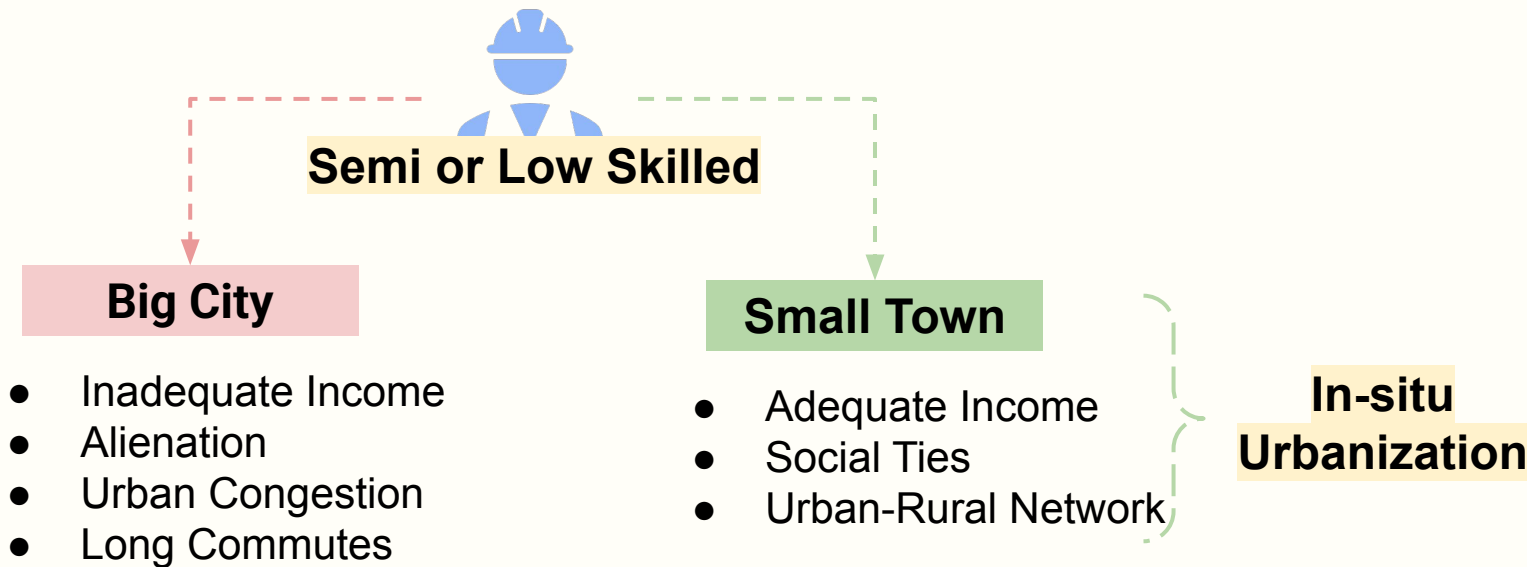
Local inspection & monitoring supported by 2-3% current government teachers

Detention policy from Grade 6 supported by regular assessments and remedial support.

- Current grade-level assessment focus on **rote memorisation** over conceptual understanding and application of concepts.
- The emphasis should shift to **application of knowledge, critical thinking, and problem-solving abilities**.
- An assessment framework that **tests and rewards real learning** will dramatically **alter the incentives** for all stakeholders.

This single intervention would then drive the **STUDENTS, TEACHERS, PARENTS, SCHOOL ADMINISTRATION**, and the market in general to **strive for 'success' on these redefined terms**, leading to better outcomes in the existing milieu **without causing much disruption or friction**.

Promotion of in-situ urbanisation to bridge the social, economic and physical gap between rural India and the big cities.



Small towns can transform into **hubs for labour-intensive manufacturing units**, providing jobs for the low and semi-skilled workforce from the neighbouring villages.



Identification

Village/Census Town/ Municipality:

- At least one in every Assembly constituency
- Natural economic hub
- Centrally located with adequate connectivity

Town Planning and Infrastructure Development

- Quality drinking water
- Stormwater drainage
- Transport networks
- Sanitation facilities

Rs.100 crores over 5 years per small town

Private Investment

- Construction
- Housing sites
- Services such as education and healthcare, and recreation

Vibrant Small Town

- Quality of life comparable to a big city
- Organic migration from villages

Small Town Development

CASE STUDIES FROM ANDHRA PRADESH

Brandix India Apparel City

📍 *Atchutapuram, Erstwhile Visakhapatnam District*

- Employment: 22,000 (82% Women)
- Average Monthly Salary: ₹16,000 – ₹25,000
- Annual Exports: USD 300 million

Apache Footwear

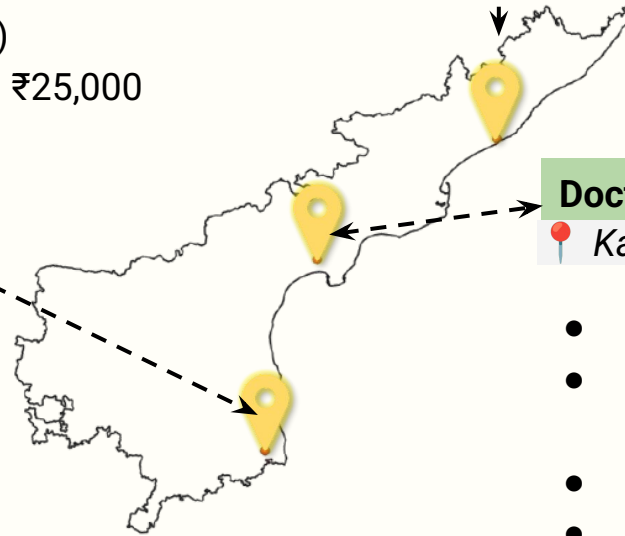
📍 *Tada, Erstwhile Chittoor District*

- Employment: 12,547 (55% women)
- Average Monthly Salary: ₹25,000 - ₹35,000
- Annual Revenue: ₹1373.34 Crores (≈80% exports)
- Ready to employ +2,000

Doctus

📍 *Kavuru, Erstwhile Guntur District*

- Sector: Medical Coding
- Employment: 175 (over 50% Women)
- Average Monthly Salary: ₹20,000
- Ready to employ +500



The lack of accessible and effective public health care is debilitating, often having catastrophic consequences for the poorest households.

Besides the immense potential for growth and jobs in the healthcare sector, ensuring universal access to quality health care will ensure that avoidable suffering is minimised and productivity of the poorest is not unduly diminished.

Major challenge today

Accessible, affordable, effective
and accountable curative
primary care

Approaches to reform

Incorporate elements of choice and
competition

Public-funded but privately
delivered care

Focus on small towns

Swift & fair justice in courts is perhaps the single biggest silent unmet need in the country.

Several crores of families are **suffering in silence** either due to protracted proceedings or enduring injustices in lieu of such proceedings.

Without **urgent and serious course correction**, public order, safety and security will be increasingly endangered.

An improvement in civil and criminal justice delivery at the lower end, **focusing on urban areas as well as safety of women** would directly affect the everyday lives of most citizens.

“Never doubt that a small group of thoughtful, committed citizens can change the world. **Indeed, it’s the only thing that ever has.”**

– Margaret Mead