# India’s growth dreams need a reality check

***Despite economic growth expansion, informality continues to widen and more workers, especially those migrating from the rural to urban areas are finding fewer job opportunities in the organised space***

India’s manufacturing sector’s inability to pick up or become internationally competitive has pushed most of its current comparative advantage into an upper-middle-income worker-dominated (urban) service-sector-led expansion.

Written by: **Deepanshu Mohan** Sep 5, 2026

Mark Twain, back in 1906-07, in his autobiography, said: “Figures often beguile me, particularly when I have the arranging of them myself; in which case the remark attributed to Disraeli would often apply with justice and force: ‘There are three kinds of lies: lies, damned lies and statistics.’”

Twain’s famous assertion on the oft-ignored cautions of statistics’ magical realism offers important context in reading India’s recently celebrated quarterly estimates on growth data and its implications for the Indian economy at a time when its own performance on jobs, rising youth unemployment, and macroeconomic management of its balance of payments and currency remains under question.

Recent growth estimates show that real GDP grew by 7.8 per cent in Q1 of 2026-27, compared with 6.9 per cent in Q1 of FY 2025-26. The tertiary sector shows the most promise in commanding this quarter's growth by registering a 10 per cent progression, driven by the "financial, real estate, IT and professional services" sectors.

On the expenditure side, gross fixed capital formation recorded a double-digit 11.9 per cent growth rate (FY 2026-27) against the 5.8 per cent in Q1 of FY 2025-26, while private final consumption expenditure registered a 7.1 per cent growth during the quarter. These trends have been broadly fuelled by easier access to commercial credit and the increase in access to the supply of loanable funds, allowing for growth in capital for production-consumption needs.

For India to become Viksit by 2047, India's per capita gross national income (GNI) must be around $14,375 as per the World Bank categorisation for developed countries. Back in 2025, for India, this number was around $2,760. China, with its GNI at around $14,230, is likely to cross the "developed" country threshold this year. This point is vital in emphasising that while "high" growth is imperative for India in its march towards 2047, what is equally critical is shared prosperity in terms of higher income for Indians across classes and different economic and social groups.

The current data doesn't show a great departure from the structural composition of India's growth story. Services have been the key in the post-1990s reform era. The merchandise trade deficit, despite rising exports, has continued to widen (due to higher imports), which eats into India's forex reserves. Investment data has remained relatively modest, and consumption demand has been weak amongst lower-middle-income groups, which has also restricted upward mobility for Indians.

Those with cheaper and easier access to credit are continuing to borrow and spend on essentials while household debt levels continue to rise. The government's higher capex spending on areas like infra, logistical connectivity, and roads is helpful for growth progression but is still a drop in the bucket for India's aim to become Viksit.

It is true that most Indians are out of extreme poverty but are also increasingly dependent on government-provided subsidies and entitlements for basic public goods and services.

Indian youth are disillusioned because of a lack of "good" jobs, and the salaried middle class is seeing a broader stagnation in real wages, which produces its own kind of gated recession and economic suppression for communities across classes. The biggest curse in the labour market is heightened comfort around the use and adoption of informality for workers who still lack agency, access to better working conditions, and improved wages amidst limited to no regulatory support.

Despite economic growth expansion, informality continues to widen, and more workers, especially those migrating from rural to urban areas, are finding fewer job opportunities in the organised space or are choosing to remain out of it due to poor wages and more difficult working conditions. This is where India's growth story, despite what quarterly data indicates, merits an intersectional approach validation.

I have argued for intersectional growth validation as an economic mechanism to be established in the formal interpretation of India's heterogeneously placed economic landscape, where "who" participates and benefits in higher "real" growth and who doesn't warrant explanation.

A consequentially insensitive approach to studying distributive aspects of growth data might make some Indians more "Viksit" than others while making most Indians more vulnerable and dependent on government provisioning, slipping them into an Anischit Kaal (uncertain time). The middle-income trap might also apply here for similarly positioned countries, which may find their citizenry stuck in a limbo sans shared prosperity.

Countries like China, South Korea, Japan, Taiwan, Singapore, and more recently, Chile, Indonesia, and others saw shared prosperity amongst their citizenry achieved through rapid economic transformation and better investment in manufacturing. Most of these nations prospered by maximising production capacity and export-led industrialisation by championing their manufacturing sector, which allowed labour-intensive sectors to benefit and workers to participate in increased income benefits. This gradually expanded to other sectors as well through better policy coordination and development of market institutions.

India's GFCF data shows that overall private investment has been picking up very slowly in most sectors except manufacturing (which otherwise can create more labour-intensive jobs too for those migrating from rural to urban spaces).

India's manufacturing sector's inability to pick up or become internationally competitive has pushed most of its current comparative advantage into an upper-middle-income worker-dominated (urban) service-sector-led expansion. This asymmetric industrial policy realisation has been a lived reality for most of the time in India's post-reform growth story — and unfortunately, political capital has done little to address or reimagine this.

More broadly, India needs its policy design to be less "growth-obsessed" and remain more "prosperity-driven," where policy coordination and state-market interaction allow for a hybrid-industrial policy imagination, as relatively low-priced goods in manufacturing can make access to the basics — food, shelter, essentials — more affordable for all. Some of the key export-oriented sectors (in services) will also benefit from better access to innovation, entrepreneurial credit expansion and globally competitive international markets.

An intersectional growth validation process and a hybrid balance in industrial policy anchored in a prosperity-driven policy model can catalyse India's economic transformation. This is what can help India realise its government-engineered mantra of becoming "Viksit" — by lived choice, not by headline growth numbers in a temporal cycle.

Mohan is dean and professor of Economics, O P Jindal Global University (JGU). Subramoniam is with the Centre for New Economics Studies (CNES), JGU