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Understanding The Social Sector, Economic Growth, Social Development And Economic Development in India: A Study

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<u>Abstract</u>

Focusing on either economic growth or on human development may result in unbalanced growth of the economy, which may jeopardize the very process of long-term development. It needs to be recognized that High Gap, has often failed to transform into better living conditions of the masses, particularly where the fruits of development and distribution of income have been uneven. The role of government in framing a coordinated policy measures, which ensures even distribution of income, basic capabilities for a more participatory economic growth is crucial to establish a relationship between economic growth and human development. It is expected that an increase in the general level of per capita income is likely to increase the demand for education and health care, and may improve the human development of a country. Secondly, economic growth associated with poverty reduction may enable the poorer sections of the population to enjoy the fruits of growth and thus, may have a better impact on the human development indicators.

Keywords: Social Sector, Economic Growth, Social Development, Economic Development

Introduction

The role of education in overall social and economic progress is widely recognized. The right to education has been enshrined as a fundamental right in the Constitution of India, which states that: "the State shall provide free and compulsory education to all children aged six to fourteen years in such a manner as the state may, by law, determine." The literacy rate in India has been constantly rising, improving from 64.8% in the 2001 census to 74.04% in the 2011 census. Both the central and the state governments have been paying increased attention to the need to provide "education for all." The Indian government has placed lots of emphasis on primary or elementary education. The Right of Children to Free and Compulsory Education Act became operative on April 1, 2010, since which enrolments have increased to become near universal and dropout rates have decreased. Despite this, the provision of quality education with value addition still remains a distant dream. Secondary education covers children aged 14–18, and provides for more than ninety million children. form The SSA has been extended to secondary education in the of RastriyaMadhyamikShikshaAbhiyan, with special emphasis on the inclusion of disadvantaged sections and profession-based vocational training. Despite the higher levels of enrolment at all levels of education, actual value addition has been unsatisfying, as revealed by poor learning outcomes. Evidence suggests that learning trajectories for Indian school children are almost flat and are far below the corresponding class levels in other comparable countries. Dropout rates at secondary and higher levels remain high and much higher for

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socially and economically marginalized groups. The complex nature of the problems of poor quality, inequality and exclusion poses challenges to the Indian education system. In this context, the importance of infrastructure, institutional framework and the governance systems cannot be exaggerated.

Growth and Social Development

Growth and reducing poverty are the major objectives of economic policy. Economic development and social development need to go hand in hand. It is like walking on two legs. Ignoring any one of them will make the country limp along. Therefore, the focus of economic policy must be to simultaneously accelerate economic growth and ensure that the basic minimum requirements are provided to everyone. The major challenge before the country is to come out of the impact of the economic crisis, which had originated abroad. We should be able to move to a higher trajectory of economic growth soon. We have, in the past, demonstrated our potential for high growth. The challenge before us is to realise this potential.

India - Economic Growth and Development

The **Economic Development in India** followed <u>socialist-inspired politicians</u> for most of its independent history, including state-ownership of many sectors; <u>India's</u> per capita income increased at only around <u>1% annualised rate</u> in the three decades after its independence. Since the mid-1980s, India has slowly opened up its markets through <u>economic liberalisation</u>. After more fundamental reforms since 1991 and their renewal in the 2000s, India has progressed towards a <u>free market economy</u>.

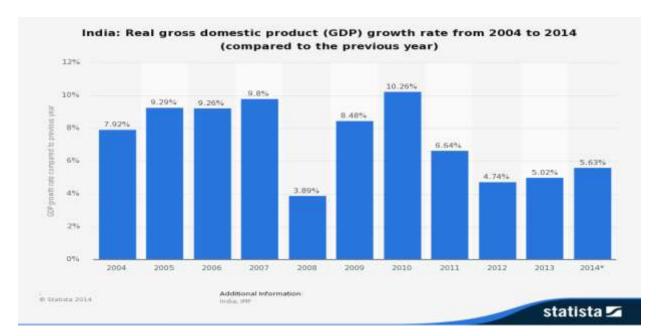
In the late 2000s, India's growth reached 7.5%, which will double the average income in a decade. IMF says that if India pushed more fundamental market reforms, it could sustain the rate and even reach the government's 2011 target of 10%. States have large responsibilities over their economies. The average annual growth rates (2007–12) for Gujarat (13.86%), Uttarakhand (13.66%), Bihar (10.15%) or Jharkhand (9.85%) were higher than for West Bengal (6.24%), Maharashtra (7.84%), Odisha (7.05%), Punjab (11.78%) or Assam (5.88%).^[2] India is the sixth-largest economy in the world and the third largest by purchasing power parity adjusted exchange rates (PPP). On per capita basis, it ranks <u>140th</u> in the world or <u>129th</u> by PPP.

The economic growth has been driven by the expansion of the services that have been growing consistently faster than other sectors. It is argued that the pattern of Indian development has been a specific one and that the country may be able to skip the intermediate <u>industrialisation</u>-led phase in the transformation of its economic structure. Serious concerns have been raised about the jobless nature of the economic growth.

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Favourable macroeconomic performance has been a necessary but not sufficient condition for the significant reduction of poverty amongst the Indian population. The rate of poverty decline has not been higher in the post-reform period (since 1991). The improvements in some other non-economic dimensions of social development have been even less favourable. The most pronounced example is an exceptionally high and persistent level of child malnutrition (46% in 2005–6).

The progress of economic reforms in India is followed closely. The <u>World Bank</u> suggests that the most important priorities are public sector reform, infrastructure, agricultural and rural development, removal of labour regulations, reforms in lagging states, and HIV/AIDS. For 2018, India ranked 77th in <u>Ease of Doing Business Index</u>. According to <u>Index of Economic Freedom</u> World Ranking an annual survey on economic freedom of the nations, India ranks 123rd as compared with China and Russia which ranks 138th and 144th respectively in 2014.



Indian Economic Growth

- India has sustained **rapid growth of GDP** for most of the last two decades leading to **rising per capita incomes** and a reduction in absolute poverty. Per capita incomes (measured in US \$) have doubled in 12 years
- But India has one third of all the people in the world living below the official global poverty line. It has more poor people than the whole of sub-Saharan Africa

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- Per capita income is \$1,270, placing India just inside the Middle Income Country category
- India's per capita income is 1/20th that of the UK
- Life expectancy at birth is 65 years and 44% of children under 5 are malnourished. The literacy rate for the population aged 15 years and above is only 63% compared to a 71% figure for lower middle income countries.
- Despite a strong attempt to become an open economy, exports of goods and services from India account for only 15% of GDP although this will rise further in the years ahead
- India runs persistent trade and fiscal deficits and has suffered from high inflation in recent years
- India's growth rate has slowed and high inflation is a constraint on competitiveness and growth.
- Investments by Indian businessmen abroad have overtaken foreign direct investment for the first time – reflecting a lack of confidence among Indian entrepreneurs about their home economy

Development Path

India has followed a different **path of development** from many other countries. India went more quickly from agriculture to services that tend to be less tightly regulated than heavy industry. That said there are some emerging manufacturing giants in the Indian economy.

Supply-side factors supporting Indian growth and development

- 1. A fast-growing population of working age. There are 700 million Indians under the age of 35 and the demographics look good for Indian growth in the next twenty years at least. India is India is experiencing demographic transition that has increased the share of the working-age population from 58 percent to 64 percent over the last two decades.
- 2. India has a strong legal system and many English-language speakers this has been a key to attracting inward investment from companies such as those specialising in IT out-sourcing.
- 3. Wage costs are low in India and India has made strides in recent years in closing some of the productivity gap between her and other countries at later stages of development.
- 4. **India's economy** has successfully developed highly advanced and attractive clusters of businesses in the technology space witness the rapid emergence of Bangalore as a hub for global software businesses. **External economies of scale** have deepened their competitive advantages in many related industries.

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Growth and Development Limiters for India

Despite optimism for India's prospects for economic growth and development, there are a number of obstacles which may yet see growth and development falter.

- Poor infrastructure notably in transport and power networks
- Low productivity and weak human capital. A high % of workers are low-skilled and work in small businesses
- High inflation and a persistent trade deficit
- Low national savings as a share of GDP, low share of capital investment
- Relatively closed economy India is a net importer of primary products

<u>Indian Development – An Infrastructure Gap</u>

India is a good case study to use when discussing the problems that persist when a country cannot rely on adequate **critical infrastructure** such as roads, railways, power and basic sanitation. India wants to build \$1 trillion worth of infrastructure in the next five years but the government expects the private sector to fund half of it – this is unlikely! Poor infrastructure hurts the Indian economy in numerous ways:

- 1. Causes **higher energy costs and irregular energy supplies** for nearly every business and especially India emerging manufacturing sectors there were huge power black outs in 2012
- 2. It is more **expensive to transport products** across the country and it creates delays at ports hamper export businesses and delays at airports which increases the cost of international freight.
- 3. It makes India less attractive to **inward FDI**
- 4. It adds to the **cost of living** and limits the extent to which millions of India's lowest income families can escape extreme poverty
- 5. A creaking infrastructure damages the reputation and potential of India's **tourism** industry

Despite these growth constraints, India's expansion far exceeds that of the vast majority of developed nations – to put this into some context, India is delivering 30 years of US economic advance every ten years!

Relative importance of services in India

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- One of the key differences for India contrasted with countries such as China, Japan and South Korea is that the Indian economy is heavily reliant on service industries especially in her export sector
- The country has a **comparative advantage** in many service industries such as business software.
- One consequence of this structural difference in the economy is that India has not yet seen the rapid urbanization experienced in other nations; more than 60 per cent Indians still live in rural areas.
- **Productivity growth** in Indian agriculture has been fairly low and this has limited the potential to release people from the land to move into towns and cities and find work in manufacturing sectors.

History

Prior to India's Independence, from the period of 1900 to 1947, per capita income in India had either declined or stagnated. Post-Independence, Jawaharal Nehru enacted an economic policy based on import substitution industrialization. The Nehru-Mahalanobis approach, often referred to as the Second Five Year Plan, emphasized the development of basic and heavy industries as a means of accelerating economic growth. These included steel, copper, petrochemicals, paper, coal, and oil. Mahalanobis strived for India to reach autonomy, ridding any outstanding debts. Critics disagreed with this approach, stating that World Bank's claim of Indian export prospects being low were falsified and due to India's inward-looking strategy, the growth opportunity of the world economy was missed. Nonetheless, over 1950–1965, India's acceleration of per capita income growth had increased an average of 1.7%, a value not exceeded since. The discourse on the efficacy of the Nehru-Mahalanobis Strategy is commonly contested by economists. A criticism of the approach emphasizes the lack of resource allocation in the agriculture sector. It is argued that the misbalanced weightage towards the machine-making sector contributed to the increase in food-grain prices and thus, perpetuated poverty and malnutrition. Defenders of the strategy claim that it sought to increase agricultural output by increasing the output-capital ratio. This agreeably would have been accomplished through land-reforms, something the strategy did not address, not indicating a problem with the strategy itself.

Agriculture

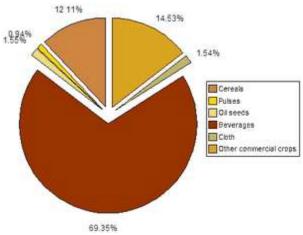
Main article: Agriculture in India

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Composition of India's total production of foodgrains and commercial crops.

India <u>ranks second</u> worldwide in farm output. Agriculture and allied sectors like <u>forestry</u>, logging and fishing accounted for 18.6% of the GDP in 2005, employed 60% of the total workforceand despite a steady decline of its share in the GDP, is still the largest economic sector and plays a significant role in the overall socio-economic development of India. <u>Yields</u> per unit area of all crops have grown since 1950, due to the special emphasis placed on agriculture in the <u>five-year</u> <u>plans</u> and steady improvements in <u>irrigation</u>, technology, application of modern agricultural practices and provision of agricultural credit and subsidies since the <u>green revolution</u>.^[citation needed]

India is the largest producer in the world of milk, cashew nuts, coconuts, tea, ginger, turmeric and black pepper. It also has the world's largest cattle population (193 million). It is the second largest producer of wheat, rice, sugar, groundnut and inland fish. It is the third largest producer of tobacco. India accounts for 10% of the world fruit production with first rank in the production of banana and <u>sapota</u>, also known as chiku.

The required level of investment for the development of marketing, storage and cold storage infrastructure is estimated to be huge. The government has implemented various schemes to raise investment in marketing infrastructure. Amongst these schemes are *Construction of Rural Go downs*, *Market Research and Information Network*, and *Development / Strengthening of Agricultural Marketing Infrastructure, Grading and Standardisation*.

Main problems in the agricultural sector, as listed by the World Bank, are:

- India's large <u>agricultural subsidies</u> are hampering productivity-enhancing investment.
- Overregulation of agriculture has increased costs, price risks and uncertainty.
- Government interventions in labour, land, and credit markets.
- Inadequate infrastructure and services.

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Research and development

The <u>Indian Agricultural Research Institute</u> (IARI), established in 1905, was responsible for the research leading to the "<u>Indian Green Revolution</u>" of the 1970s. The <u>Indian Council of Agricultural Research</u> (ICAR) is the apex body in kundiure and related allied fields, including research and education.^[19] The Union Minister of Agriculture is the President of the ICAR. The <u>Indian Agricultural Statistics Research Institute</u> develops new techniques for the design of agricultural experiments, analyses data in agriculture, and specialises in statistical techniques for animal and plant breeding. Prof.<u>M.S. Swaminathan</u> is known as "Father of the Green Revolution" and heads the MS Swaminathan Research Foundation. He is known for his advocacy of environmentally <u>sustainable agriculture</u> and sustainable <u>food security</u>.

Industrial output



An industrial zone near Mumbai

India is <u>tenth</u> in the world in factory output. Manufacturing sector in addition to mining, <u>quarrying</u>, electricity and gas together account for 27.6% of the GDP and employ 17% of the total workforce. Economic reforms introduced after 1991 brought foreign competition, led to privatisation of certain public sector industries, opened up sectors hitherto reserved for the public sector and led to an expansion in the production of fast-moving <u>consumer goods</u>. In recent years, Indian cities have continued to liberalise, but excessive and burdensome business regulations remain a problem in some cities, like Kochi and Kolkata.

Post-liberalisation, the Indian private sector, which was usually run by oligopolies of old family firms and required political connections to prosper was faced with foreign competition, including the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, focusing on designing new products and relying on low labour costs and <u>technology</u>. Under the Modi Government, various initiatives are taking place like Make In India campaign, to boost the Indian industries. This will help the economy to grow as budding entrepreneurs will open industries and local things will get promoted.

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Services

India <u>is fifteenth</u> in services output. <u>Service industry</u> employ <u>English-speaking Indian</u> workers on the <u>supply side</u> and on the demand side, has increased demand from foreign consumers interested in India's service exports or those looking to outsource their operations. <u>India's IT industry</u>, despite contributing significantly to its <u>balance of payments</u>, accounts for only about 1% of the total GDP or 1/50th of the total services.

During the Internet bubble that led up to 2000, heavy investments in undersea fibre-optic cables linked Asia with the rest of the world. The fall that followed the economic boom resulted in the auction of cheap fiber optic cables at one-tenth of their original price. This development resulted in widely available low-cost communications <u>infrastructure</u>. All of these investments and events, not to mention a swell of available talent, resulted in India becoming almost overnight the centre for outsourcing of Business process. Within this sector and events, the <u>ITES-BPO</u> sector has become a big employment generator especially amongst young college graduates. The number of professionals employed by IT and ITES sectors is estimated at around 1.3 million as of March 2006. Also, Indian IT-ITES is estimated to have helped create an additional 3 million job opportunities through indirect, induced and in helpful manner have created employment.

GDP growth rate

Since the economic liberalisation of 1991, India's GDP has been growing at a higher rate.^[26] The following table has been collected from public data archives with data from the <u>World Bank</u>:

Year	Growth (real) (%)
2000	3.841
2001	4.824
	3.804
2003	7.86
2004	7.923
2005	7.923
2006	8.061
2007	7.661
2008	3.087
2009	7.862
2010	8.498
2011	5.241
2012	5.456

2028

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Year	Growth (real) (%)
2013	6.386
2014	7.41
2015	7.996
2016	8.17
2017	7.168
2018	6.982

GDP growth rate is unequal within India. For the year 2015–16, GDP growth rates of <u>Andhra</u> <u>Pradesh</u> (10.99%), <u>Bihar</u> (10.27%) and <u>Madhya Pradesh</u> (10.16%) were higher than <u>Maharashtra</u> (8%), <u>Odisha</u> (6.16%) and <u>Punjab</u> (5.96%).

Companies

47 Indian companies were listed in the <u>Forbes Global 2000</u> ranking for 2015. The 10 leading companies were:

World Rank	Company	Logo	Industry		Revenue (billion \$)	Profits (billion \$)	Assets (billion \$)	Market Value (billion \$)
142	Reliance Industries		Oil & Operations	Gas	71.7	3.7	76.6	42.9
152	State Bank of India	•	Banking		40.8	2.3	400.6	33
183	Oil and Natural Gas Corporation		Oil & Operations	Gas	28.7	4.4	59.3	43.7
263	Tata Motors				42.3	2.7	34.7	28.8
283	ICICI Bank	ØICICI Bank	Banking		14.2	1.9	124.8	30
431	<u>NTPC</u>	एनरीपीसी NTPC	Utilities		12.9	1.9	35.4	20.2
463	Tata Steel	TATA STEEL	Materials		32.77	3.08	31.16	2.46
349	Indian Oil Corporation		Oil & Operations	Gas	74.3	1.2	44.7	14.6
485	HDFC		Banking		8.4	1.4	84.3	41.6
485	TCS		Information Technology		15.1	3.5	11	80.3

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India's resource consumption **Oil**

India <u>consumes the second-largest amount of oil</u> in the Asia-Pacific region behind China. The combination of rising oil consumption and fairly unwavering production levels leaves India highly dependent on imports to meet the consumption needs.

Natural gas

As per the Oil and Gas Journal, India had 38 trillion cubic feet $(1.1 \times 10^{12} \text{ m}^3)$ of confirmed natural gas reserves in 2004.

India imports small amounts of natural gas. In 2004, India consumed about $1,089 \times 10^9$ cu ft $(3.08 \times 10^{10} \text{ m}^3)$ of natural gas, the first year in which the country showed net natural gas imports. During 2004, India imported 93×10^9 cu ft $(2.6 \times 10^9 \text{ m}^3)$ of <u>liquefied natural gas</u> (LNG) from Qatar.

As in the oil sector, India's state-owned companies account for the bulk of natural gas production. <u>ONGC</u> and <u>Oil India Ltd</u>. (OIL) are the leading companies with respect to production volume, whilst some foreign companies take part in upstream developments in joint-ventures and production sharing contracts (**PSC**s). <u>Reliance Industries</u>, a privately owned Indian company, will also have a bigger role in the natural gas sector as a result of a large natural gas find in 2002 in the <u>Krishna Godavari basin</u>.

The <u>Gas Authority of India Ltd.</u> (GAIL) holds an effective control on natural gas transmission and allocation activities. In December 2006, the Minister of Petroleum and Natural Gas issued a new policy that allows foreign investors, private domestic companies, and <u>national oil companies</u> to hold up to 100% equity stakes in pipeline projects. Whilst GAIL's domination in natural gas transmission and allocation is not ensured by statute, it will continue to be the leading player in the sector because of its existing natural gas infrastructure.

Issues Regulation, public sector, corruption,

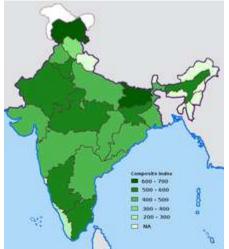
India ranked 63 on the <u>Ease of Doing Business Index</u> in 2020, compared with 108 for Pakistan, 31 for People's Republic of China, 131 for Nigeria, 124 for Brazil, and 73 for Indonesia.

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Extent of corruption in Indian states, as <u>measured</u> in a 2005 study by <u>Transparency International</u> India. (Darker regions are more corrupt)

<u>Corruption</u> in many forms has been one of the pervasive problems affecting India. For decades, the <u>red tape</u>, <u>bureaucracy</u> and the <u>Licence Raj</u> that had strangled private enterprise. The economic reforms of 1991 cut some of the worst regulations that had been used in corruption.

Corruption is still large. A 2005 study by <u>Transparency International</u> (TI) India found that more than half of those surveyed had firsthand experience of paying a bribe or peddling influence to get a job done in a public office. The chief economic consequences of corruption are the loss to the <u>exchequer</u>, an unhealthy climate for investment and an increase in the cost of government-subsidised services. The TI India study estimates the monetary value of petty corruption in 11 basic services provided by the government, like <u>education</u>, <u>healthcare</u>, <u>judiciary</u>, <u>police</u>, etc., to be around \Box 211 billion(US\$3.0 billion). India still ranks in the bottom quartile of developing nations in terms of the ease of doing business, and compared with China, the average time taken to secure the clearances for a <u>startup</u> or to invoke <u>bankruptcy</u> is much greater.

The <u>Right to Information Act</u> (2005) and equivalent acts in the states, that require government officials to furnish information requested by citizens or face punitive action, computerisation of services and various central and state government acts that established vigilance commissions have considerably reduced corruption or at least have opened up avenues to redress grievances. The 2006 report by Transparency International puts India at 70th place and states that significant improvements were made by India in reducing corruption.

Employment

India's labour force is growing by 2.5% every year, but employment is growing only at 2.3% a year. Official unemployment exceeds 9%. Regulation and other obstacles have discouraged the

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emergence of formal businesses and jobs. Almost 30% of workers are casual workers who work only when they are able to get jobs and remain unpaid for the rest of the time. Only 10% of the workforce is in regular employment. India's labour regulations are heavy even by developing country standards and analysts have urged the government to abolish them.

From the overall stock of an estimated 458 million workers, 394 million (86%) operate in the unorganised sector (of which 63% are self-employed) mostly as informal workers. There is a strong relationship between the quality of employment and social and poverty characteristics. The relative growth of informal employment was more rapid within the organised rather than the unorganised sector. This informalisation is also related to the flexibilisation of employment in the organised sector that is suggested by the increasing use of contract labour by employers in order to benefit from more flexible labour practices.

Children under 14 constitute 3.6% of the total <u>labour</u> force in the country. Of these children, 9 out of every 10 work in their own rural family settings. Around 85% of them are engaged in traditional agricultural activities. Less than 9% work in manufacturing, <u>services</u> and <u>repairs.^[40]Child labour</u> is a complex problem that is basically rooted in poverty. The Indian government is implementing the world's largest child labour elimination program, with primary education targeted for ~250 million. Numerous non-governmental and voluntary organisations are also involved. Special investigation cells have been set up in states to enforce existing laws banning employment of children (under 14) in hazardous industries. The allocation of the Government of India for the eradication of <u>child labour</u> was US\$10 million in 1995–96 and US\$16 million in 1996–97. The allocation for 2007 is US\$21 million.

Environmental degradation

About 1.2 billion people in developing nations lack clean, safe water because most household and industrial wastes are dumped directly into rivers and lakes without treatment. This contributes to the rapid increase in <u>waterborne diseases</u> in humans. Out of India's 3119 towns and cities, just 209 have partial treatment facilities, and only 8 have full wastewater treatment facilities (WHO 1992). 114 cities dump untreated <u>sewage</u> and partially cremated bodies directly into the <u>Ganges River</u>.^[43] Downstream, the untreated water is used for drinking, bathing, and washing. This situation is typical of many rivers in India as well as other developing countries. Globally, but especially in developing nations like India where people cook with <u>fuelwood</u> and coal over open fires, about 4 billion humans suffer continuous exposure to <u>smoke</u>. In India, particulate concentrations in houses are reported to range from 8,300 to 15,000 µg/m³, greatly exceeding the 75 µg/m³ maximum standard for indoor particulate matter in the United States. Changes in ecosystem biological diversity, evolution of parasites, and invasion by exotic species all frequently result in disease outbreaks such as <u>cholera</u> which emerged in 1992 in India. The frequency of AIDS/HIV is increasing. In 1996, about 46,000 Indians out of 2.8 million (1.6% of the population) tested were found to be infected with HIV.

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Conclusion

Economic development in India has had a varying effect on women depending on their age, education, and location. Traditionally in India women's role is in the household. As girls they are raised to work for and better their family. Their work, therefore, mostly consists of household duties and is not a part of the formal economy. Because of this India consistently compares poorly to other countries as far as female employment rates. Currently India ranks 11th from the bottom in female labor participation out of the 131 countries with data available. In addition, women who do work experience discrimination; on average they make 62% of what their male counterparts make for the same position .Since the 1990s there has been significant economic growth and expansion in India, this has had an effect on how women operate in the workforce there.Women'slabor force participation has actually fallen from 37% in 2004–2005 to 27% in 2009–2019. So with the recent economic growth and development in India, the country has not seen an equal overall growth in jobs for women. This can be broken down further, however, because certain demographics of women in India have seen job rates decline while some have seen them rise. Informal work, which is not included in job rate percentages, has risen for poor, rural, uneducated women while their formal job rate has declined; Microcredit and social help groups have helped poor women connect and work together in the informal job sector. Women with higher education who mostly live in urban areas have seen a rise in job rates.

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