

RURAL INCLUSION IN INDIA: SECTORAL TRANSFORMATION, LABOUR, AND POVERTY

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Abstract

The question of whether India's post-1991 economic growth has translated into inclusive outcomes for rural populations remains a contested issue. This review synthesizes empirical evidence on sectoral change, rural labour markets, and multidimensional poverty to assess how far growth has broadened opportunities beyond better-off households and regions. Based on a structured review of 194 empirical studies using village-level panels, state comparisons, and national survey data, the paper shows that rural inclusion has been uneven. Agricultural productivity growth and the expansion of rural non-farm activities have supported income gains and poverty reduction in certain parts of the country; however, these effects have been limited by weak manufacturing absorption, the prevalence of informal employment, and unequal access to non-farm opportunities. While multidimensional poverty has declined overall, persistent deprivations in nutrition, health, and education quality remain concentrated among landless households, Scheduled Castes and Tribes, women, and populations in lagging regions. The review highlights three interrelated constraints shaping these outcomes: stunted structural transformation, asset- and identity-based inequalities, and uneven regional investment. It concludes by identifying key gaps in the literature and outlining policy priorities aimed at improving employment quality, strengthening inclusive agricultural growth, and targeting structurally disadvantaged groups.

Keywords: inclusive growth; rural India; sectoral transformation; labour markets; multidimensional poverty

1. Introduction

India's economic growth following the 1991 liberalization reforms has been substantial, with average GDP growth exceeding 6 per cent for much of the 1990s and 2000s (Dev, 2024). Yet, the extent to which this growth has translated into inclusive outcomes remains debated, particularly in rural areas, which continue to account for a large share of the population and the majority of the poor (Ghosh, 2009). While aggregate indicators suggest progress, concerns persist regarding the uneven distribution of benefits across regions, sectors, and social groups. Assessing whether economic growth has meaningfully expanded opportunities and improved welfare for rural populations, therefore, remains an important empirical and policy question. The rural–urban divide in India remains pronounced. Rural areas lag behind urban centres in income levels, access to infrastructure, educational attainment, and health outcomes (Dev, 2024). Agriculture still employs close to half of the workforce while contributing less than one-

fifth of gross domestic product, reflecting a persistent productivity gap that shapes rural livelihoods and poverty dynamics (Ghosh, 2009). A related concern is the slow pace of structural transformation, which is understood as the movement of labour from low-productivity agriculture to higher-productivity manufacturing and services. Unlike the experience of several East Asian economies, India's growth has been characterized by limited manufacturing absorption and a heavy reliance on services, leading some scholars to describe the process as a form of "stunted" structural transformation (Binswanger-Mkhize, 2018; Harriss, 2021). These features have important implications for employment quality, income growth, and the distribution of economic gains in rural areas.

This review adopts a broad understanding of inclusive growth, viewing it not only as income expansion but as a process that generates employment opportunities across sectors and social groups, reduces poverty among the most disadvantaged, and improves welfare across multiple dimensions, including health, education, and living standards (Himanshu et al., 2013; Kumar et al., 2011). Inclusion is also understood in relational terms, requiring attention to persistent forms of exclusion linked to caste, gender, land ownership, and geography. From this perspective, rural inclusion depends on how sectoral change reshapes labour markets, how employment growth translates into secure and remunerative work, and whether economic progress is reflected in broader improvements in living conditions.

The review addresses four interrelated questions. First, to what extent has sectoral change in rural India been inclusive, given patterns of agricultural productivity growth, limited manufacturing absorption, and the expansion of rural non-farm activities? Second, how have labour market outcomes—particularly employment quality, wages, and migration—shaped the distribution of growth benefits, and what role do social stratification and informality play in constraining inclusion? Third, have reductions in poverty been accompanied by inclusive improvements in multidimensional welfare across regions and social groups? Finally, what gaps in the existing literature limit our understanding of rural inclusion, and which policy interventions appear most relevant for addressing structural constraints?

The paper contributes to the literature by synthesizing evidence from village-level panel studies, state-level analyses, and national datasets to provide an integrated assessment of rural inclusion. Rather than reviewing sectoral change, labour markets, and poverty in isolation, it brings these strands together to identify common patterns, tensions, and constraints. In doing so, it highlights how incomplete structural transformation, asset- and identity-based inequalities, and uneven regional development interact to shape rural outcomes. The review also identifies key gaps in data and analysis that limit causal interpretation and outlines policy-relevant implications for enhancing the inclusiveness of rural growth.

The remainder of the paper is organized as follows. Section 2 outlines the review methodology. Sections 3 to 5 examine evidence on sectoral transformation, labour market dynamics, and multidimensional poverty, respectively. Section 6 synthesizes findings across these dimensions and discusses key constraints and research gaps. Section 7 concludes with policy implications and directions for future research.

2. Methodology

This study adopts a structured narrative review approach to assess whether India's post-liberalization economic growth has produced inclusive outcomes for rural populations. The review focuses on empirical research examining sectoral change, rural labour markets, and poverty dynamics since the early 1990s. The aim is not to conduct a meta-analysis, but to synthesize findings across studies using different data sources and methods in order to identify broad patterns, areas of disagreement, and gaps relevant to rural inclusion.

The literature search covered peer-reviewed journal articles, working papers, and selected policy reports. Searches were conducted using Google Scholar, PubMed, and institutional repositories, with keyword combinations related to inclusive growth, rural India, sectoral transformation, labour markets, non-farm employment, and multidimensional poverty. Reference lists of key studies were also screened to identify additional relevant work.

Studies were included if they provided original empirical evidence based on household surveys, panel data, census data, or detailed rural case studies, and if they addressed distributional outcomes related to sectoral change, employment, or poverty. Preference was given to peer-reviewed publications and widely cited working papers. The review primarily covers the period after 1991, although earlier studies were included where necessary for context. Purely theoretical contributions, studies focused exclusively on urban areas, and non-English publications were excluded.

The initial search yielded over 500 studies. After removing duplicates and applying the selection criteria, 194 studies were retained for detailed review. These include village-level longitudinal analyses, state-level comparative studies, national assessments based on large-scale surveys, and evaluations of major rural employment and social protection programmes.

The synthesis proceeded by grouping studies according to their primary focus and identifying recurring findings, contrasts in results, and methodological limitations. Particular attention was given to cross-cutting issues, including gender, caste, land ownership, and regional variation. Given the diversity of methods and contexts, findings are interpreted with caution, and the review's conclusions are framed in terms of tendencies rather than causal claims.

3. Conceptual Framework: Inclusive Growth in Rural India

This review conceptualizes inclusive growth as economic expansion that enhances rural well-being through the creation of productive employment, poverty reduction, and gains in non-economic dimensions, such as health, education, and living standards. Inclusion is assessed not only by aggregate growth, but also by the extent to which benefits reach disadvantaged social groups and lagging regions.

The framework is anchored in the idea of structural transformation, whereby labour shifts from low-productivity agriculture to higher-productivity non-farm activities. In principle, such transformation supports income growth and poverty reduction through employment creation and productivity gains. In rural India, however, this process has been incomplete: agricultural employment has declined slowly, manufacturing has absorbed limited labour, and much diversification has occurred in informal, low-productivity activities. This pattern constrains upward mobility and limits the inclusiveness of growth.

Labour markets constitute the primary transmission channel between sectoral change and welfare outcomes. Inclusive growth depends not only on employment expansion, but also on

job quality, wage growth, and accessibility for women, Scheduled Castes, Scheduled Tribes, and landless workers. Widespread informality and casualization weaken this transmission.

Ultimately, the framework adopts a multidimensional perspective on poverty, acknowledging that income gains do not automatically translate into enhanced health, education, or living conditions. Social hierarchies, asset inequality, and regional disparities mediate outcomes, producing uneven inclusion across groups and regions. Inclusive rural growth, therefore, emerges from the interaction of sectoral change, labour market dynamics, and multidimensional wellbeing within existing social and spatial structures.

4. Sectoral Change and Structural Transformation

India's sectoral composition has shifted since liberalization, though not in line with the pattern associated with rapid structural transformation. Agriculture's share of output declined sharply after the early 1990s, while services expanded; yet, the reallocation of labour out of agriculture proceeded more slowly. By the late 2000s, agriculture continued to employ roughly half of the workforce, despite contributing less than one-fifth of the gross domestic product, resulting in a widening productivity gap between the agricultural and non-agricultural sectors (Ghosh, 2009; Binswanger-Mkhize, 2018). This imbalance has shaped the nature of rural employment and constrained the inclusiveness of growth.

Agricultural productivity growth has been uneven across regions and social groups. Areas benefiting from irrigation, input use, and technological adoption—particularly in parts of northwestern India—experienced sustained productivity gains, while large rain-fed regions lagged behind (Ghosh, 2009; Mehta, 2015). Micro-level studies have documented that productivity growth has often been accompanied by an unequal distribution of benefits, with land-owning households capturing a disproportionate share of the gains, while landless labourers and marginal farmers have experienced only modest improvements in wages and livelihoods (Reddy, 2013; Gaiha, 1998). Public investment in irrigation and rural infrastructure has been shown to reduce poverty; however, its effectiveness depends on the quality of targeting and implementation, which limits its inclusive impact in practice (Bathla et al., 2020). Technological change in agriculture, particularly mechanization, has further shaped labour outcomes in rural areas. While mechanization has contributed to higher productivity and reduced physical drudgery, its employment effects have been mixed. In regions where non-farm opportunities are limited, labour-saving technologies have displaced agricultural workers, disproportionately affecting women engaged in manual tasks (Venkatesh, 2013). Where alternative employment opportunities exist, displacement effects have been less severe, underscoring the importance of broader labour market conditions in mediating the distributional consequences of technological change (Mehta, 2015).

Efforts to commercialize agriculture, including contract farming arrangements, have linked some farmers to markets and agribusiness value chains. Evidence from states such as Punjab suggests that such arrangements can raise incomes and promote crop diversification; however, the benefits are uneven and depend on farmers' bargaining power, access to information, and asset ownership. Smallholders with limited resources are often excluded or face unfavourable contract terms, limiting the inclusiveness of market-led agricultural transformation (Kaur et al., 2021; Bathla et al., 2020).

The limited role of manufacturing has been a defining constraint on inclusive structural transformation. Unlike East Asian economies, India's manufacturing sector has remained relatively capital- and skill-intensive, generating fewer jobs per unit of output and offering limited employment opportunities for rural workers (Binswanger-Mkhize, 2018). Manufacturing employment growth has been concentrated in urban areas, leaving rural households with few viable pathways out of agriculture. As a result, diversification has largely occurred in services and construction sectors, which are characterized by lower productivity and high informality (Harriss, 2021).

Within this context, the rural non-farm (RNF) economy has emerged as a major source of employment growth. By the late 2000s, RNF activities accounted for roughly one-third of rural employment, encompassing construction, trade, transport, and small-scale services (Kumar et al., 2011). While RNF expansion has enabled income diversification, its inclusiveness remains limited. Access to remunerative non-farm employment is strongly shaped by education, land ownership, access to credit, and proximity to towns and infrastructure. Asset-poor households are disproportionately concentrated in casual, low-paid non-farm work, while better-off households capture higher-return opportunities (Kumar et al., 2011; Himanshu et al., 2013).

Evidence from village-level panels indicates that RNF expansion reflects both upward mobility and distress-driven diversification. Some households have used non-farm employment to achieve sustained income growth, but many others have shifted into insecure RNF activities due to declining agricultural returns. Much of the observed mobility involves movement between low-productivity activities rather than transitions into stable, higher-quality employment (Majumder, 2017; Venkatesh, 2013). As a result, RNF growth has reduced poverty on average, but its effects have been weaker for the poorest households.

Sectoral transformation has also been highly uneven across regions. States such as Kerala and Tamil Nadu have combined agricultural productivity growth, non-farm expansion, and public investment to achieve relatively inclusive outcomes, whereas agriculturally dynamic states like Punjab and Haryana continue to exhibit persistent exclusion among landless labourers. Lagging states, including Bihar, Uttar Pradesh, and parts of eastern and northeastern India, have experienced slower sectoral change and limited diversification, contributing to persistent poverty and multidimensional deprivation (Dev, 2024; Ghosh, 2009).

Overall, the evidence suggests that sectoral change in rural India has generated opportunities for some households but has fallen short of delivering broad-based inclusion. Limited manufacturing absorption, asset-based inequalities, the predominance of informal non-farm employment, and pronounced regional disparities have constrained the poverty-reducing potential of structural transformation. These patterns highlight significant gaps in existing research, particularly in the areas of causal identification, long-term mobility, heterogeneity by gender and caste, and the interaction between sectoral change and environmental sustainability.

5. Labour Market Dynamics and Employment

5.1 Employment Structure and Quality

Rural labour markets in India are characterized by a fragmented employment structure comprising self-employment in agriculture, agricultural wage labour, and a growing share of non-farm wage and self-employment (Kumar et al., 2011). Despite diversification,

employment remains heavily informal and casual, with limited access to regular salaried work and social protection (Venkatesh, 2013). While the share of agricultural employment has declined since the early 1990s, the pace of this transition has been slow, reflecting limited non-farm job creation and barriers to labour mobility (Ghosh, 2009; Binswanger-Mkhize, 2018). Non-agricultural rural employment expanded substantially, particularly in construction, trade, transport, and services, raising its share of rural employment to roughly one-third by the late 2000s (Kumar et al., 2011). However, much of this expansion has taken the form of casual and insecure work. Regular salaried employment, which offers higher and more stable earnings, remains a small and slowly growing segment of rural employment (Venkatesh, 2013). As a result, diversification has often involved movement between low-productivity activities rather than a transition into higher-quality jobs.

A notable feature of this period has been the increasing casualization of work. Casual wage labour expanded across both agricultural and non-agricultural sectors, while opportunities for stable employment remained stagnant. Evidence suggests that workers frequently cycle between casual agricultural work, casual non-farm employment, and periods of unemployment, indicating labour market dynamism without sustained upward mobility (Majumder, 2017).

5.2 Wages, Inequality, and Social Stratification

Wage trends in rural labour markets have been uneven. Real agricultural wages increased in some regions and periods, particularly during the late 2000s, driven by productivity growth, demographic changes, and the introduction of public employment programmes (Venkatesh, 2013). Where such growth occurred, it benefited landless labourers, suggesting some inclusive effects. However, wage levels remained low in absolute terms, and underemployment and seasonal insecurity persisted, especially in lagging regions.

Non-farm wages are generally higher than agricultural wages; however, this advantage is not evenly distributed. Skilled non-farm workers earn substantially more than agricultural labourers, while casual non-farm workers often earn only marginally higher wages (Kumar et al., 2011). Consequently, access to skills, education, and assets plays a critical role in shaping labour market outcomes.

Gender and caste-based inequalities remain pronounced. Women earn significantly less than men across both agricultural and non-agricultural activities, reflecting occupational segregation, discrimination, and constraints on mobility (Venkatesh, 2013). Similarly, Scheduled Caste and Scheduled Tribe workers are overrepresented in casual and low-paid work and underrepresented in regular salaried employment, due to historical discrimination, limited asset ownership, and restricted access to education and social networks (Ghosh, 2009; Gaiha, 1998). These forms of social stratification continue to limit the inclusiveness of labour market gains.

5.3 Migration and Policy Influences

Rural-urban migration has increased since liberalization, primarily taking the form of circular and seasonal movements. Migration reflects both opportunity-seeking behaviour among educated workers and distress-driven responses to limited local employment opportunities (Himanshu et al., 2013). While remittances support consumption, housing investment, and risk management in source households, reliance on migration also signals weaknesses in rural

labour markets and exposes households to vulnerabilities linked to labour market shocks (Majumder, 2017).

Public policy has played an important, though uneven, role in shaping labour market outcomes. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has provided income support and an alternative employment option for rural households, particularly landless and marginal farmers (Jha et al., 2015). In regions with effective implementation, the programme has strengthened workers' bargaining power and contributed to higher agricultural wages, though its impacts vary widely across states and over time (Venkatesh, 2013).

Overall, labour market changes have delivered some gains through diversification and wage growth in specific contexts, but these have been constrained by informality, casualization, and persistent gender and caste inequalities. Much employment growth reflects horizontal movement across low-productivity activities rather than sustained transitions into secure and remunerative work, limiting the contribution of labour markets to inclusive rural growth.

6. Multidimensional Poverty and Wellbeing

6.1 Trends in Income and Multidimensional Poverty

Rural poverty in India has declined substantially since the early 1990s, reflecting sustained economic growth and structural change. Using official poverty lines, the rural poverty headcount ratio fell sharply over this period, although progress varied considerably across states (Ghosh, 2009; Dev, 2024). States in southern and western India experienced faster poverty reduction, while large parts of northern and eastern India saw slower and more uneven declines.

Income poverty reduction has been closely linked to patterns of agricultural growth and rural diversification. Agricultural productivity growth has had stronger poverty-reducing effects in states with more equitable land distribution and better rural infrastructure, while its impact has been limited in contexts characterized by high land inequality and weak public investment (Ghosh, 2009). The expansion of the rural non-farm economy has contributed to poverty reduction on average; however, the benefits have been uneven, with better-off households being more likely to access remunerative non-farm employment (Kumar et al., 2011).

Evidence from the Multidimensional Poverty Index reinforces these patterns. India's MPI declined markedly between the mid-2000s and mid-2010s, indicating broad improvements in living conditions (Dev, 2024). However, rural areas continue to exhibit significantly higher multidimensional poverty than urban areas, and several states—particularly Bihar, Jharkhand, and Uttar Pradesh—remain persistently deprived.

6.2 Non-Income Deprivations and Uneven Welfare Gains

Despite progress in income and MPI indicators, improvements in non-income dimensions of wellbeing have been uneven. Malnutrition remains widespread in rural India, particularly among landless households and marginalized social groups, even in states that have experienced rapid economic growth (Dixit, 2013). This persistence reflects deficiencies in public health infrastructure, sanitation, and nutrition services, as well as gendered patterns of intra-household allocation.

Access to healthcare and education has improved over time, but remains marked by large inequalities. Rural areas continue to face shortages of health facilities and personnel, and the

quality of public services varies widely across regions (Dev, 2024). Educational attainment has risen, driven by expanded school enrolment; yet, learning outcomes remain weak, limiting the ability of education to translate into sustained labour market mobility (Ghosh, 2009). As a result, gains in schooling have not uniformly reduced inequality.

Living standards, including housing quality and access to basic infrastructure, have also improved for many rural households. Increased electrification and investment in housing have contributed to improved living conditions; however, deficits in sanitation and access to safe water remain concentrated among poorer households (Dev, 2024). Asset accumulation has increased overall, but remains highly unequal, reinforcing existing disparities in economic security and resilience (Himanshu et al., 2013; Gaiha, 1998).

6.3 Spatial Inequality and Persistent Exclusion

Spatial disparities are a defining feature of multidimensional poverty in rural India. Inter-state variation in poverty reduction reflects differences in agricultural productivity, infrastructure investment, governance quality, and social policies (Ghosh, 2009; Dev, 2024). Even within relatively high-performing states, substantial intra-state and district-level disparities persist, indicating the presence of localized poverty traps.

Certain regions remain characterized by low productivity, limited non-farm opportunities, weak human capital, and inadequate public services. In these contexts, poverty reduction has been slow, and households remain vulnerable to economic and environmental shocks. Persistent deprivation is closely intertwined with social exclusion. Landless labourers, marginal farmers, Scheduled Castes and Tribes, and women-headed households continue to experience disproportionately high levels of multidimensional poverty, reflecting the interaction of economic constraints with caste-based discrimination, gender norms, and political marginalization (Gaiha, 1998; Ghosh, 2009).

Overall, while multidimensional poverty in rural India has declined, progress has been uneven and incomplete. Structural barriers—such as landlessness, social exclusion, weak service delivery, and regional neglect—limit the ability of the poorest households to convert economic growth into sustained improvements in their wellbeing.

7. Synthesis and Integration

Synthesizing evidence across sectoral change, labour market dynamics, and multidimensional poverty reveals a consistent but uneven pattern of rural inclusion in post-liberalization India. Economic growth has generated measurable gains in income, employment diversification, and living standards for some rural populations, yet these gains have been unevenly distributed across regions and social groups. The interaction between incomplete structural transformation, segmented labour markets, and persistent social inequalities has limited the breadth and durability of inclusive outcomes.

At the level of production structure, agricultural productivity growth and the expansion of the rural non-farm economy created opportunities for income diversification, particularly in regions with better infrastructure and market access. However, the limited absorption of labour into manufacturing and the concentration of non-farm growth in low-productivity, informal activities constrained upward mobility. As a result, diversification often involved movement between low-return activities rather than transitions into stable and remunerative employment.

These patterns shaped labour market outcomes, contributing to widespread casualization, employment insecurity, and continued reliance on seasonal and distress-driven strategies, including migration.

Labour market dynamics mediated the translation of growth into welfare gains. Periods of agricultural wage growth and the expansion of non-farm employment benefited certain groups, particularly land-owning and educated households. At the same time, gender and caste-based stratification persisted, limiting access to quality employment for women and the Scheduled Castes and Tribes. Social norms, discrimination, and unequal access to assets and networks continued to shape who could benefit from emerging opportunities, reinforcing existing inequalities even as overall employment expanded.

Trends in multidimensional poverty reflect these structural constraints. While income poverty and aggregate multidimensional poverty declined substantially, improvements in non-income dimensions—such as nutrition, learning outcomes, and access to quality services—were uneven. Persistent malnutrition, poor educational quality, and infrastructure deficits remained concentrated among landless labourers, marginalized social groups, and residents of lagging regions. Spatial disparities across states and districts further reinforced these patterns, with regions characterized by weak public investment, low productivity, and poor governance experiencing slower and less inclusive progress.

Taken together, the evidence indicates that India's post-liberalization growth has been partially inclusive for rural populations. Economic expansion created opportunities and improved average welfare; however, structural constraints—such as land inequality, social exclusion, the informalization of employment, and uneven regional development—limited the poorest households' ability to convert growth into sustained improvements in well-being. Addressing these constraints requires policy approaches that move beyond income growth alone, focusing instead on creating quality employment, reducing social and asset-based inequalities, and sustaining public investment in lagging regions.

8. Research Gaps and Future Directions

Despite a substantial body of empirical research on rural transformation in India, important gaps remain that limit understanding of how economic growth translates into inclusive outcomes. A central limitation is the lack of nationally representative longitudinal data tracking rural households over time. While village-level panels have provided valuable insights into local dynamics, their limited geographic scope constrains generalization. The absence of long-term household panels restricts the analysis of mobility, persistence of deprivation, and intergenerational transmission of advantage and disadvantage.

A related gap concerns causal identification. Much of the existing literature relies on descriptive or correlational analysis, making it difficult to assess the welfare impacts of specific policies or structural changes. Rigorous causal evidence remains uneven across policy domains, with relatively strong evaluation for programmes such as MGNREGA but far more limited evidence for agricultural support policies, infrastructure investments, skill development initiatives, and rural non-farm employment promotion. Strengthening causal inference is critical for understanding what works, for whom, and under what conditions.

Measurement challenges further constrain research. Informal employment, which dominates rural labour markets, is difficult to measure accurately in terms of job quality, earnings, and working conditions. Similarly, while multidimensional poverty measures have expanded the scope of analysis beyond income, they do not fully capture dimensions such as dignity, social inclusion, and intra-household inequality. Migration remains particularly under-measured, leading to incomplete assessments of livelihoods and vulnerability among mobile populations. Substantive gaps persist in understanding heterogeneity and intersectionality. Existing studies often examine gender, caste, or class in isolation, providing limited insight into how these dimensions interact to shape labour market outcomes and wellbeing. Under-researched populations—including migrants, rural youth, elderly individuals, and persons with disabilities—remain largely absent from systematic analysis, despite their growing importance in rural demographic and economic change.

Ultimately, emerging challenges necessitate a renewed focus on analysis. Climate variability and environmental degradation increasingly affect rural livelihoods, particularly in rain-fed regions, yet remain weakly integrated into analyses of inclusion and poverty dynamics. Similarly, the COVID-19 pandemic exposed vulnerabilities in rural labour markets, education systems, and social protection mechanisms, raising questions about resilience and long-term impacts that are only beginning to be addressed.

Future research that combines improved data, stronger causal methods, and greater attention to social and spatial heterogeneity will be essential for advancing understanding of inclusive rural growth. Such work can help move the literature beyond documenting outcomes toward explaining mechanisms and informing more effective policy design.

9. Policy Implications

The evidence reviewed in this paper suggests that achieving inclusive rural growth in India requires a shift from broad income-led strategies toward policies that address structural constraints in production, labour markets, and service delivery. While economic growth has generated opportunities, its benefits have been uneven due to persistent asset inequality, informalization of employment, and regional disparities. Policy responses must therefore combine growth promotion with targeted interventions aimed at improving employment quality, reducing social exclusion, and strengthening public investment in lagging regions.

A first priority is strengthening agricultural productivity in ways that are inclusive. Public investment in agricultural research, extension, irrigation, and rural infrastructure remains critical, particularly when targeted toward smallholders and rain-fed regions. Evidence suggests that productivity growth has stronger poverty-reducing effects where land distribution is more equitable and where complementary public investments are in place (Ghosh, 2009; Bathla et al., 2020). Measures to improve tenure security and access to credit for marginal farmers can enhance the ability of poorer households to benefit from productivity-enhancing technologies. At the same time, climate variability poses growing risks, underscoring the need to promote climate-resilient agricultural practices and risk-management mechanisms, including crop diversification and insurance (Mehta, 2015).

Second, creating quality non-farm employment must be a central component of the rural development strategy. The review highlights that diversification into non-farm activities has

often occurred through informal, low-productivity work, limiting upward mobility. Promoting labour-intensive manufacturing and higher-productivity rural services—particularly in food processing, textiles, and allied activities—can provide more stable employment opportunities for rural workers (Binswanger-Mkhize, 2018). Such efforts require coordinated investments in infrastructure, skills, credit access, and market linkages. Skill development initiatives are more likely to succeed when closely aligned with local labour demand and accompanied by complementary support that enables trained workers to translate skills into employment (Kumar et al., 2011).

Third, targeted support for structurally disadvantaged groups remains essential. Landless labourers, Scheduled Castes and Tribes, women, and residents of lagging regions have benefited least from growth. Strengthening social protection programs, including MGNREGA and social pensions, can provide income security and enhance bargaining power when implemented effectively (Jha et al., 2015). Policies aimed at women's economic empowerment—such as support for self-help groups, access to credit, and enforcement of equal pay—can improve labour market participation and household welfare, though their effectiveness depends on addressing underlying social norms and constraints (Venkatesh, 2013; Venkatraja, 2019). Asset-based interventions, combined with training and support services, may also help the poorest households build more resilient livelihoods (Gaiha, 1998). Fourth, improving the quality and reach of public services is critical for translating growth into multidimensional wellbeing. Persistent deficits in health, nutrition, education quality, and basic infrastructure limit households' ability to convert income gains into sustained improvements in living standards. Evidence suggests the importance of sustained public investment in health and education, particularly in lagging states and districts, alongside efforts to enhance governance, accountability, and the effectiveness of service delivery (Dev, 2024). Without such investments, inequalities in human capital and wellbeing are likely to persist despite continued economic growth.

Finally, policy effectiveness depends not only on design but also on implementation and political economy conditions. Weak governance, elite capture, and fragmentation across programmes undermine impact. Strengthening transparency, community participation, and accountability mechanisms can improve implementation outcomes, but these reforms require sustained political commitment (Jha et al., 2015). Given fiscal and administrative constraints, prioritization and sequencing are crucial: evidence suggests that investments in lagging regions, employment-intensive growth strategies, and effective social protection yield the greatest returns for inclusive growth.

Overall, the policy implications of this review emphasize that inclusive rural growth cannot be achieved solely through sector-specific interventions. Coordinated strategies that combine productive investment, quality employment creation, social protection, and improved service delivery are required to address the structural barriers that continue to limit the inclusiveness of India's growth trajectory.

10. Conclusion

This review examined whether India's post-liberalization economic growth has delivered inclusive outcomes for rural populations by integrating evidence on sectoral transformation,

labour market dynamics, and multidimensional poverty. The synthesis shows that while growth has generated substantial aggregate gains and reduced poverty, its benefits have been unevenly distributed across regions and social groups.

India's growth trajectory has been characterized by incomplete structural transformation. Agricultural productivity improvements and rural diversification created opportunities, but limited manufacturing absorption, and the predominance of informal non-farm employment constrained upward mobility. Labour market outcomes were shaped by widespread informality, casualization, and persistent gender and caste-based inequalities, limiting the capacity of employment growth to deliver broad-based welfare gains.

Multidimensional poverty indicators reveal meaningful improvements in income, infrastructure access, and schooling, yet persistent deficits in nutrition, learning quality, and service delivery remain concentrated among landless labourers, Scheduled Castes and Tribes, women, and residents of lagging regions. These patterns highlight that income growth alone is insufficient to ensure inclusive development when structural and social barriers remain unaddressed.

Overall, India's rural growth experience can be characterized as partially inclusive. Growth expanded opportunities, but pre-existing inequalities in assets, social status, and regional development shaped who could benefit. Achieving genuinely inclusive rural growth, therefore, requires policies that go beyond promoting growth per se, focusing instead on creating quality employment, reducing social and asset-based inequalities, and sustaining public investment in lagging regions. The evidence reviewed underscores both the progress achieved and the structural challenges that must be addressed to ensure that future growth pathways are more equitable and inclusive.

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Acknowledgements

The author(s) would like to thank Dr. Vanlalhruaitluanga Khiangte and Dr. Ashley Lalremruati, Department of Economics, Pachhunga University College, for their valuable feedback and support during the preparation of this manuscript.

Funding

There is no funding received for this paper.

CRedit Author Statement

^a Investigation, Methodology, writing – Review & Editing, Supervision.

^b Conceptualization, Data Curation, Formal analysis, Visualization, Writing – Original Draft.

Disclosure statement

The authors declare no competing interests. AI-assisted tools, including Grammarly and Overleaf, were used to improve clarity, grammar. All interpretations, analyses, and conclusions in this manuscript were conceived, developed, and finalized by the authors, with AI support used only for drafting and editing.