

Role of Personal Income in India's Development: Present Scenario, Rural-Urban Disparities, Sectoral Variations and Policy Recommendations

Dr. Satyendra Pratap Singh

Principal

Bal Kalyan Public School, Pali, Ghanshyampur Darbhanga, Bihar

Email. Satyendrasingh887@gmail.com

Abstract

Income is central to human development. It determines one's overall economic opportunities and access to education, health care, nutrition and a better life. In today's India where the economy is rapidly growing but there are also some structural issues, the precise role of income has never been more important. This paper analyses the per capita income in the mid-2020s informed by data as well as on its relationship with key development indicators including the Human Development Index and multidimensional poverty and the sharp contrasts within and between sectors and states. The latest official sources are the IMF World Economic Outlook April 2026, UNDP Human Development Report 2025, Economic Survey 2025-26, and NITI Aayog multidimensional poverty estimations. The assessment shows impressive aggregate gains but persistent imbalances. According to the IMF, India's per capita income is expected to touch about \$2812 in 2026 while real GDP growth in FY26 is projected at 7.4 per cent, the highest among major economies.

The Human Development Index improved to 0.685 in October 2021, ranking 130 out of 193 nations. Multidimensional poverty has sharply declined. Nevertheless, the service sector now accounts for over 56 per cent of GVA and has registered a robust growth of 9.1 per cent, while agriculture, which is still employing almost 45 per cent of the workforce, contributes a far lesser proportion to output. Regional inequality is still very stark. The per capita incomes of citizens of southern and western states are far above the national average. An eastern state like Bihar is far below the national average. Wealth inequality is still on agenda though consumption-based Gini may not be so high. This paper shows that while development has benefitted from growth in income, the latter has not yet produced comprehensive results through detailed statistical mapping and sectoral decomposition. The recommendations are concrete and evidence-based and have been aimed at bridging them to ensure that rising incomes truly benefit every section of Indian society moving towards sustainable growth.

Keywords : Development, Index, National, Statistical, Domestic, Employs.

1. Introduction

In a diverse and vibrant nation like India, income is not just an economic variable. It encompasses health, education, security, and opportunity at a time when regional disparities are on the rise. In the last thirty years or so, since the 1991 reforms, the country has changed into one of the world's fastest-growing major economies. Considerable progress is being made in India, but is it making a great impact on its 1.4 billion citizens? This paper investigates just that interaction in the present time of the mid-2020s and at current income levels, varying sectors and regions and a look into policy options ahead.

India in 2026 is at an optimistic crossroads but complex too. According to the IMF World Economic Outlook, April 2026, per capita income is about \$2,812. The economic recovery post-COVID-19 is gaining strength. Domestic Private Final Consumption Expenditure (PFC) comprises 61.5 per cent of GDP. The

estimates of real GDP growth for FY26 are pegged at 7.4 per cent making India the fastest-growing major economy in the world for 4th year. On the development indicators, India has made significant progress which is evident. Thus the Human Development Index increased to 0.685 in the year 2023 (UNDP 2025 Report). Thus, India is now in the category of medium human development. Moreover, it has been placed at rank 130 out of 193 countries. Millions have been lifted out of poverty, resulting in a marked decline in multidimensional poverty and enhanced access to basic services. But behind these headline figures lurk significant structural realities. The output or gross value added (GVA) of the services sector is being estimated at 56 per cent. The share of agriculture is decreasing but it still employs almost 50 per cent of the workforce. Wide regional disparities persist as per capita income of Sikkim, Goa and Delhi is many times that of Bihar and other eastern states. In order to examine emerging trends and determine whether the growth of income is inclusive, the paper uses the analytical framework along with the official data covering Economic Survey 2025-26, MOSPI, NITI Aayog and international sources. The following pages assess the current situation, identify variations by sector and place, and make recommendations for making better use of income as an effective engine of inclusive and sustainable development.

2.Review of Related Literature

At the core of India's development story is personal income, which shapes people's consumption, savings, investments, and human capital. For decades, researchers have turned to consumption expenditure (from NSSO surveys) and labour earnings (from PLFS) as proxies as direct data on household income is patchy. The next NHIS survey is scheduled for 2026, but while we wait, studies indicate that while average incomes are rising, inequality has become entrenched. The net national income per capita has been steadily increasing but the top one per cent is still able to grab a large share of national income as rural and poorer sections of the economy are lagging.

Reviewers often observe that macroeconomic Fallacy cannot be attributed to the behaviour of any country. The classic works by Azam (2019) and Hnatkovska and Lahiri show that while education and occupational gaps closed during 1983-2012, consumption and welfare gaps have widened at the upper end of the distribution. Chandrasekhar et al. (2021) confirm through a more recent PLFS 2018-19 analysis that rural-urban earnings gaps still explain a major chunk of overall inequality especially in poorer states. The most recent Household Consumption Expenditure Survey (HCES 2023-24) does offer some cheer: rural monthly per capita consumption expenditure (MPCE) stands at ₹4,122 against urban ₹6,996, which narrows down the gap to about 70% from 84% in 2011-12. Rural consumption has experienced faster growth in real terms, while Gini coefficients have seen a slight decline (rural 0.237, urban 0.284).

Sector variance implies another layer. While almost half the total workforce is still employed in agriculture, the contribution of agriculture to GVA is much smaller. This keeps personal income in rural areas low. Services and industry, predominantly urban, generate more income and productivity. Research consistently indicates that reallocating labor from low-output agriculture to non-agrarian pursuits, particularly in small towns, is essential for enhancing household incomes. Agricultural areas have experienced a decrease in inequality due to non-farm diversification in rural areas. However, the formal-informal divide is wide.

Overall, the literature agrees that growth in personal income has driven India's development, but rural-urban and sectoral divides continue to stand in the way of truly inclusive progress. Consistently, policy recommendations touch on four vital issues – addressing educational deficits, fostering rural diversification via high-value agriculture and non-farm jobs, strengthening rural infrastructure, and making better use of targeted transfers. More and better metrics on income are on the horizon. So, the next round of research can move beyond proxies to direct income metrics. These are timely and crucial for smarter growth. In addition, they can also enable more balanced growth. This will help policymakers tremendously.

3.Objectives of the Study

- To examine the present scenario of personal income in India and evaluate its contribution towards the country's overall economic development.
- Personal and household income in India has shown steady growth, backed by rising per capita net national income and stronger consumption at lower levels.

- Urban households enjoy higher earnings from salaried jobs and services, while rural incomes still depend heavily on agriculture.
- Industry and rural non-farm activities are slowly helping households diversify and lift their incomes.
- Shifting labour from low-productivity agriculture to industry and services remains the most effective way to raise overall personal income.

4. Research Methodology

This study is entirely based on secondary data and follows a descriptive as well as analytical approach. It draws upon the latest available official sources, including the Household Consumption Expenditure Survey (HCES) 2023-24, the Periodic Labour Force Survey (PLFS) Annual Report 2025, the Economic Survey of India 2025-26, various reports from the National Statistical Office (NSO), and the World Inequality Database. Trends over the past decade have been examined using simple statistical tools such as percentage changes, growth rates, rural-urban ratios, and Gini coefficients. No primary survey was conducted for this research. The entire work relies on credible, up-to-date government statistics and established secondary sources to present a clear, balanced, and evidence-based picture of the role of personal income in India's development.

5. Current Situation of Income and Development.

India's nominal per capita GDP stood at about \$2,675 in 2025 and is set to rise to \$2,813 in 2026 as per latest IMF estimates. This puts it at 149th on a nominal basis and 119th on a PPP-adjusted basis. The economy continues without hesitation to recover from the pandemic thanks to domestic demand. As per the First Advance Estimates, the PFCE in 2025-26 which works out to 61.5 of GDP is at a record level since 2011-12 indicating consumption-led demand growth among rural and urban households.

Development outcomes also indicate steady progress. According to a UNDP report, India's Human Development Index (HDI) value rose from 0.676 to 0.685 between 2022 and 2023. Further, the report placed India at 130th of 193 countries and noted that India remained in the medium human development category. Multidimensional poverty has dropped sharply from 24.85 per cent in 2015-16 to 14.96 per cent in 2019-21 and further to 11.28 per cent in 2022-23. Consequently, between the years 2013-14 and 2022-23, more than 24.82 crore people have been lifted out of MP. Even so, the inequality remains a mixed picture. In 2022, India registered a relatively low consumption Gini of 25.5 (World Bank figures), making it one of the most equal countries in the world on consumption front. Nevertheless, the concentration of income and particularly wealth at the top the income ladder is striking. In particular, this wealthiest 1 per cent of the population held approximately 22.6 per cent of national income and roughly 40.1 per cent of total wealth in 2022-23. A marked difference in incomes between men and women persists, which illustrates that while average incomes and living standards are rising, the benefits of growth are not yet shared by all.

6. India's economy shows classic structural transformation but suffers from imbalances.

- Sectoral Variation in Income and Contribution to Development Estimates of GDP and GVA share (FY 2024-25 / FAE FY26) by sector are nearly.
- Agriculture and Allied sectors have annual growth of 14.4% - 18% (higher due to price effects at constant prices: 16.2% – 17.9% recent).
- Industry (of which Manufacturing): 27%–30.7%, with Manufacturing ~13.9%–17%.
- In FY26, the GVA share of Services will be 54%-56.4% (highest ever).

In FY26, services, which contributed more than 55% of GVA, are likely to expand by 9.1%–9.3% (H1 growth 9.3%). This engine of growth is almost like an old motor which brings about a shift in engine. It largely comprises IT, Finance, Digital Services, while the typical segments are market orreable sectors which trpeed attack on growth. Industry expanded at around 7%, with manufacturing bouncing back to 9% in Q2 of FY26. Agriculture may contribute lesser GDP share, but it is still the backbone of employment (44–46% of workforce) and food security. Recently, horticulture has surfaced as a growth sub-sector.

Table 1: Sectoral GVA Growth and Share (Recent Estimates)

Sector	GVA Share (FY26 FAE)	Growth Rate (FY26 est.)	Employment Share (approx.)
Agriculture	~16–18%	Lower (implied ~3–4%)	44–46%
Industry	27–31%	7%	~25–28%
Services	56.4%	9.1%	~29–34%

Source: Compiled from Economic Survey 2025-26 and MOSPI data.

This is often referred to as “jobless growth”, where the growth is taking place in the high-efficiency sectors but not creating jobs for a vast majority of the population. This leads to lesser income gain for the large populace. Regional (state-wise) differences: Per capita income varies a lot. In the estimates for FY 2024-25/25-26.

- Sikkim Go, and Delhi are most lucrative states for engineers
- The leaders from Southern and Western states comprising larger states like Karnataka, Telangana, Tamil Nadu, Gujarat, Maharashtra are in the range of ₹3–4+ lakh.
- The average price across Nepal is about Rs.2.15-2.35 lakh.
- Bihar’s estimates significantly below national average (~₹36k–low end in constant prices estimates).

The states which have strong services and manufacturing orientation (like Karnataka, Telangana) have higher per capita incomes and more rapid convergence of HDI than Eastern states which lag behind. This is causing the regional development gaps to persist.

7. Analytical Insights:

The income-development nexus is empirically shown to be a positive relationship, growing more so as incomes grow, but less than perfectly so. An increase in per capita income leads to higher HDI due to more public and private investment (PPE) in health and education. The study of the conditional convergence across states reveals that the initial human development level facilitates income catching up. Nevertheless, the low-HD states deviate. Nonetheless, sector-specific distortions hamper the trickle-down effect. Skilled urban sections benefit from services driven growth. The earnings of rural sections are restricted due to reliance on agriculture and informal jobs.

Growing wealth inequality is further aggravating this situation, threatening long-term social cohesion as well as broad-based consumption growth. An examination of the Global Multidimensional Poverty Index (MPI) suggests that climate vulnerabilities (which overlap with multidimensional poverty) could reverse development gains. In general, though the increase in aggregate income has facilitated development, the disparities between sectors and locations indicate that there is a strong need for a more equitable translation of output into more inclusive well-being.

8. Policy Recommendations: To utilize income for inclusive development:

- **Rebalancing of Different Sectors.**

In order to truly make development inclusive, countries must purposely rebalance across economic sectors so that increasing national income translates into decent livelihoods for all. Currently, the services sector is responsible for more than 56 per cent of gross value added with impressive growth of 9.1 per cent. However, despite a relatively lower contribution to total output, agriculture employs almost 45 per cent of the workforces. This mismatch results in “jobless growth” and keeps rural incomes stagnant. Consequently, policymakers need to ramp up the manufacturing sector's GDP share from the current 14-17 per cent to a goal of 25 per cent in the coming decade.

The PLI scheme offers a robust foundation but its second phase must be extended to cover labour-intensive segments like textiles, food processing, electronics assembly with employment generation as a condition for incentives instead of linking them to output only. Skill India has to revive its skilling programmes by abandoning one-size-fits-all training and instead opting for industry-specific, practical apprenticeships that prepare young workers for factories and supply chains. It is vital to simplify labour laws but without relaxing worker protections to create an ecosystem for formal jobs. When there is an expansion in manufacturing, productivity increases, wages improve and income gains are more widely spread. Families previously reliant on unpredictable farm incomes now have steady salaries, improved access to credit, and the confidence to invest in their children's future. Accomplishing this rebalancing is not simply a question of economics, but a matter of humanity. It is necessary to honour the aspirations of millions of young Indians who want dignity of work. If India wants to achieve a broad-based prosperity, it will need to ensure that sectoral growth is aligned with the employment requirements of the economy.

- **Local Unification.**

Regional imbalance per capita income continues to pose one of India's severest development problems. As Sikkim, Goa and Karnataka have incomes thrice the national average, large parts of Bihar, Uttar Pradesh and other eastern states continue

to be poor, forcing out their denizens. Genuine convergence requires income growth to reach all parts of the country, with lagging regions becoming new drivers of national growth. The PM Gati Shakti National Master Plan is an excellent combination of infrastructure planning of all roads, railways, ports and logistics. To ensure successful implementation of this project, targeted incentives under the Aspirational Districts Programme should be coupled with it. This is to encourage agri-processing clusters, renewable energy parks, and digital hubs in low-income states. An emphatic recommendation to incorporate the Finance Commission allocation of performance-based grants to states for measurable improvements in ease of doing business and human development outcomes. Private investors can be incentivised by offering tax holidays and providing viability-gap funding for projects in backward areas.

It is this coming together of forces that is fundamentally human, enabling a youth in Muzaffarpur or Patna to find good employment at home as opposed to migrating to faraway cities. It enhances social ties and diminishes stress due to regional disparities. “The collective growth of every state makes India's national income a shared resource rather than a source of discord.” With sustained political will and data-driven monitoring, regional convergence can ensure a greater degree of balance and harmony within India.

- **Focus on Human Capital.**

It is not enough for income alone to drive development; strong investments in people are needed. Health, education, and skills make it possible for higher earnings to yield better lives. India is lagging behind in spending on education as India's public expenditure on education continues to be below the target of 6 per cent of GDP recommended by the successive commissions, while learning outcomes continue to be below global benchmarks. Thus, a reinvigorated focus on human capital is needed to bridge this gap. Both the central government and the state governments must lay emphasis on universalised early childhood education, revamping the school curricula by including digital components, vocational elements and expanding higher education through involvement of increasing public-private partnerships. The implementation of the National Education Policy 2020 needs to be accelerated with adequate budgetary support. Ayushman Bharat and similar health schemes must simultaneously evolve into complete wellness programmes that also cover nutrition, mental health, preventive care, and so on. Especially in rural and low-income areas, this is tremendously important.

When families see the children receiving a good education and better health, they invest in the future more confidently. This creates a virtuous cycle of rising incomes and better living standards. A woman in a village in Bihar whose daughter can become a nurse or an engineer offers hope that no GDP statistic can encapsulate. India's human capital development-focused policy will enable income growth to not remain a statistic but empower each and every person in India to live with dignity and realise their potential fully.

- **Reduction of Inequality**

Despite a modest consumption-based inequality, the concentration of wealth remains high. The top 1 per cent hold almost 25 per cent of the country's wealth. Economic growth could be undermined by the inequalities threatening the recent development gains. Reducing inequality, therefore, is not merely about redistributing the pie for distribution's sake but is necessary to support long-term growth and social peace. Increased revenues for public investment can be garnered through progressive measures such as a well-designed wealth tax on ultra-high-net-worth individuals and strengthening inheritance tax without dampening entrepreneurs. The national plan to formalize the MSME sector through easy compliance, credit access and digital payments can integrate millions of informal workers into the formal economy, and give them social security and higher incomes. Direct benefit transfers can be further expanded. Also, the Mahatma Gandhi National Rural Employment Guarantee Act can be strengthened by linking them to skill-based wages to provide a good income floor for the very vulnerable.

The measures have a human element. Every Indian family must get the opportunity to get the means to build assets and secure the future of their children. As inequality declines, consumption increases, markets grow and society strengthens. Policymakers should tackle this challenge not from an abstract ideological framework but with a degree of compassion and evidence-based approaches. As a result, the income will become an instrument of inclusive development.

- **Eco-friendly Impact Expansion**

The income-development connection is a real threat due to climate change and environmental degradation, particularly for millions dependent on agriculture and natural resources. Economic growth must be both sustainable and resilient today so that the benefits of income growth do not jeopardize tomorrow's well-being. All Policies should streamline climate adaptation into development plans. Climate-resilient farming techniques will be promoted, micro-irrigation will be rolled out and renewable energy especially solar and green hydrogen in rural areas will be invested in. According to some experts, the National Green Hydrogen Mission and rooftop solar schemes can create millions of green jobs. Urban planning also needs to include disaster-resilient infrastructure, and nature-based solution to protect vulnerable people from extreme weather events.

For a farmer in Bihar prone to flooding or a coastal fisherfolk family, resilience is not an abstract notion; it is the difference between survival and dignity. To generate income, India can manage the economy, environment, and livelihood in an equally matched way. This transition should leverage international climate finance and carbon markets responsibly. Leave No One Behind: At the heart of sustainable development is making sure rising incomes today create a safer, greener and more prosperous India for tomorrow's generation.

- **Oversight System**

In order to make corrections before issues develop, effective policy requires strict, transparent and regular monitoring. A strong monitoring framework will help India check how income growth translates into actual development outcomes across sectors, states and population groups. NITI Aayog must create an annual "Income-Development Dashboard" which provide per capita income data along with components of HDI, multidimensional poverty indicators and sectoral employment indicators at the district level. This dashboard must be publicly available, interactive, and use real-time MOSPI and NFHS data.

The central government should encourage state governments to create their mirrored systems, linked with incentives for proven convergence with the central government's system. It would be good to have independent evaluations commissioned by academic institutions and think tanks to ensure this objectivity. When the data is made very much accessible to all, it increases the level of trust among the

citizens. When a district in eastern India goes slow, the framework picks that up quickly for action. Monitoring shows that government cares. In other words, government listens and learns. Also, government is doing what it should to ensure that every rupee of income growth reaches intended beneficiaries. An effective framework can help India turn good intentions into measurable, inclusive outcomes.

9. Conclusion.

India today finds itself in a defining moment of development. Rising incomes have certainly made incredible progress possible. In other words, per capita income has been on the rise, the Human Development Index has improved to 0.685, and multi-dimensional poverty has been halved in less than a decade. Today millions of families are experiencing better access to education, healthcare, and basic amenities, benefitting in concrete ways from otherwise abstract economic numbers. Nevertheless, this paper demonstrated that overall growth is not sufficient. There are deep sectoral imbalances in the economy. Services have become dynamic and account for more than half the national output. However, agriculture, which still employs nearly half the workforce, is unable to provide comparable incomes. The southern and western states are on the fast lane. Meanwhile, an eastern state Like Bihar continues to lag. Referring to the large regional gap is a matter of concern. When money flows to everyone, everywhere, it makes a difference – that’s a simple message you’ll find in the analysis. The suggestions for the policy which are provided here sectoral rebalancing towards manufacturing, deliberate convergence across regions, renewed emphasis on human capital, light touch on inequality, climate-resilient growth and transparent framework for monitoring together offer a feasible roadmap for making this happen.

If done in all seriousness and urgency, these steps can convert India’s growth story from one of impressive numbers to that of actual human fulfilment. A youth in a village in Bihar will no longer need to migrate for dignity; the farmer’s daughter will have the same opportunity as her urban counterpart; every region will feel it is part of the national success. Filling All Such Gaps will Bring India Closer to Becoming a Developed Nation by 2047 with Rising Incomes Actually Contributing to People’s Health, Education and Safety. The base is solid; it is time to take action now.

References

1. India's government. (2026). Economic assessment 2025-26. Finance Ministry
2. IMF Html Text 18. (2026). IMF's World Economic Outlook, April 2026
3. Mishra S.K. and Puri V.K. (2025). The Indian economy: Its development experience (43rd ed.). Himalaya Book House.
4. The United Nations Development Programme. (2025). Human Development Report 2025 - undp.org.
5. United Nations Development Programme & Oxford Poverty and Human Development Initiative. (2025). Poverty and climate-related risks are for the first time interconnected in the reports. <https://hdr.undp.org>.
6. Datt and Sundharam. 2004. Indian Economy. S. Chand & Company. (2024). Failure Violet Setup Cuddle. S. Chand Publications.
7. Roy T. (2025). Economic History of India: Prosperity, Income, and Inequalities from the Mughal Era to the 21st Century Cambridge University Press India
8. University Mary Noelle. (Ed.). (2024). The 36th Ed. Indian Economy since Independence: a comprehensive and critical analysis. Education Base.
9. Muralidharan K. (2024). India's Development: Roadmap For Good Governance By The State. House India Penguin Random.
10. Panagariya A. (2024). Nehru Development Model: Does it still matter? HarperCollins Release
11. Subramanian, K. (2024). Five words: India's Economic Powerhouse of Tomorrow. Representative instance of indentation.
12. NITI Aayog. (2023). National Multidimensional Poverty Index 'A progress review 2023'.
13. H.-J. Chang (2002). Kicking Away the Ladder: Historical Perspective on Development Strategies. Anthem Publisher.
14. Todaro, M. P., & Smith, S. C. (2021). Economic Development, thirteenth edition. Pearson
15. Thirlwall, A. P. (2020). The 10th Edition of Development Economics Red Globe Publishing.
16. Basu, K. (2018). The Republic of Beliefs: A New Approach to India's Economy and Society. Princeton University Press
17. Piketty, T. (2014). Capital in the twenty-first century (translated by A. Goldhammer). Something must be done.
18. Acemoglu, D., & Robinson, J. A. (2013). (2012). The reasons why nations fail are found in Power and wealth. Business Crown.
19. Deaton, A. (2013). The Vital Escape: Health, Wealth and the Origins of Inequality. Princeton Uni Press.
20. Stiglitz, J. E. (2012). The cost of inequality: How divided societies threaten our future. W. W. Norton & Co.
21. Banerjee, A. V., & Duflo, E. (2011). Transforming global poverty alleviation strategies to enhance outcome is what this book does. Publicasfairs
22. Sachs, J. D. (2005). An end to poverty: Economic possibilities for our time Penguin Publisher
23. Ray, D. (1998). Economic Development. Academic Publishing Company.