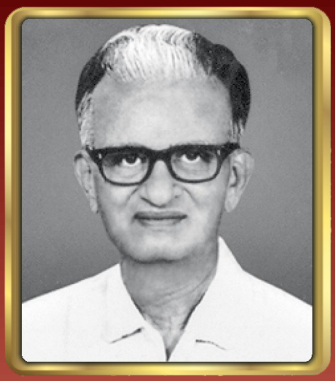


MALCOLM ADISESHIAH
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2026

Malcolm Adiseshiah Memorial Lecture

SUBJECTIVE WELL-BEING, TRUST AND DEMOCRACY IN INDIA

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Research Affiliate, Population Aging Research Centre,
University of Pennsylvania,
&
(Retired) Professor of Public Policy,
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SUBJECTIVE WELL-BEING, TRUST AND DEMOCRACY IN INDIA[1]

Raghav Gaiha

Abstract

Taking the view that subjective measure (s) of well-being is/are broader, richer and more insightful than objective measure of well=being such as per capita income/expenditure, our study investigates the factors that are associated with them. There were some commonalities and specificities, pointing to the need for policy designs that are sensitive to the primacy of subjective well-being. This analysis is based on the only all-India panel survey, India Human Development Survey, that covers 2005 and 2012. Extending this analysis to the second phase of the NDA and using life evaluation as a measure of well-being, often used synonymously with life satisfaction and subjective well-being, we examine the interrelationships between this measure of well-being, affluence and trust in the NDA, based on the Gallup World Poll Survey for India. A positive *causal* relationship is found between life evaluation and trust in the NDA, after controlling for several covariates including year dummies. As trust in the NDA eroded, so did well-being. Even though the BJP did not emerge as a majority in the 2024 election, the NDA's aggressive pursuit of Hindu nationalism has gathered steam. Previous debates in the literature have focused on the brutal implementation of highly discriminatory policies and the perils to democracy. We have argued against a *direct* link between such policies and the imminent death of democracy in India as major contributions don't consider the intermediary but pivotal variable of loss of public trust. It is necessary to understand the intermediary factor, as restoration of trust is crucial for the

[1] This lecture draws upon our book ms: Changes in Subjective Wellbeing, Affluence and Trust in India. It is coauthored by Vani S. Kulkarni, Veena S. Kulkarni, and Katsushi Imai. We are grateful to Jere Behrman, K.L. Krishna, Jean Dreze, O. Feinstein, N. Chandramohan, R.J. Herring, T. Besley, Irma Elo, H-P Kohler, Atul Kohli, Raj Bhatia, Nidhi Kaicker, Vidhya Unnithan and Radhika Aggarwal. My special thanks go to Deepak Nayyar, Anil Deolalikar and Aashi Gupta for a meticulous review of the first draft. Gaiha and Vani S. Kulkarni are grateful to Population Studies Centre, University Of Pennsylvania, for supporting (most of) this study. The views are personal.

survival of democracy. That BJP failed to secure an absolute majority in the national election in 2024 indicates that there is growing disillusionment with NDA's authoritarianism. Not only are claims of spectacular GDP growth exaggerated and misleading but delving deeper unravels unmistakable signs of a brewing economic crisis with slow GDP growth, worrying external sector imbalances, high unemployment, rising food prices, low wage rates, tepid recovery of the unorganised sector, that point to pervasive destitution. Obsession with grandiose economic goals overlooks a grim scenario in which the veneer of democracy is shredded.

Key Words: Subjective Well-Being, Objective Well-Being, Life Evaluation, Affluence, Trust, Democracy

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My lecture is in three parts: the first is about the concept and measurement of Subjective well-being; the second is about comparison of subjective well- being and objective well-being in India, and policy implications; and the third is devoted to an empirical analysis of a related concept of Life Evaluation, Affluence and Trust in NDA and its implications for democracy in India.

Why Subjective Well-Being Matters?

Well-being is hard to define and harder to measure. But this has not deterred economists, political scientists, and psychologists from attempting to do so. There have been two distinct approaches to this problem. The conventional one has been to measure well-being in terms of objective criteria such as income or expenditure, otherwise known as objective well-being (OWB). The second approach concerns SWB. This measure takes into account not just objective criteria such as income but also individual characteristics such as age, gender, schooling, religion, caste, marital status, health, income, employment, location (rural, urban, and slum areas), social networks, the presence of conflicts, vulnerability to crime, and the overall economic and natural environment. The important difference between OWB and SWB measures is that the latter takes into account not only objective criteria but also individuals' perceptions of whether they are better-off, the same, or worse-off.

SWB, quality of life, and life satisfaction are often used interchangeably, and defined as the degree to which an individual judges the overall quality of his/her life favourably.

Self-reported well-being measures do not need to be related to market behaviours. If well-being measures based on rational individual choices, typically used by economists, differ from those based on experiences, and if people sometimes act against their best interests, a direct measurement of well-being might still give an accurate picture. Consider, for example, that working long hours and spending less time with the family may be a rational choice. But an individual's perception of well-being may require spending more time with their children and foregoing the extra income. These measures might enable people to do better, either by informing government policies, offering external nudges, or more simply, by providing participants with information on the circumstances and choices that promote well-being.

Although subjective data come with problems regarding the validity and reliability of measures, they can also provide useful information that cannot be

obtained from objective data sources. Briefly, objective indicators do not capture people's values and preferences, which determine the weight they ascribe to objective conditions in their idea of a good life. In fact, objective indicators used by analysts and policy-makers as proxies for welfare reflect their subjective opinions of what constitutes a good life. More specifically, the problem is not only that researchers assume that an aggregate monetary measure or a list of objective conditions can indicate quality of life outcomes, but also that they assign weights to each criterion to aggregate the objective data into an index; this can introduce biases. Besides, objective indicators are useful when clearly defined concepts are being measured. However, when it comes to examining the impact of multi-faceted and less easily defined concepts such as environmental issues, governance, and social cohesion, subjective measures are useful, as they factor in the effects of these issues on experiences of welfare.

Doubts have been raised about the validity of subjective data. Answers to subjective questions may reflect people's normative notions and desires instead of the degree to which they are satisfied with their lives. Subjective data are thus vulnerable to biases from unrelated sources. Just as serious is the concern that responses may be inconsistent and reflect the shifting moods and reference points of the respondent. These comments have merit but they are refutable. Two sets of evidence are pertinent here. The first involves correlations. Globally, regionally and for selected countries there is a strong positive correlation between schooling years and subjective well-being, and negative correlation between deaths and subjective well-being. The second has to do with scale heterogeneity. Intuitively, this points to the phenomenon where individuals define and use survey rating scales differently based on their unique frames of reference, expectations, and cultural background. However, Diener et al. (2013) are emphatic that life satisfaction scores across time and situations are stable, suggesting that consistent psychological processes are involved, and similar information is used when people report their scores. In other words, the reliability and validity of life satisfaction scales reflect authentic differences in how people evaluate their lives, and the scores move in expected ways, along with changes in people's circumstances. Besides, Deaton (2018) offers robust support to self-reported measures of well-being, used to capture aspects of welfare beyond real income, which is what economists typically use to proxy utility. He uses cross-country and country-specific comparisons to validate

measures of SWB and emphasises their policy significance. He reports that average ladder values vary greatly around the world, from around 4 in Africa to 7–8 in the developed countries of Europe and the English-speaking world[2].

Cross-Country Patterns of Subjective Well-being

Let me now turn to cross-country patterns of subjective well-being. I shall be brief and selective. This serves as the backdrop for our study of subjective well-being in India.

Substantial work has been done on age patterns and SWB.

A most puzzling aspect of the age-related U-shape of well-being is that SWB rises after middle age—when people are losing their spouses and both morbidity and mortality are rising. However, other components of psychological well-being may improve with age—there is less anger and stress, and the negative side effects (such as physical pain) of work disappear with retirement. Whether these components cancel each other out or whether the latter offsets the former needs further scrutiny (Deaton, 2018).

Women tend to report higher life satisfaction, although a few studies report no gender differences even using the same data sets. This is not surprising as analytical methods differ. In North India, as women, especially married ones, are more likely to be subjected to abuse, violence, and malnutrition, their SWB is likely to be lower. But there may be offsetting effects of security and belonging to a family.

There is mixed evidence on the association between religious beliefs and SWB. Evidence shows that religious people are generally happier than non-religious people, irrespective of their faith. Indeed, it can be argued that faith is associated with higher levels of satisfaction. However, the effect seems to be stronger in the USA than in Europe and sometimes is not found elsewhere. Within religions too, differences in the strength of people's faith—the degree to which they invoke God to help cope with crises and their degree of spirituality—are associated with different levels of SWB (Helliwell and Putnam, 2004).

One of the dominant themes is the secularisation hypothesis, which suggests that religious beliefs and practices decline over time with economic

[2] A widely used scale is Cantril ladder where respondents rate their current life on a 0 to 10 ladder, with 0 representing the worst possible life and 10 the best

development due to rising incomes and schooling. However, the results vary. But there are a few key findings.

Religiosity may change with age—specifically, religion may become more important to people as they grow older and are more likely to ponder the afterlife (Deaton, 2011).

It is not clear why women are more religious than men. Religiosity appears to increase more steeply among women with age so the gap in religiosity between women and men, which is always positive, becomes even more pronounced with age. The gap is largest in the high and high middle income countries.

Averaged over countries, richer and more educated people within each country are less likely to be religious. If income and schooling are considered key to development, these results lend support to the secularisation hypothesis—that religiosity declines with development. But these results are not uniform across countries.

SWB and health are closely related, and this link becomes increasingly important with age, as the prevalence of chronic illnesses rises. There is a strong relationship between SWB and both physical and psychological health. Psychological health appears to be more highly correlated with SWB, which is not surprising given the overlap between the two. Some of the associations may reflect the impact of well-being on health, but the effect sizes of the health variables are substantial, suggesting that even after accounting for the impact of SWB on health, health still impacts SWB. Further, specific conditions, such as heart attacks and strokes, reduce well-being, and the causality is more likely to be from health conditions to SWB (Kohler et al. (2017).

Another health indicator is disability, such as a lack of mobility, vision and speech impairment, and difficulty with dressing. Substantial evidence suggests that disability not only renders people more vulnerable to poverty but also lowers SWB (Gaiha et al. 2022, 2026). There is also some indication that individuals eventually adapt to disability conditions—with time, the negative impact of a disability on an individual reduces.

Among other demographic characteristics, marital status is an important covariate of SWB. The level of SWB associated with being an unmarried cohabiter depends on whether the relationship is perceived to be stable.

Compared to unstable unmarried relationships, stable ones are associated with comparable levels of SWB to married partnerships (Dolan et al. 2008).

Longitudinal evidence yields additional insights. Well-being drops in the period leading up to a divorce, takes several years to stabilise again, and may never reach the original baseline levels. However, there are widespread differences in the rate and degree to which people adapt to the new state. Some people bounce back quickly, while others appear to never fully recover (Frey, 2010).

Some studies argue that without factoring in the effect of pollution but controlling for the effect of income, living in large cities is detrimental to life satisfaction and living in rural areas is beneficial (Dolan et al. 2008). We are not persuaded of this though. First, a more disaggregated classification is needed to separate respondents from urban slums; this may change the results. Second, given that urban areas ensure better provision of public goods such as health and education, and offer more rewarding employment opportunities, it is not self-evident that people prefer the peace and quiet of rural living over the hustle and bustle of urban living. Third, with the massive rural–urban migration of well-educated youth, older people left behind may be more vulnerable to contingencies such as chronic illnesses, accidents, and long spells of loneliness. So, the case for higher well-being in rural areas is not necessarily strong.

On average, people with more schooling and belonging to richer households (measured in assets) evaluate their lives as being more satisfactory than those with lower education levels and living in poor households. More specifically, there is some evidence of a positive relationship between each additional level of schooling and SWB. Further, schooling has more of a positive impact in low-income countries (Kahneman and Krueger, 2006).

Income as a measure of affluence is positively associated with SWB but at a diminishing rate. The association is often weak and transitory for a few reasons. One is that relative income has more of an impact on SWB compared to the absolute amount. Indeed, evidence shows that rank in an income distribution influences life satisfaction. As a society grows richer, the average rank does not change and, thus, average life satisfaction remains stable despite income growth. However, the rank changes if the peer group becomes richer. Hence the relative income hypothesis alone cannot explain why a permanent increase in an individual's income has a transitory effect on their well-being. On the other

hand, higher incomes enable higher consumption and thus enhance well-being. But higher incomes may also have a minor lasting effect for two reasons—one, the consumption of material goods has little effect on well-being beyond a certain level, and two, hedonic adaptation. Whether such a threshold exists is controversial (Duesenberry, 1949, Easterlin, 1973, Kahneman and Krueger, 2006, Clark and Lisowski, 2018, Deaton, 2008, and Kaicker and Gaiha, 2013).

A positive relationship can be found between SWB and membership in (non-church) organisations. A related finding is that membership in more organisations increases life satisfaction. Yet another finding is that both individual involvement and the national average membership in non-church organisations are positively related to life satisfaction (Helliwell and Putnam, 2004).

Comparison of ΔSWB and ΔOWB[3]

Let me now summarise our comparison of ΔSWB and ΔOWB.

Our objective is to identify and assess factors associated with ΔSWB and ΔOWB in India between 2005 and 2012, respectively. The latter is proxied by the relative growth in real per capita household consumption between 2005 and 2012.

We conducted econometric analyses using a large panel data set constructed from the India Human Development Survey I and II, conducted jointly by University of Maryland and NCAER. As of now, this is the only all-India panel survey. As remarked earlier, towards the end of my lecture I shall review briefly a study that focuses on life evaluation, affluence and trust in the NDA[4].

Data and Methods

Let me first draw attention to salient features of the IHDS.

The first round (IHDS I) was a survey of 41,554 households in 2005. The second round (IHDS II) involved re-interviews with 83% of the original households and split households within the same locality, along with an additional sample of 2,134 households. Therefore, the total sample for IHDS II

[3] Recall that IHDS gives estimates of only ΔSWB.

[4] This study was co-authored by Vidhya Unnithan, Vani S. Kulkarni and Radhika Aggarwal.

was 42,152 households. The sample was spread across 33 states and union territories, and covered rural as well as urban areas.

A unique feature of the IHDS is that it collected data on ΔSWB. It asks the question: "Compared to 7 years ago, would you say your household is *economically* doing the same, better or worse today?" So the focus of this measure is narrow, and it has only three scales corresponding to the *perceived* ΔSWB, not its actual level. However, it has advantages over the standard scale measures of SWB (for example, the Cantril ladder uses a scale of 0 to 10) because of its simplicity (for example, being less subject to heterogeneity in the level of aspirations of individuals or in their perception/interpretation of the survey questions on the scale of happiness/life satisfaction). We ranked changes in the growth of real household consumption per capita between 2005 and 2012 for the entire national sample to make the frequency distributions for ΔSWB and ΔOWB identical. So the only difference is whether the measure is based on the household head's perception (ΔSWB) or an actual change in economic status (ΔOWB).

Other topics covered by the IHDS relevant to the present context include expenditure, income, employment, major morbidity (including non-communicable diseases (NCDs), limitations in activities of daily living (ADLs), health insurance, caste, religion, assets, social networks (for example, self-help groups), trust in institutions, the presence of conflict, the crime rate, exposure to mass media, and demographic characteristics (for example gender, age, marital status, household size, and composition).

Models

As it will be tedious to describe the ordered probit model used, I shall discuss it briefly.

This has two merits: it yields a separate estimation of the three cases of ΔSWB or ΔOWB—whether worse-off, just the same, or better-off between 2005 and 2012. In the OP model, the inverse standard normal distribution of the probability is a linear combination of the predictors. The OP model is a generalisation of the probit model to a case where there are more than two outcomes for an ordinal dependent variable. The potential values have a natural ordering: worse-off, just the same, and better-off. The essential ingredient is the mapping of an underlying, naturally ordered preference scale to a discrete, ordered, observed outcome—perceived change in economic well-being or

∆SWB. Given only three possible answers, the respondents choose the one that represents their preferences most closely (Greene, 2018). The MEs/associations are different from the OP regression coefficients. The sign and magnitude of MEs vary with the ordered outcome. As Greene (2018) offers a detailed account of how MEs are calculated, it is not necessary here.

The dependent variable is discrete which takes the value o for the worse-off, 1 for just the same and 2 for the better-off.

As perceived ∆SWB is considered between 2005 and 2012, all the explanatory variables are based on the 2005 survey answers to partially address the issue of reverse causation from ∆SWB to, for instance, health or income/expenditure. In another specification, the dependent variable or ∆SWB is replaced by ∆OWB.

The explanatory variables include household characteristics (caste, religion, per capita expenditure, household per capita expenditure as a fraction of the highest in the PSU, household size, location, whether belonged to a social network, number of working adults, duration of employment, location-rural or urban-, individual characteristics such as age, schooling years, gender, and other variables such as theft, conflict in a village, and state level variables such as net state domestic product per capita and the Piketty measure of extreme income inequality.

Results

As walking you through the results will be tedious and time consuming, I shall comment on them selectively and briefly.

I shall discuss them in the following order. I shall first focus on the MEs/associations that show similar patterns; that is, the common covariates of ∆SWB and ∆OWB. I shall then discuss the explanatory variables that are statistically significant and show opposite signs for ∆SWB and ∆OWB, or which are significant only for ∆SWB, to identify the correlates specific to ∆SWB. Finally, I selectively mention a few other estimates; that is, those that are statistically significant (or not significant) for either ∆SWB or ∆OWB.

(i) Common Covariates of ∆SWB and ∆OWB

Age is negatively associated with being worse-off and just the same, and positively with being better-off for ∆SWB and ∆OWB. Households with an older head tend to report that their economic well-being has improved both

subjectively and objectively, with the association weakening as the head gets older. However, the improvement in ΔOWB is larger than that in ΔSWB[5].

As households with 2–5 persons are the most prevalent, this group is omitted. For both ΔSWB and ΔOWB, relative to the omitted group of households, those living alone are more likely to be worse-off and just the same, and less likely to be better-off. Meanwhile, those living in households with >5 members are less likely to be worse-off and just the same, and more likely to be better-off. Not only the signs but also the magnitudes of the associations are similar for both ΔSWB and ΔOWB. In addition to the economies of scale in household consumption expenditure, the joy of living with children and perhaps better family support during contingencies (for example, accidents and serious illness) influence ΔSWB and ΔOWB. Therefore, family support acts as insurance against misfortune and other contingencies.

We observe that living in urban areas is associated with higher ΔSWB and ΔOWB. However, the improvement in ΔSWB is less than that in ΔOWB. Why both measures of well-being show greater improvement in urban areas could be due to better quality of schooling, which is not captured by years of schooling, higher labour productivity, better health care, or more developed transportation and telecommunication infrastructure.

Schooling provides adults with the skills and expertise to engage in remunerative employment and adds to their awareness of their entitlements, obligations, and prospects for self-advancement. As illiterates are the largest group, they are omitted. Relative to this group, schooling—particularly at secondary or higher levels—is associated with significant improvements in both ΔSWB and ΔOWB. Again, the improvement is greater in ΔOWB.

We examined the associations between change in well-being and state affluence measured in terms of NSDP per capita and its square. As expected, ΔSWB and ΔOWB are positively and significantly associated with state affluence, and negatively and significantly associated with the square of NSDP. It follows that while ΔSWB rises in association with state affluence but at a diminishing rate, ΔOWB decreases. One conjecture is that state affluence is linked to better infrastructure (for example, transport, health, and

[5] When we refer to association or correlation, it is conditional association or correlation.

telecommunications), leading to improvements in ΔSWB. In such a context, well-being is likely to be higher in more affluent states. However, the diminution of this association at higher levels of affluence suggests that the provision of public goods does not grow apace with state affluence, as there may be special interest groups who divert public resources for their interests. It is intriguing why ΔOWB decreases.

Specific Covariates of ΔSWB

While the correlates of ΔSWB and ΔOWB are generally similar and consistent, there are some factors associated with ΔSWB only and/or their signs differ.

Consider first female headship of households. We find that women (that is, female heads of household) are less likely to be worse-off and just the same, but more likely to be better-off (ΔSWB). This requires an explanation as there is considerable evidence of discrimination against women in the labour and credit markets. This shows up in the negative ME/association between female headship and ΔOWB. The positive association with ΔSWB presumably manifests their greater autonomy in household decision-making and self-dignity.

Another important variable is religion. As Hindus are the largest group, they are omitted. Relative to this group, Muslims and Others (including Jains and Buddhists) tend to have higher ΔSWB, while Muslims tend to have lower ΔOWB. Three observations are pertinent. First, Hinduism is different from other religions because it has no specific beliefs that everyone must agree with to be considered Hindu. Instead, it is inclusive of many different, sometimes contradictory, beliefs. For example, within Hinduism there are theistic and semi-theistic schools and philosophies. Second, the caste system is integral to Hinduism. As the caste system is divisive and exclusionary, Hindus as a religious group are more likely to have lower ΔSWB. Third, there is a pervasive view (across religions) that a belief in God helps people imbibe values of forbearance, integrity, and compassion (Dolan et al., 2008; Deaton, 2011). These values are reinforced by regular church attendance, performance of rituals, or, more broadly, religiosity (Helliwell, 2003). Muslims or Others (comprising Sikhs, Christians and Buddhists) tend to perceive improved ΔSWB without experiencing a corresponding improvement in ΔOWB. In particular, the lower ΔOWB among Muslims reflects that, on average, they are more deprived than Hindus.

The caste hierarchy reveals an intriguing pattern. As OBCs are the largest group, they are omitted. The highest-ranking Brahmins do not display significantly higher probability of being better off in terms of ΔSWB but higher probability of being better-off in terms of ΔOWB, as also High Castes. Others (residual castes) show significantly lower probability of being better-off with the opposite sign for ΔOWB. While Dalits show negative associations with being better-off in terms of both ΔSWB and ΔOWB, Adivasis show a positive association with being better-off in terms of ΔSWB and a negative association with being better-off in terms of ΔOWB. The fact that there is little consonance between caste hierarchy and well-being—particularly for Δ SWB—suggests that the latter does not have much to do with poverty. So while Dalits and Adivasis are most likely to be poor, their ΔSWB differs. In contrast, while Brahmins are often least likely to be poor, their ΔSWB is not significantly higher than that of OBCs.

We also include employment status and duration of employment. However, since the data on the latter is not sufficiently disaggregated, our comments are confined to employment status. Number of adult workers in the age group of 20–50 years is classified into the three categories: 0, 1, and 2 or more. As households with one adult male worker are the most prevalent, this group is omitted. Relative to this group, households without any male workers are associated with lower ΔSWB and those with two or more adult male workers with higher ΔSWB, but the signs are reversed for ΔOWB. As employment even for short duration gives a sense of recognition, its positive correlation with being better-off in terms of ΔSWB is plausible. But the negative correlation with being better-off in terms of ΔOWB could be due to short duration low wage employment.

Since households without any adult female workers are dominant, this is the omitted group. Relative to these households, those with two or more adult female workers are associated with a lower probability of being better-off in terms of ΔOWB, but this result is not significant in the case of ΔSWB. As discrimination against female workers takes many forms and one is lower wages, it may explain the lower ΔOWB result. As outside employment is frowned upon-especially of married women-it could lower self-esteem and thus explain non-significance of the ΔSWB result.

We consider two health indicators: NCDs and disabilities. If an individual in a household suffers from any NCD, the household is less likely to be better-off, relative to those without any NCD, only for ΔSWB and not ΔOWB. This is not surprising as some NCDs (e.g., diabetes, hypertension) allow individuals to work but their perception of being better-off is not entirely eroded. A similar result is obtained for individuals living with any disability only for ΔSWB and not for ΔOWB. Some disabilities (e.g., vision and hearing impairment, difficulty walking) are treatable and may allow the individuals to work in specific tasks. However, the disabled may fear stigma that could negatively affect their perception of being better-off.

The association between ΔSWB and exposure to mass media has not been given much attention. However, the IHDS allows us to examine this relationship in detail. For men, being better-off in terms of ΔSWB and regular exposure to radio and newspapers but not TV are positively related. These factors are not significantly associated with corresponding improvement in ΔOWB. In sharp contrast, women who read the newspapers and watch TV experience greater improvements in ΔSWB and ΔOWB. Overall, the results corroborate the importance of exposure to mass media in improving ΔSWB. If exposure to mass media of men helps them overcome their sense of relative deprivation, and relate better to their peers, it may enhance their sense of being better-off. However, exposure to mass media of women may enhance their autonomy as well as help access information on employment opportunities in the neighbourhood and thus make them feel better-off both in terms of ΔSWB and ΔOWB.

Following Deaton (2011), we used the log of per capita expenditure as a proxy for the log of per capita income. Our results show a positive and significant relationship between ΔSWB and initial expenditure, implying the higher the initial expenditure, the higher is the sense of being better-off in terms of ΔSWB. However, the sign is reversed for the corresponding category of ΔOWB, as higher initial expenditure reduces the growth rate of per capita consumption expenditure[6].

[6] Admittedly, the initial per capita household expenditure variable is likely to be endogenous, but we include it in estimating ΔOWB to facilitate the comparison of

Other Covariates of ∆SWB and ∆OWB

Remittances mostly include international transfers from non-resident relatives and acquaintances. In a large number of cases, they are an important supplement for household income/expenditure (Imai et al., 2014). As expected, these are associated with higher ∆SWB but not ∆OWB. If the remittances are more frequently linked to family contingencies (e.g., hospitalisation for a serious illness, accident, death of a breadwinner, marriage), a higher ∆SWB is plausible. But regular remittance could discourage job search and more remunerative employment and thus lower the sense of being better-off in terms of ∆OWB.

The IHDS allows us to disaggregate marital status into married, unmarried, widowed, and divorced. As married is the largest category, it is omitted. People who are unmarried, widowed, and divorced do not show significant differences in terms of ∆SWB or ∆OWB. This comparison is meaningful as many married women are subject to intimate partner violence, including marital rape (WHO, 2021).

There are frequent conflicts in local neighbourhoods, some minor and others occurring on a larger scale. Inter-caste conflicts (for example, the rape of a Dalit woman), disputes over the ownership of land or property, and communal riots vary in scale and intensity. Relative to no conflict, conflicts are associated with significantly lower ∆OWB. For ∆SWB, conflict is positive and significant. The latter is counterintuitive, as even minor conflicts involve loss of property, loss of income, and violence.

Another variable of interest is crime. The IHDS is confined to theft. Thefts are not significantly associated with ∆SWB but are significantly and negatively associated with ∆OWB. A definitive result would have been obtained if the value of the stolen items was given.

We find that the association between the ΔSWB and the Piketty (2014) measure of extreme income inequality is positive and significant. This suggests that the higher the ratio of the share of the top 1% in total income to that of the

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the results for ΔSWB and ΔOWB. Omitting the initial expenditure, its square, and its share in PSU from the equation estimating ΔOWB does not significantly affect the estimates of other coefficients, except that estimates for schooling in the top two categories become statistically non-significant.

bottom 50%, the higher is the ΔSWB. In other words, an increase in income inequality is associated with a higher probability of being better-off in terms of this measure. However, the association is reversed in the case of ΔOWB. This contrast is intriguing. However, as noted earlier, if the rise in this ratio involves multi-sectoral growth, the higher ΔSWB is plausible. But if it lowers economic growth, the negative association of the ratio in question with ΔOWB is also plausible. Further scrutiny is necessary to resolve the puzzle.

In sum, on the larger issue of SWB and OWB, thanks to Sen (1985) and Deaton (2018)—who emphasise the need for different ways to broaden the focus of assessing well-being, specifically, looking beyond per capita income—there is a growing consensus that perceptions of well-being matter a great deal. Although our analysis of ΔSWB is narrowly focused on perceived change in economic well-being, its comparison with ΔOWB yields important insights on the commonalities and divergences between these two measures.

Life Evaluation, Affluence and Trust in NDA[7]

Now I shall broaden my perspective by focusing on what happened to a measure of subjective well-being under the regime of National Democratic Alliance/NDA. In the absence of the third wave of the IHDS panel survey, we rely on the Gallup World Poll Survey for India and other date sources to examine the relationship between life evaluation/life satisfaction (these measures are used interchangeably with subjective well-being by Deaton and others), affluence and trust in the NDA during 2018-2021. At the time of analysis, we did not have access to more recent GWP surveys**.**

There are three reasons for discussing this theme. 1. This is an important topic. 2. To the best of our knowledge, a rigorous analysis of this theme has not been carried out so far. 3. An aggressive pursuit of Hindu nationalism, unprovoked and incessant brutality against minorities-especially Muslims and Dalits-, and heavy-handed suppression of freedom of speech and muzzling of the media have left deep scars on the psyche of a large segment of the population with imminent death of democracy (notably, Tudor, 2023). While a few recent studies have come to this or a similar conclusion (e.g., Jaffrelot, 2021, Vaishnav and Khosla, 2021), the centrality of trust as the mediating variable is downplayed, if not overlooked. Our analysis seeks to fill this gap. We aim to

[7] This draws upon and updates Gaiha et al. (2026).

demonstrate that (i) there is a positive causal relationship between trust in the NDA and life evaluation/life satisfaction; (ii) in that case, if trust in the NDA erodes, life satisfaction also decreases; and (iii) if the repressive and brutal policies continue and economic distress grows, cumulative erosion of trust and life satisfaction may imperil democracy.

Although the definitions and measurement of life evaluation/life satisfaction and affluence are straightforward, trust requires a more nuanced explanation. Life satisfaction has to do with overall evaluation of lives of the respondents. Deaton (2008) uses life satisfaction, based on self-reported responses. It is a straightforward measure that aggregates components of well-being, such as economic status, health, family circumstances, and even human and political rights. Affluence is measured in terms of wealth/assets/income. *Trust in government* represents confidence of citizens in the actions of a "government to do what is right and perceived fair" (Blind, 2007). As it is not the *actual* performance of government but its *perceived* performance that matters for trust in government, it is necessary to understand the drivers of perceptions besides governmental performance. Measurement of trust is fraught with many difficulties. As trust represents a positive perception of government, it is measured by perception surveys, asking citizens, businesses or experts whether they trust (or have confidence) in government, leadership, and/or specific government institutions (e.g., local authorities or the justice system).

Data and Methods

I shall draw attention to a few salient features of the Gallup surveys of India.

The Gallup covers a wide range of issues worldwide including access to food, employment, demographic characteristics (such as age, gender, schooling), corruption, religion, trust in national government, and well-being[8]. Since trust in national government is a key variable and interpreted in different ways,

[8] Although SWB and Life evaluation are considered synonymous, a few differences must be noted. While the IHDS gives a measure of ΔSWB, the Gallup reports level of life evaluation. Another difference is while the IHDS focuses on perceived change in economic well-being, ΔSWB, the Gallup uses an all- encompassing measure of life evaluation. Although the components differ, both measures use a three-fold classification.

Gallup treats it as a binary variable based on the question whether the respondent has sufficient confidence in the national government. The World Poll Survey includes more than 100 global questions that are asked in each survey and each country (Gallup World Poll Survey, ND). The Gallup survey has details since 2010; however, our interest is confined to the second phase of NDA. The sampling methodology did not change during the period studied here.

Most samples are probability based and nationally representative of the resident population 15 years and older.

The typical survey includes at least 1000 individuals. But, in a few large countries such as China, India and Russia, the sample size is larger.

Supplementary data are obtained from Association for Democratic Reforms (ADR).

Following Angrist and Pischke (2006), a 2SLS estimation is used in which in the first equation trust is regressed on two instruments, individual/household characteristics (age, gender, schooling, marital status, household size, religion, caste, location, per capita income quintiles), state level variables such as the Piketty (2014) measure of income inequality, a health index and corruption in business, and year and regional fixed effects. In the second equation the dependent variable, life evaluation, is regressed on predicted trust and all other explanatory variables. However, as argued by Hansen (2021), it is not easy to verify the validity of the instruments in terms of exclusion restrictions even if the instruments are carefully selected. Therefore, we also apply the Lewbel IV estimator which has been proposed as an alternative method of estimation (Baum and Lewbel, 2019). Its merit is that internally generated instruments are combined with external instruments.

The key explanatory variable is T_j which denotes state level trust in the Union government/BJP-led NDA government. This is aggregated from individuals' trust within a state in the NDA. This is a binary variable as it takes the value 1 if an individual trusts the union government and 0 otherwise. All other state – level variables are constructed in a similar way. These include variables such as corruption in private businesses, the Piketty (2014) measure of extreme income inequality (ratio of share of total income accruing to the top 1 % of the population to that of the bottom 50 %), and share of those with a health problem

in a state, which are potentially endogenous and hence lagged by a year to circumvent it.

The first instrument, an index of diversity, has been widely used to determine trust in government. Following Ehrke et.al (2020), diversity is a two-sided instrument as it positively or negatively affects trust in government. Perceived differences (and similarities) enable categorisation of people into groups of "us" versus "them", and thus social diversity is made up of this categorisation. But the relationship between social diversity and trust in government is not straightforward.

Summarising Ehrke et.al (2020), individuals are more likely to trust ingroups than outgroups, and tend to see similar others (i.e., ingroup members) as more trustworthy, honest, and cooperative. However, trust in outgroups and dissimilar others does not follow a simple similarity-trust, dissimilarity-distrust rule. Rather, trust in dissimilar groups can be both higher or lower than trust in ingroups, depending on the perceived interdependence. If outgroup members are seen as competitors, there is negative interdependence, which weakens trust-related beliefs such as benevolence and integrity. In contrast, positive interdependence in the form of cooperative relationships and perceiving outgroup members as valuable for achieving common goals can increase perceived trustworthiness. As these interrelationships are contextual, we treat the role of social diversity as an empirical issue.

Diversity could encompass age, gender, education caste and religion. The GWP diversity index measures a community's acceptance of people from different racial, ethnic and cultural groups. As argued succinctly by Jha (2019), BJP's huge political success was due to its resilience in carefully crafting social alliances by incorporating electorally significant castes and sub-castes in its political representation and mobilisation, thereby accumulating political mileage out of its uniquely created social capital. BJP's strategy of finding political space within different communities (a measure of capitalising on diversity) is thus posited as a strong predictor of trust in the national government.

Our second instrument is distribution of BJP/its allies rule across different states. As observed earlier, dramatic changes in governance and fiscal federalism occurred under the NDA. Since 2014, there has been a shift toward greater political congruence between governments elected at the state level in India's federal system and at the centre. A new phase of single-party

dominance began, and with this, the BJP at the centre has pushed ahead relentlessly its One Nation agenda (Aiyar and Tillin, 2020). In fact, two striking features of the BJP-led NDA regime are centralisation and relentless pursuit of Hindutva-an aggressive form of Hindu Nationalism. They draw attention to the heavy reliance on constitutional authorities such as governors to impose New Delhi's diktats and encroach on state autonomy[9]. The number of states in which the BJP rules or shares power rose from 8 in 2014 to 20 in four years of Prime Minister Modi's leadership to emerge as the strongest force in the country (Association of Democratic Reforms/ADR for various years). This facilitated the imposition of the Centre's political will and agenda. So, the larger the number of states ruled by BJP and/or its allies, it is hypothesised, the greater is the credibility and effectiveness of the Central government policies and concomitantly the greater is the trust in the government.

Results

Instead of walking you through the results, I shall be brief and selective in my comments.

In the case of 2SLS, the F-statistic is well above the Stock-Yogo critical value (10% maximal IV size value). This implies that the null of weak instruments is rejected leading us to conclude that there is no weak instrument problem (Stock and Yogo, 2005). That the overidentifying restrictions are valid is confirmed by the Hansen J statistic.

In sharp contrast, in the case of Lewbel + estimation, the null of weak instruments is not rejected. Besides, since the Hansen J statistic is significant at the ≤ 0.05 level, the null of joint validity of all instruments is rejected. So doubts arise about the validity of the instruments used in this case. However, recalling Hansen's (2021) cautious interpretation of the J statistic, an outright rejection of the Lewbel+ results is unwarranted.

Both the instruments: index of diversification and number of states ruled by BJP and BJP and its allies are significantly positively related to trust in the NDA government.

[9] While this happened during the UPA regime too, it intensified under the NDA with a single party majority government.

As far as demographic variables are considered, neither age nor marital status nor schooling show significant associations with trust in the NDA. At least non-significance of two of these, age and education, requires some explanations. As people age, they are expected to be more mature and less swayed by emotion. On the contrary, it is also not unlikely that age and cynicism go together ruling out trust in public institutions including national government. But there is no empirical evidence to corroborate this view. Schooling is supposed to enhance awareness through easier access to and more intelligent use of information. Ethnic suppression, often in brutal ways, capture of state governments in connivance with state governors, erosion of state autonomy and federalism and manipulation of judiciary are internalised without public expression of lack of trust. Whether risk aversion is typical of those with more schooling in the current political context of autocratic rule of the NDA is a conjecture that we are unable to validate but reluctant to rule out.

Socio-economic characteristics throw up interesting but expected results. As Muslims and other minorities (e.g., Christians) faced the brunt of discrimination and violence, their lower trust in the government is expected. Resistance to their religious beliefs and events spills over into riots and the culprits remain unpunished.

Despite upward economic mobility among lower castes and affirmative action, the caste hierarchy persists. Brutalisation of lower castes and tribes, with many engaged in menial tasks and activities and cattle trade, occurs often in broad daylight, and in the presence of the local police while the lower judiciary churns out reasons for inaction. So lower trust of SCs/STs is likely.

Among economic characteristics, we focus on per capita income quintiles. The fact that none of the income quintiles is significantly associated with trust in the national government is surprising. Indeed, why individuals across the quintiles do not express disapproval of the government's discriminatory and arbitrary policies is not self-evident. A conjecture is that since low and middle-income respondents fear to lose more from their disapproval, and more easily intimidated by hard-core BJP supporters, they prefer business as usual. In contrast, the affluent –especially those in business-are more strategic in appearing to be on the right side of the ruling party. But this is at best a partial explanation.

At the state level, some results are plausible. The greater the index of ill-health, the lower is the trust in the NDA. This is highly plausible as government's failure to provide adequate health care and facilities in a context of high child and adult mortalities-especially during the Covid-19 pandemic-deters trust in the national government. Moreover, what deters trust is collusion between the government and big businesses in corrupt transactions.

That trust in the national government has a strong positive influence on life evaluation is not surprising. In fact, as trust fell between 2019 and 2021, life evaluation also decreased. This is an important result as it suggests that perceptions of different elements of life evaluation such as self-dignity, economic well-being, a sense of security, access to public services, among others, deteriorated. After a rise in 2022, trust in NDA was lower during 2023-25.

In sharp contrast to the trust equation, age and life evaluation are significantly correlated. Relative to the youngest, the older persons (i.e. belonging to age-groups, 46-55 years and ≥ 55 years) show lower evaluation. The underlying reasons are different. As those 46-55 years old are likely to be burdened financially with the schooling of children and their marriage, among not-so-affluent households worries and concerns about other family obligations may cause considerable stress and sacrifices leading to lower life evaluation. Among the oldest who may be preparing for retirement, unless they have accumulated savings for the post –retirement phase, and in the absence of other employment options, difficult choices loom large. As old age insurance is limited and family support has weakened with urbanisation, for large numbers of the oldest it is a difficult and uncertain phase.

Women have a positive and significant coefficient, relative to men, implying a higher life evaluation among them. The presence of the younger generation of women who are as aspirational as men and a larger segment of older women may neutralize the discriminatory effect.

The results for religious groups are intriguing. Although Muslims are not significantly correlated with life evaluation *despite* bearing the brunt of discrimination and violence, other minorities are positively correlated. This is intriguing too as Christians and Sikhs have also suffered severe discrimination and questioning of their religious practices (e.g., churches have been set

ablaze). While we expect caution in expressing lower trust in the government, reporting of higher life evaluation is hard to explain.

While the 2SLS results do not show significant associations between OBCs and SCs/STs and life evaluation, these caste categories have significant negative coefficients in the Lewbel+ results. Even though there are doubts about the instruments used in this estimator, these results are plausible as the NDA has suppressed low caste Hindus. That the performance of affirmative action (i.e., quotas in schooling and public employment) has been far from impressive is well-known. It is also increasingly the case that low caste Hindus have been victims of unprovoked violence. So their lower life evaluation, relative to the unreserved castes, is not surprising.

Relative to those living alone, individuals living in larger households have higher life evaluations. If there is loss of employment or an income shock-especially during the Covid-19 pandemic-those living alone are unlikely to be protected while larger households are likely to pool resources and mitigate the shock.

Schooling levels above primary are significantly and positively related to life evaluation. In fact, life evaluation rises substantially from secondary to graduate level. That the better schooled individuals have benefited in the NDA regime is not surprising as it has pushed big infrastructural projects, high speed trains, and rapid digitisation.

Relative to the poorest income quintile, the more affluent in the third, fourth and fifth quintiles show higher life evaluations. Not only the more affluent are better equipped to absorb employment and income shocks, but also more strategic in exploiting shrinking business and other gainful activities. It is difficult to single out whether low income individuals are less prone to engage in gainful activities or whether survival takes priority over all other options.

Somewhat surprising findings at the state level are: (i) the Piketty measure of income inequality is not correlated with life evaluation; nor is (ii) the ill-health index. However, collusion of the NDA government with big businesses lowers life evaluation in the Lewbel+ analysis.

In sum, trust in the NDA declined, and consequently life evaluation decreased. If trust continues to decline and so does life evaluation, the authoritarian rule of the NDA may imperil democracy. In fact, this phase of NDA rule is characterised as “electoral authoritarianism” (Jaffrelot, 2021).

Trust, Well-being and Democracy

Let me now delineate selectively and briefly the links between trust, well-being and prospects of democracy under the present NDA regime.

A few influential studies (e.g., Vaishnav and Khosla, 2021, Jaffrelot, 2021, Bardhan, 2022, and Tudor, 2023) are pessimistic about the survival of democracy in India. Although the methodologies differ, the evidence points to unrelenting and brutal pursuit of Hindutva, blatant discrimination against minorities and low castes, intimidation and suppression of opposition parties and dissent, manipulation of judiciary, and curbs on mass media. While I remain pessimistic about the survival of democracy, my analysis has two important points of departure. One is that I emphasise erosion of institutional trust- especially in the NDA- causing loss of well-being and thus eventually imperil democracy. The second is our contention that exaggerated and misleading claims of GDP growth in recent years cannot hide the brewing economic crisis manifested by persistent food price inflation, high unemployment rates of educated youth, stagnant wages, and pervasive deprivation. Unsurprisingly, official statistics fudge/downplay indicators that run counter to the *Sabka Saath, Sabka Vikas* narrative, as documented below.

A succinct characterisation of the NDA regime serves as a base for further exploration of prospects of democracy. A case in point is three distinct but overlapping manifestations of the Indian state: *the ethnic state*, *the absolute state* and *the opaque state* (Vaishnav and Khosla, 2021).

India's 1950 Constitution emphasised secularism and equal rights. In December 2019, the government departed from this fundamental tenet by explicitly linking expedited citizenship to religious identity. An amendment to the 1955 Citizenship Act (the Citizen Amendment Act/CAA) declared that Buddhists, Christians, Hindus, Jains, Parsees, and Sikhs from Afghanistan, Bangladesh, and Pakistan, who arrived in India before the end of December 2014, were eligible for expedited Indian citizenship. The objective is to protect persecuted religious minorities in South Asia. The law, however, does not accommodate persecuted Muslims in neighbouring countries, such as the Ahmadis in Pakistan or Hazaras in Afghanistan, and only includes those neighbouring nations that have a Muslim majority. However, a serious failure is that it is limited to religious identity but not whether a person has suffered persecution. So, by treating religious identity rather than religious persecution

as the basis for distinguishing between persons, the CAA also violates the fundamental constitutional principle of secularism. This Act thus enabled the rise of the ethnic state.

Another and perhaps more compelling manifestation is the absolute state. As argued by Vaishnav and Khosla (2021), in India today, the state has more power than ever, and that power is concentrated in the central executive. Legal changes and institutional manipulation have resulted in a state whose authority is increasingly absolute. A case in point is abrogation of article 370 Jammu and Kashmir (J&K). In August 2019, Parliament passed the Jammu and Kashmir Reorganisation Act, splitting the state into two new territories, J&K and Ladakh, largely under the central government's jurisdiction. This law passed without meeting the constitutional requirement that the centre consult affected state(s) before redrawing state boundaries or changing a state's constitutional status.

A discriminatory and absolute state is not sustainable without complete control over media, suppression of dissent, and withdrawal of surveys that raise concerns about rising economic distress. Or, in other words, an absolute state is also an opaque state. Editors of newspapers and other forms of media are severely punished, research institutions that conduct independent research and reach disturbing conclusions about the arbitrariness of the state are delicensed and forced to shut down (e.g., withdrawal of licence of Centre for Policy Research-an independent think tank in New Delhi-from receiving foreign funding), scrapping of NSS Consumer Expenditure Survey 2017-2018 because leaked data revealed a rise in poverty, raiding of the BBC by tax officials shortly after producing a documentary critical of riots in Gujarat in 2002.

A variation on the thesis that autocratic and repressive policies of the NDA may pose serious risks for democracy in India is developed in a cogently argued essay by Bardhan (2022). While agreeing that there was blatant denial of justice to various sections, norms of parliamentary democracy were violated, agencies such as CBI were reduced to puppets, state federalism was diluted, and the Supreme Court was compromised, he points to various astute policies that imparted short-term legitimacy to the NDA. These included (i) introduction of new welfare schemes such as the Ujjawala for distributing cooking-gas cylinders and the Swachh Bharat toilet-building programme as well as continuing the most popular schemes of Manmohan Singh's 2004–14 Congress-led governments for food distribution, rural employment and

affordable housing; and (ii) widely publicised promise to supply electricity and piped drinking water to each household, which is paying political dividends long before any real progress has been made in implementation. While these policies may impart temporary legitimacy to the NDA, Bardhan remains sceptical of its long-run legitimacy. The long-run prospects of legitimacy would be bleak if the cumulative stress and loss of political trust-typically slow - are not halted[10]. Although the relationship between political trust and democracy is complex-there are several examples of low levels of political trust coexisting with democracy-there is also evidence of how lowering of trust can destabilise democracy. Moreover, the claim of short-term legitimacy is itself dubious as there were glaring shortfalls in the performance of these schemes- some in fact were deliberate (Jaffrelot, 2021). On the other hand, his comment that these policies imparted a sense of self-dignity to the poor, in consonance with NDA's avowed goal of dignified livelihood, is also hard to swallow in light of his own critique and more recent evidence on the abject failures of the *Pradhan Mantri Ujjwala Yojana (PMUY)* and *Swachh Bharat Abhiyan (SBA)*. Deep frustration does not blend with dignity or, for that matter, short-term legitimacy.

Brewing Economic Crisis

The official claim that India is the fastest growing major economy in the world for the fourth consecutive year (*The Economic Survey 2025-26*) rests on shaky foundations. What is worse it hides the economic crisis that has been brewing for several years of the NDA regime. Corroborative evidence is summarised below.

GDP Growth

Let me begin with exaggerated estimates of GDP growth.

The NDA government has displayed an obsession with GDP growth. Official statistics claim that the economy has grown at 8.2% in real terms in 2023–24. Such claims are suspect for several reasons, some of which are summarised below[11]. Indeed, several critics have alleged data manipulation by official statisticians.

[10] Political trust includes trust in public institutions such as government, judiciary and police. Here our focus is on trust in government.
[11] For a comprehensive critique, see Jain (2024 a).

Soon after the NDA came to power, the base year for calculating GDP growth was changed to 2011-12, and a new methodology for estimation was adopted. GDP growth rate accelerated to 7.5% year-on-year during the third quarter (October–December 2014), overtaking China's 7.3% growth in the same quarter, making India the fastest growing major economy in the world. The CSO also forecast the full year GDP growth for 2014–15 to accelerate by nearly 2 percentage points to 7.4%, from the 5.5% estimated earlier by the old method[12].

Subsequent GDP growth estimates fuelled further scepticism. Sudden demonetisation in November 2016 and then the flawed GST in mid-2017 had devastated the economy, especially the informal sector. Yet the new official estimates claimed that India had grown at an astonishing 8.2% in 2016–17, and 7.2% in 2017–18[13].

Given the limits to data manipulation, as the economic circumstances worsened, the GDP growth rate fell to just 4% in 2019-20, an 11-year low. So the economy was already in a recession before the Covid pandemic struck in 2020-21. Inept handling of the pandemic resulted in an unprecedented contraction of the economy-the first estimate of -8 % was revised to -5.8 % (GOI, 26 February, 2021)[14].

Let me now turn to methodological issues that help understand better why official GDP estimates are so high.

The Indian economy is divided into two broad sectors: the organised and the unorganised. The organised sector produces about 55% of the output, but employs only 6% of the workforce; the unorganised sector contributes 94% of the employment and 45% of the output of the economy. Of this, agriculture contributes around 45% of the workforce and 14% of the GDP.[15] Since data for the organised sector are produced regularly every year, its contribution to the GDP can be accurately estimated. For the unorganised sector, data are

[12] However, the back series with the new methodology revealed a faster rate of growth under the UPA. As this was unpalatable to the NDA, a new back series was constructed that lowered the growth rate under the UPA (Jain, 2024a).
[13] This puzzle is also noted in the influential study by Anand et al. (2026) to question the credibility of official GDP growth.
[14] *Press Note on Second Advance Estimates of National Income 2020–21* …, 26 February 2021, https://www.mospi.gov.in.
[15] Kumar (2024). 7 April, https://rupe-india.org.

available only for agriculture. For the remaining unorganised sector, which contributes 31% of the GDP, data are collected only once in five years. Between these years, the unorganised sector's contribution to the GDP is calculated using growth of the organised sector. The last such survey was carried out in 2015–16. The Annual Survey of Unincorporated Sector Enterprises (ASUSE) was launched on a pilot basis in 2019 and annually in 2021-22. Its limitations include omission of agriculture and construction, and unreliability of value added (Bedi and Nagaraj, 2026).

Under normal circumstances, a fixed ratio of income of the organised sector to that of the unorganised sector could be used with some adjustments. However, with the economy suffering two consecutive shocks-demonetisation and GST - the unorganised sector suffered a decline while the organised sector remained intact. A conservative estimate suggests that the growth rate of the non-agricultural unorganised sector sank to zero, and in 2017–18, after the implementation of GST, it contracted by at least –10%. Combining these figures with the official GDP growth rate of 8.2% for 2016–17 and 6.8% for 2017–18 — both of which represent the growth rate of the organised sector only — the actual growth rate works out to about 3.5% for 2016–17 and an even lower 1.6% for 2017–18[16].

Following the Covid pandemic in 2020, the economy suffered an unprecedented contraction. The CSO estimated a contraction of -23.9 % during the first quarter of FY 2021. But this is just the decline of the organised sector. The unorganised sector was hit harder by the lockdown. It declined by around 70–80% during the first quarter of FY21. Incorporating this figure into GDP data, the economy declined by –47% during April–June 2020, and not –23.9%. For the full financial year 2020–21, while the CSO estimates the contraction to be –7%, factoring in the decline suffered by the unorganised sector, the likely contraction is a massive –29%[17]. As the neglect of the unorganised sector continued, its growth declined between 5.6 % and 9.3% in 2022-23. Factoring

[16] Kumar (2019). https://caravanmagazine.in., 30 January.
[17] Kumar (2021). https://thewire.in., 30 January.

in this decline into the official GDP growth rate, the actual growth rate slumps to between 2.5 % and 3.5 %[18].

Finally, conversion of nominal GDP growth to real GDP growth is controversial, if not contrived. For Q3 2023-24 the CSO estimates nominal GDP growth of 10.1 % and real growth of 8.4 %, implying that the deflator is 1.7 %[19]. To put it mildly, this is a stretch. For the year 2023-24, the CSO's estimates of nominal GDP growth rate of 9.6% and real GDP growth rate to be 8.2%, implies a GDP deflator of just 1.4% — which again stretches credibility[20].

Hence official estimates of GDP growth are not just exaggerated but flawed.

Even if one were to accept the revised GDP methodology and the official growth estimates at face value, an important puzzle remains. Strong headline GDP growth has not translated into a comparable revival of private investment. Despite healthier corporate balance sheets and rising profitability, private capital expenditure has remained subdued. This disconnect suggests that firms themselves are unconvinced about the strength and durability of underlying demand. Weak consumption demand, heightened uncertainty, and uneven distribution of income have dampened investment incentives despite favourable macroeconomic indicators (Raj and Gupta, 2025; Kohli and Bhapta, 2025). This divergence between official growth statistics and actual investment behaviour casts further doubts on the narrative of broad-based economic expansion. More worrying is further dimming of prospects of growth[21].

A brief exposition of a recent study by Anand et al. (2026) reinforces doubts about the credibility of official GDP estimates. Using 2015 as the base year, ASI data for the registered manufacturing /formal sector rather than the ASI-MCA hybrid used in the official series, replacing formal sector proxies with data derived directly from NSS'Informal Enterprise Surveys, and replacing WPI with CPI, an average growth rate for the entire period from 2011/12 to 2023/24 is obtained. Against an official estimate of 5.9 percent, the revised figures lie between 4.0 and 4.4 percent. In total, the revision amounts to 1.5–1.9

[18] Kumar (2023). https://thewire.in., 2 June.
[19] Sengupta (2024). https://indianexpress.com., 29 March.
[20] Similar views are echoed by Anand et al. (2026).
[21] Similar concerns are raised by Anand et al. (2026).

percentage points, significantly altering the growth narrative, recasting the decade as one of moderate rather than rapid expansion (Anand et al. 2026). While this study accomplishes its objective, it falls short of critiquing the FY 2026-27 first quarter GDP growth rate of 7.8 percent[22].

Manufacturing Sector

Serious doubts also have been raised about the manufacturing output in the official series (Bedi and Nagaraj, 2026). Two features of the new estimates are noteworthy. One is the replacement of the production data from the Annual Survey of Industries (ASI) with financial data from company balance sheets which were obtained from the Ministry of Corporate Affairs (MCA); and the second is the introduction of newer methods for estimating corporate sector gross value added (GVA).

For the year 2023-24 at current prices, manufacturing gross value added (GVA) in the official GDP series with 2022-23 as the base year is Rs 38.6 lakh crore (Rs. 38.6 trillion). To check its validity, Bedi and Nagaraj (2026) construct an Alternative Estimate (AE), using ASI data for the overlapping categories of the factory and corporate sectors, and Annual Survey of Unincorporated Enterprises (ASUSE) data, replacing the National Sample Survey (NSS) five-yearly sample surveys data, for the unincorporated sector.

The alternative GVA estimate is Rs 27.4 lakh crore—a huge 40.9% lower than the official estimate. Bedi and Nagaraj (2026) observe that the gap between the two estimates is mainly due to differences in the estimates obtained for the private corporate sector using MCA data, as the use of ASUSE for the unincorporated sector is common to both the estimates. However, in principle, the substantially higher official estimate also includes the contribution of residual workers belonging to companies and the unincorporated sector that are left out of the ASI and ASUSE data sets. Adding the potential contribution of such units and workers, however, still leaves the official GVA figure higher than the alternative estimate by almost a quarter (24.5%).

So it is difficult to rule out overestimation of GVA of the manufacturing sector.

[22] Frankly, the cross-country regressions to validate the GDP growth rates post 2011 is dispensable.

External Sector

Reserve Bank of India's April 2026 *Bulletin's* claim that India's external sector indicators remain favourable and resilient *despite* global volatility triggered by the ongoing West Asia conflict is debatable.

We focus on the foreign exchange outgo on the merchandise trade account and the capital account. These are massive and point to growing vulnerability of the external sector.

The previous financial year, 2025-26, witnessed merchandise trade deficit at a historically record level of $333 billion, an increase of over 17% relative to the preceding year. The increase in trade deficit was due to imports expanding by 7% representing the highest ever level of $775 billion, while exports increased by less than a percentage point to reach $441 billion (Dhar and Rao, 2026).

The US-Iran war disrupted the oil supplies due to the subsequent closure of the Strait of Hormuz. In March 2026, India's crude oil and gas imports fell substantially (the latter less than the former) and, as a result, the spikes in their prices are not reflected in their import bills. But further reductions in oil and gas imports would hamper production. Moreover, crude oil and gas prices have risen due to resumption of the US-Iran conflict. Given our heavy dependence on their imports, our merchandise trade account deficit is likely to worsen.

Another major import is gold (and silver). Gold imports rose by 24%, and silver, by a staggering 150%. Exports of gems and jewellery, on the other hand, declined by over 5%, implying that higher imports of the precious metals were mostly absorbed domestically. Given the stock market volatility, retail investors have diversified their portfolios, opting for both physical and ETF (Exchange Traded Fund) gold. Higher import duty on physical gold is unlikely to work as it will prompt a shift towards ETF gold (Dhar and Rao, 2026).

Another worry is the rise in the import of edible oils. April 2026 saw a sharp spike of 40% in year-on-year imports. Failure to increase production of oil seeds and limited curtailment of edible oil consumption add to the vulnerability of the merchandise trade gap.

In global markets, fertiliser prices increased by 46% between December 2025 and April 2026, while the price of the most popular fertiliser in India, urea, more than doubled in this period. Besides, India's dependence on fertiliser imports is anticipated to rise from about one third in the past five years to over 50% in

2025-26. So outgo of foreign exchange on account of a much higher fertiliser import bill is highly likely. Concomitantly, as fertilisers are mostly used in producing rice and wheat, scarcity of fertilisers will adversely affect their production, inflate their prices and may even lower exports of rice-especially *basmati*.

Another area of concern is free trade agreements (FTA). As the two-decade old India-EU FTA negotiations were finally concluded in January 2026, and progress was being made in the US-India FTA negotiations, India's trade surpluses with both partners reduced significantly. With India offering significant market access to the EU and Donald Trump intent on extracting the maximum benefits from India in the on-going FTA negotiations, the trade surpluses with these partners could quickly diminish. Additionally, widening trade deficits with FTA partners has been due to sluggish export growth. FTAs have increased imports, following India's steep reduction or removal of tariffs. But growth of exports has been slow as our products have remained uncompetitive in the international market (Dhar and Rao, 2026).

Turning to the capital account, a striking feature is the precipitous decline of net FDI flows to less than a billion US dollars in 2024-25. This slump occurred despite annual gross inflows of $81 billion in this year, followed by $94 billion in 2025-26. There were two underlying reasons. 1. Disinvestment by foreign investors reached a record level of $51.5 billion in 2024-25. In fact, during the past decade, disinvestments by foreign direct investors nearly quintupled, while the gross inflows grew less than twice[23]. 2. India's outward foreign direct investments (OFDI) surged from the beginning of the 2020s. From about $11 billion in 2020-21, OFDI grew to over $33 billion in 2024-25. In addition, portfolio investors have become increasingly bearish. Since the previous fiscal year, they withdrew a record high of $16.6 billion. In the first two months of the current fiscal year, they withdrew $14.6 billion. These facts point to enhanced vulnerability of the external sector (Dhar and Rao, 2026). In any case, serious doubts are raised about the official narrative that India continues to be among the world's leading investment destinations.

[23] In fact, according to RBI, net FDI remained negative for multiple consecutive months during 2025, with repatriation by foreign firms rising sharply (Verma, 2026).

Critics point to several reasons for low net FDI. These include inconsistent taxation, regulatory unpredictability, stringent compliance obligations, judicial delays in resolving land and labour disputes, and uneven reforms across states. It is not necessarily that investors are avoiding India altogether. Rather, many foreign firms are increasingly cautious about making long-term investments. A substantial portion of recent inflows has tended to favour a few sectors such as digital services, commerce, fintech, semiconductors, and data infrastructure, while labour-intensive manufacturing has not grown apace with expectation after the launch of "Make in India". Investor confidence in manufacturing is constrained by low electricity reliability, transport bottlenecks, long port turnaround times, and judicial delays. In fact, Indian firms themselves are investing overseas, especially in technology, pharmaceuticals, energy and acquisitions (Verma, 2026). Major destinations for Outward Foreign Direct Investment (OFDI) by Indian companies—often termed Indian outward FDI—include Singapore, Mauritius, and the United States. Indian firms invest abroad to access new consumer markets, optimize tax structures, and acquire strategic assets including technology or natural resources.

The total outgo, which includes net repatriation of profits (after reinvestment in India), disinvestment, and charges for the use of intellectual property, was more than twice as large in 2025-26 as in 2020-21. The net outgo has been higher than the gross FDI inflows since 2023-24, peaking at over $17 billion in 2024-25, and reducing subsequently to $7 billion, on account of higher gross inflows.

As in the case of disinvestment by foreign investors, India's outward foreign direct investments (OFDI) increased dramatically from the beginning of the 2020s. From about $11 billion in 2020-21, OFDI grew to over $33 billion in 2024-25. This sudden spurt in OFDI from India is not only surprising, but it is also counter intuitive. When the Indian economy is (officially) the fastest growing among the major economies, we would expect domestic investors to be keen on investment opportunities at home, as opposed to investing in other countries.

In the immediate post-pandemic phase, behaviour of portfolio investors was inconsistent, as they remained invested in India only in 2023-24. However, since the previous fiscal year, they turned sharply bearish, withdrawing a record high of $16.6 billion. In the first two months of the current fiscal year, portfolio investors' behaviour has been worse, as they withdrew $14.6 billion (up to 5

June). This volatility has added significantly to the uncertainties that the Indian economy faces at this juncture. The reasons include weakening of the Indian rupee, Indian equities became expensive relative to other global markets, China introduced aggressive economic stimulus measures, drawing foreign capital away from India, and high yields and easier management in U.S. financial and derivative markets attracted risk-averse foreign capital (Rajeshwaram, 2026).

In sum, whether the cessation of hostilities in the US-Iran war will be a shot in the arm of the Indian economy is in the realm of speculation.

Inflation

India witnessed a prolonged spell of inflation during 2019–2024, due mostly to high food prices. The food inflation both preceded and outlasted the Covid pandemic and fuel price shocks, in which demand factors were more than offset by cost push pressures. The latter stemmed from heightened climate risks, viz., more frequent weather extremes such as heat waves and variable rainfall inflicting continuous damage on crops, notably wheat, and to a lesser extent, rice and vegetables. Food prices were the central driver of India's inflation dynamics during this period (Kohli, 2026).

After mid-2019, headline CPI inflation exhibited an extended phase of volatility and persistence. Prices rose in the last quarter of 2019, as retail inflation climbed to 7.6 % in January 2020, following onion crop failure. Lockdowns and supply-chain disruptions maintained headline CPI above 6 % for 12 consecutive months. After a brief respite, the CPI accelerated as the second wave of the pandemic emerged. By early 2022, the headline inflation was above 6 % again, due to both domestic (i.e., damage to the wheat crop by an untimely heat wave) and global shocks (i.e., the Russia-Ukraine war). Persistent climate extremes, including recurrent heat waves and rainfall deficits, continued to affect cereal production into 2024. As a result, headline CPI inflation remained above 5 per cent on average during 2019–2024 (Kohli, 2026).

From late 2019, repeated shocks to vegetables and cereals precipitated persistent price increases. Food inflation averaged 7–8 per cent in 2022, exceeding headline inflation by nearly 80 bps. By 2024, successive heat waves further curbed wheat production, contracting public procurement and reserve stocks. Over the full episode, food inflation averaged 8.4 per cent—well above headline inflation's 5 per cent (Kohli, 2026).

Since my focus is on indicators of a brewing economic crisis, I refrain from discussing policy options in curbing food price inflation. Note, however, that, despite aggressive supply management, food price growth exceeded 6 per cent in most months for over five years from its initial surge, averaging 7 per cent per month until January 2025. Spikes were dampened, but relative price increases hardened into persistent inflation (Kohli, 2026).

Although headline inflation moderated considerably during 2025, this improvement owed much to favourable weather conditions and easing food prices rather than deeper structural improvements in agricultural resilience or supply chains. The Economic Survey 2025-26 rightly notes the moderation in inflation but pays relatively little attention to the economy's preparedness for future climate-induced supply shocks. Consequently, the underlying vulnerability to recurrent food inflation remains.

Employment and Wages

The *Economic Survey 2023–24* claims: "Growth has been inclusive with a reduction in unemployment … and an increase in labour force participation." To support this claim, the Survey relies upon PLFS for 2017–18 and 2022–23. Using the usual status measure, it is reported that the unemployment rate (UR) declined from 6% in 2017–18 to 3.2% in 2022–23; the Labour Force Participation Rate (LFPR) rose from 49.8% in 2017–18 to 57.9% in 2022–23; the Worker Participation Rate (WPR) rose from 46.8% in 2017–18 to 56% in 2022–23; youth (age 15–29 years) unemployment rate dropped from 17.8% in 2017–18 to 10% in 2022–23, while youth LFPR expanded from 38.2% to 44.5% over the same period; and the female labour force participation rate (FLFPR) surged from 23.3% in 2017–18 to 37% in 2022–23 (Jain, 2024 b).

PLFS uses two measures of employment: usual status (US) and current weekly status (CWS). Under usual status, an individual is considered employed if he/she worked for at least 30 days in the previous year. In CWS, an individual is considered employed if he/she worked for at least one hour on at least one day during the seven days preceding the date of survey. Both measures are based on mild work requirements. However, the above estimates given by the *Economic Survey* are based on US, presumably because the US unemployment rate is lower than the CWS unemployment rate. However, the PLFS (2017-18) was released after the 2019 national elections. This is not surprising as the unemployment rate of 6.1 % was the highest in preceding 45

years. More worrisome is that the total number of jobs in the economy had actually fallen between 2011-12 and 2017-18 — from 47.42 crore to 46.51 crore. Whether the methodology of PLFS for 2022-23 was tweaked cannot be dismissed out of hand since it is hard to reconcile the findings that despite sluggish growth of GDP between 2017-18 and 2020-21 both LFPR and WPR rose and UR sank to a low of 3.2 %[24].

Attention is drawn to a major flaw in the PLFS estimates of unemployment. The PLFS treats unpaid family labour as employment. Within the category of self-employment, there is a special category called "unpaid helper in family enterprises".

Following the International Labour Organisation's (ILO) statistical standards, employment refers to work performed "for pay or profit" (ILO, 2013). This includes unpaid contributing family workers engaged in market-oriented household enterprises, who are classified as employed because they contribute to household income. Critics, however, argue that India's rising share of unpaid helpers in family enterprises reflects distress-driven or disguised employment rather than genuine improvements in labour market conditions. Consequently, treating such workers as employed may overstate the strength of the labour market (Jain, 2024b).

The unpaid self-employed according to usual status have increased — from 13.6% of all workers to 18.3% over the six-year period 2017–18 to 2022–23. Recalculating the WPR after excluding unpaid helpers in family enterprises and adding this category to the unemployed, the WPR in usual status for 2022–23 plummets to just 33.6% from the earlier 41.1% and the UR shoots up to 20.7% for persons of all ages. This is six times the official PLFS unemployment rate of 3.2%. (Jain, 2024b). While the official unemployment rate is astonishingly low,

[24] There are several examples that are harder to reconcile with such a low estimate of unemployment rate. For example, in Uttar Pradesh, the Staff Selection Commission's (SSC) MTS 2023 recruitment examination for Group D jobs (peon, watchman, gardener, etc.) saw a staggering 55 lakh people apply for 11,400 jobs. This is more than double the number of applications received for the previous examination in 2022 — another clear indicator of the worsening employment situation. While the minimum educational requirement was only a high school diploma, candidates with much higher qualifications, such as B.Tech, M.Tech, B.B.A, M.B.A, and M.Sc degrees applied for these jobs (Jain, 2024 b).

it seems unlikely that the actual rate is six times higher without a deep scrutiny of unpaid helpers in family enterprises. Just in case a fraction of these enterprises sell their output on the market, there will be a corresponding reduction in unemployment.

The real wages of casual workers increased by a mere 2.6% over the period 2017–18 to 2022–23. Despite this increase, the real monthly wages in 2022–23 were only Rs 7,899. 78% of the casual workers earn less than Rs 7,500 per month. Using a poverty cut-off of Rs 10,981 per month, and that 78 % of casual workers earn less than Rs 7,500 per month, it follows that a vast majority were living in penury (Jain, 2024b)[25]. That self-employed workers lived on the edge of survival is evident from the fact the average wage of the self-employed workers was just 22% above this poverty cut-off in 2022-23. In contrast, although the average wage of regular wage workers was under twice as high as the poverty cut-off, it barely rose between 2017-18 and 2022-23 (by 3 %). Without further details, it is difficult to surmise the size of the segment with wages below the poverty cut-off. But it is hard to dispute the view that destitution was pervasive in rural India.

Inequality

The NDA's obsession with growth has not only failed to deliver impressive growth but has also resulted in a sharp rise in income and wealth inequality that has added fuel to the fire of the brewing economic crisis. This calls for serious rethinking of the economic strategy followed so far (sans the rhetoric such as *Sabka Saath, Sabka Vikaas*).

Following the monumental study by Chancel and Piketty (2019) of income and wealth inequality in India that drew upon household survey data, tax returns and other specialised surveys, Bharti et al. (2024a) extends the analysis to 2022-23. During 2014-17, the economy grew moderately quickly and both income and wealth inequality continued to rise. From 2017-18 to 2020, growth slowed down considerably and then plummeted in 2020. The income and wealth shares of the top 1% declined by 1-2 percentage points during this period. A highly plausible explanation is the pro-cyclical nature of inequality, i.e., the rich tend to benefit disproportionately from boom periods and are disproportionately affected during slumps. This is evidenced by the decline in

[25] For details of how the poverty cut-off point was determined, see Jain, (2024 b).

wealth of the richest Indians as a share of national income between 2018 and 2020. Few alternative explanations convincingly account for the simultaneous movement of both income and wealth inequality, lending support to this interpretation. Finally, 2021 onwards, after the lock-downs imposed during the Covid-19 pandemic were lifted, top shares reverted to their upward trend in 2021 and 2022, while bottom shares declined back to their 2014 level. The growth incidence curve for incomes and wealth between 2014 and 2022 shows clearly that the real beneficiaries in the recent years appear to be the super-rich, particularly the top 1% and beyond. In fact, their share of 22.6 % in total pre-tax income in 2022-23 is among the highest[26].

Income and wealth inequality is abhorred for various reasons including resentment among the deprived, corruption, crime and conflict (Kaicker et al. 2026b). If unchecked, festering frustration, anger and resentment may result in violence and destabilise democracy.

Concluding Observations

Taking the view that subjective measure (s) of well-being are broader, richer and more insightful than objective measure of well-being such as per capita income/expenditure, our study investigated the factors that are associated with them. There were some commonalities and specificities, pointing to the need for policy designs that are sensitive to the primacy of subjective wellbeing.

[26] In a rich and insightful review of the Indian economy, Ninan (2024) is emphatic that the economic recovery after Covid-19 has become increasingly K-shaped. The better-off have recovered better from the pandemic than those lower down the income ladder. However, the evidence on which this assertion rests is not conclusive. What is needed is panel data. Kaicker et al. (2026 a) do precisely this, based on the Consumer Pyramids Household Survey conducted by the Centre for Monitoring Indian Economy, spanning 2014-2025. The picture that emerges is somewhat complex. At the all-India level, the share of households experiencing downward mobility nearly doubles — from 14% in 2015 to 26.8% in 2025 — while the proportion remaining in the same income group falls sharply from over 70% to below half. Upward mobility does increase over time, rising from 14.1% to 23.5%, but this improvement is gradual and consistently trails the rise in downward movement. What stands out is not just mobility, but its direction: the balance tilts increasingly towards decline rather than ascent.

Without ignoring the commonalities that are associated with both ∆SWB and ∆OWB (such as schooling, urbanisation, state affluence), it is imperative that we also pay greater attention to enhancing per capita income/expenditure, households headed by females, enhancing participation of male members in the labour market, regular exposure to mass media, and mitigation of NCDs and disabilities as such households are more likely to be subjectively better-off.

Extending this analysis to the second phase of the NDA and using life evaluation as a measure of well-being, often used synonymously with life satisfaction and subjective well-being, we examined the interrelationships between this measure of well-being, affluence and trust in the NDA. A positive *causal* relationship is found between life evaluation and trust in the NDA. So erosion of trust causes erosion of well-being[27].

Even though the BJP did not emerge as a majority in the 2024 election, the NDA's aggressive pursuit of Hindu nationalism has gathered steam. Previous debates in the literature have focused on the brutal implementation of highly discriminatory policies and the survival of democracy. We have argued against a *direct* link between such policies and the imminent death of democracy in India as major contributions don't consider the intermediary but pivotal variable of loss of public trust. It is crucial to understand the intermediary factor, as restoration of trust is crucial for the survival of democracy.

The stinging and unrelenting criticism of the NDA by various scholars and influential foreign media of extra- constitutional decisions (e.g., abrogation of article 370, CAA) and brutalisation of minorities is hardening social and political resistance to authoritarianism. That BJP failed to secure an absolute majority in the national election in 2024 indicates that there is growing disillusionment with NDA's authoritarianism. Not only are claims of spectacular GDP growth exaggerated and misleading but delving deeper unravels unmistakable signs of a brewing economic crisis with severe volatility of the external sector, high unemployment, rising food prices, low wage rates, tepid recovery of the unorganised sector, that point to pervasive destitution. Obsession with grandiose economic goals overlooks a grim scenario in which the veneer of democracy is shredded.

[27] Trust in NDA rose in 2022 but continued to fall until 2025.

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A Profile

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