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The Economic Divergence - Tracking the Growth Trajectories of the Two Asian Neighbours India and Pakistan on a Global Stage

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Abstract

The aim of this paper to analyse the growth trajectories of India and Pakistan, the two South Asian twins with an identical colonial past. By delving deeper into the policies pursued by two economies that were born in very similar conditions, this paper explores the impacts of policy implementation and governance on the growth paths. In an increasingly uncertain global setup, it becomes important to understand what constitutes good and bad policy through economic growth stories. This paper uses policy evaluation papers, data, and maps important timelines along with sectors in order to place precisely why the economic paths of the two countries diverged so drastically. Moreover, reforms and current policies being pursued are used to analyse loop holes and the need for future policy reforms. Policy failures described in this paper give a clear overview of the impacts of political instability and external factors on economic growth. The study is not just a guide to what worked and what didn't, rather it explores the very core of how countries chart their paths at both the micro and macro-economic level towards economic development.

1. Introduction

Economic growth, defined as an increase in the value of goods and services produced in an economy over a period of time is a key determinant in assessing a country's development and progress. Mainly assessed using the nation's Gross Domestic Product (GDP) and its growth over a given time period, economic growth is influenced by a multitude of factors encompassing, the political landscape, the policy mix, the social structure, the technological advancements, the economic choices and the cultural influences.

As two South Asian countries India and Pakistan attained independence after being British colonies, their economies were in a state of ruin as a result of colonial looting. From that fateful week in 1947 till the 21st century, both countries have had vastly different economic trajectories owing to various influences like the political economy, international relations, budget allocations and economic policies. India has advanced significantly with robust economic performance in GDP growth, per capita income, inflation management, and employment trends, whereas Pakistan is grappling with stagnation and instability.

The success of economic growth depends on a country's leadership, policies, and institutions. Strong institutions and policies can promote rapid and sustained growth, while weak ones can hinder it. Government spending on essential services like healthcare, education, and infrastructure are drive economic growth by stimulating aggregate demand.

Previously, economists have studied the growth of both countries, one rapid and one rather unstable. This paper aims to further those studies by comparing these two economies in terms of the dynamics of their political, economic and international landscape that shaped their growth trajectories.

2. Agriculture Sector Reforms

Dynamics of Agricultural Reforms in the Indian Economy

An early reflection of a country's economic success is its ability to achieve self-sufficiency as an agriculture-based economy. At the time of independence India's agricultural sector contributed a staggering 50% to its GDP, yet India relied heavily on agricultural imports. At the national level during the triennium ending in 2022, the proportion of agriculture in total employment was 44.8 percent, whilst its contribution to GDP was 19.2 percent (Kumar & Pathak 2024). In 2022-23, India's agricultural exports totalled US$ 53.15 billion, positioning it as the ninth largest exporter of agricultural products (Saxena et al., 2024).

India's road to self-sufficiency has been a product of regular state intervention and well researched policies. Our earliest policy as part of our initial five-year plans since independence was to abolish the zamindari system, and focus on consolidation of small holding and fixing ceiling on land holdings making land ownership easy for small farmers. However, this was not enough to substitute imports and the state decided to invest in research and development. The Indian Council of Agricultural Research (ICAR) carried out extensive studies and the policies implemented by them were coined by U.S. Agency for International Development (USAID) in the 1960s to be known as the 'Green Revolution'. This saw a series of developments in various sectors including horticulture, fisheries, grains and irrigation. The problems causing low productivity were excessive dependence on natural monsoons along with low land yield capacity. To solve this, since independence the ICAR has released 6000 high yielding varieties, more recently from 2014-2021 they have released 1575 high yielding varieties of field crops. In addition, 1596 varieties of horticulture crops have been introduced. The introduction of these varieties and hybrids has resulted in not just higher yields and import replacement but has also generated enough surplus for India to become a leading exporter of agricultural products which in FY2024 were worth $48.15 billion (India Brand Equity Foundation, 2025).

The success of these policies lies not just in their ideation but their implementation. The green revolution has expanded outreach to provide access to new technologies and developments though promotion of agricultural education, agricultural subsidies and international collaboration to expand agricultural research to face modern challenges even after achieving self-sufficiency. According to the Economic Survey 2024-2025, agriculture still employs 44% of Indians, therefore, in order to ensure stable productivity along with the objective of reducing regional disparities, India's agriculture sector continues to be at the forefront of economic growth. For this reason, while the share of agriculture in the overall GDP continues to fall, the budget allocated to the sector is substantially higher and continues to grow.

The share of agriculture in India's GDP has continued to fall, declining to 15% in FY2023 primarily due to the increasing shift of major contributions to the manufacturing and service sectors. While agriculture still continues to be researched, funded in the government budget and employs a large section of the population, the service sector has grown immensely in the new millennium. The shift from agriculture to service sector is marked by technological advancement and growth of jobs in sectors like IT, finance and banking, the growth of the service sector has been marked by increased Foreign Direct Investment and key exports that the service sector yields (IBEF, Service Industry Report, Feb 2025). To put this growth into perspective, the service sector contributed to 55% of Gross Value Added in FY 2024-2025, growing from 50% in FY 2013-2014. It also employs approximately 30% of the Indian workforce (Government of India, Ministry of Finance, 2025).

Despite a falling share of agriculture, India is completely self-reliant in terms of agricultural production and continues to be amongst the world's top 3 exporters in various agricultural commodities. Figure 1 shows the agriculture exports and imports data for India from the financial year 2016-17 to the financial year 2024-25.

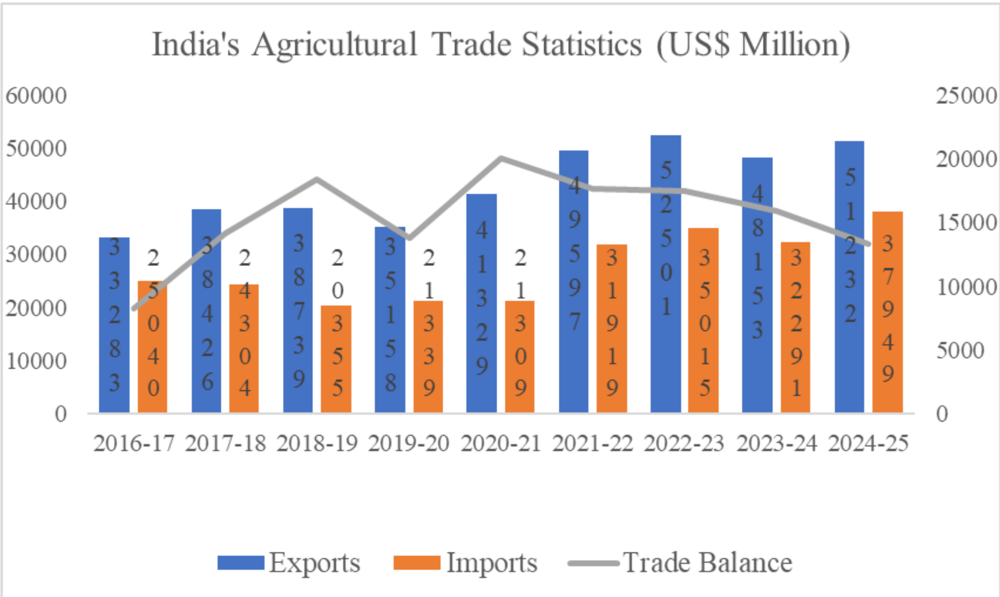


Figure 1: Exports, Imports and Trade balance – Indian Agriculture (2016-17 to 2024-25)

Source: Commerce Dashboard; Ministry of Commerce and Industry

Criticism

India's first five year plan sought to remove intermediaries in the agricultural market including zamindars, this was to be done through land ceiling policies along with the abolition of the zamindari system. However, several loopholes in policy implementation along with legal delays led to many large land holders escaping these legislations. As a result, while these legislations intended to benefit small and landless labourers, instead intermediaries along with large land owners found a way to work around them. This failure in policy implementation is the reason for the persistently large inequality among Indian farmers even today.

Dynamics of Agricultural Reforms in Pakistan's Economy

At the time of independence, the Pakistani economy was predominantly reliant on agriculture with agriculture contributing to 53% of their GDP, employing more than half the labor force. While agriculture still employs half the labor force its contribution to GDP has dropped to 23%.

Nonetheless, similar to India, Pakistan's Green Revolution started in the 1960s. With the introduction of internationally researched varieties of High Yielding Crops along with development of irrigation infrastructure, the two staple crops of wheat and rice were specifically targeted, the response was very positive with wheat yields rising from 4.6 million tons in 1965-66 to over 7 million tons by 1970-71. Similarly, rice production increased from 1.5 million tons in 1965-66 to over 3 million tons by 1970-71(Mansoor, 2025).

The Pakistani economy received a boost from its agricultural policies, with per capita income increasing by 27% between 1963 and 1972. The income gap between rural peasants and the urban middle class lowered. Moreover, Pakistan started exporting agricultural goods like cotton, generating forex reserves and capitalising on its increasing productivity. Initially, the green revolution benefited Pakistan's productivity immensely, however, growth dropped significantly in the 1980s along with investment in the agronomic sector due to unsustainable nature of agricultural reform in Pakistan. First and most prominently, the fluctuating price policy of the government. In the 1950s, crops were subject to compulsory procurement at prices below the world standard. Moreover, in the 1980s and 1990s under the IMF and World Bank structural adjustment policy, government subsidies were withdrawn Due to such rapid and unstable decisions, farmer's incomes and yields suffered. Secondly, the green revolution primarily targeted wheat and rice crops, while the yields for crops like maize were also positively affected, the long-term effects were only sustainable for wheat and rice, this is why the country still continues to rely heavily on food imports for pulses and sugar. Pakistan was not able to oversee the introduction of genetically modified crops which other South Asian countries including India successfully used. On a larger scale, poor irrigation facilities and bad farming techniques meant agricultural infrastructure was not developed to facilitate sustainable growth in the agricultural sector (Dwyer, *n.d.).* Thirdly, the government itself was not a strong institution to guide such reforms, and failed to set up other strong institutions in order to help sustain the rising yields. No domestic research and development took place. Additionally, instead of increasing public investment in the sector, the government budget for agriculture decreased, weakening monetary support required from the government.

Due to the above-mentioned reasons Pakistan is still far from achieving self-sufficiency in terms of agricultural products. While Pakistan is a major exporter of crops like cotton, it also relies heavily on imports. In fact, Pakistan's imports of agricultural goods exceed its exports.

In summary, while Pakistan has made significant strides towards achieving self-sufficiency in key crops like wheat, it continues to face structural challenges that have prevented it from fully realizing its agricultural potential. Sustained efforts on multiple fronts will be required to solidify Pakistan's agricultural self-sufficiency.

When it comes to the growth of the secondary and tertiary sectors, the role of the tertiary sector in the GDP has gained majority. However, Pakistan's GDP in itself is struggling and hence its growth in all three sectors is not satisfactory, the reasons and analysis for this will be covered in further detail through this study.

Comparisons & Similarities Between the Two Countries

From the economic growth stories of India and Pakistan in the agricultural sector, a few observations come to light. First and foremost, a similar public policy failure in both countries is seen when it comes to eliminating hunger and malnutrition along with ensuring food security. About 11 percent of children aged 6-23 months received an adequate diet in 2019-20 in India. This is paired with an increased prevalence of overweight children and obesity in children and adolescents, which can lead to non-communicable diseases (NCD) in adulthood (United Nations India, *Nutrition and food security*). Likewise in Pakistan, according to the Food and Agriculture Organization, 11 million people are facing an acute food insecurity between November 2024 and March 2025 (ANI, 2025)

Along with this, both countries face a threat to their agricultural sectors by climate change. Global warming leaves farmers and the economy exposed to lower yields, lower incomes and lower exports. The Indian Council of Agricultural Research (ICAR) has researched and developed several drought and disease resistant varieties. As many as 87 crop varieties were modified to have higher levels of Iron and Zinc for greater yields and nutritious value between the period of 2014 and 2021(Pathak et al., 2022). However, Pakistan has failed to invest in strong institutions that lead domestic engineering and research. Moreover, Pakistan has not been able to successfully introduce genetically modified crops like India.

After diversifying its crop production along with producing surplus in several crop varieties, India now stands as the world's 8th largest exporter (The Hindu Business Line, 2024) of agricultural and food products. In 2023-2024, India's agricultural exports stood at $48 billion and the country aims to reach $100 billion by 2030 (S&P Global, 2024). Meanwhile, in the same year Pakistan's agricultural exports were $8 billion, and were short of Pakistan's imports of food products (Xinhua, 2024).

3. Post Independence Reforms

The Dynamics of Reforms in India Post Independence

The Indian economy post-independence was heavily controlled by the state under '5 Year Plans', adopting protectionist policies, primarily meant to promote domestic manufacturing and growth of small-scale industries and businesses. Imports were discouraged through two measures, tariffs and import quotas. The License Raj mandated a license for starting a business in the Indian market before 1991. Hence, the business environment was not conducive to promote innovations and startups. Before 1991 most enterprises, from banks to television channels, were nationalized. Consumers had limited options when it came to purchasing goods and hence minimal level of competition was maintained in the market.

Post independence, excessive intervention was necessary to spearhead a poor nation and India witnessed remarkable successes including the setting up of industry and promoting domestic manufacturing. However, by the 1980s, the cracks were starting to show prominently. The government faced a significant fiscal deficit, which was financed through foreign loans and domestic borrowing, leading to a high level of public debt. Inflation was high due to the government's monetary and fiscal policies, which led to a decline in the value of the rupee and a rise in prices. India under the license raj could not reap the benefits of free markets, resulting in inefficient resource allocation and limiting innovations and entrepreneurship. The planned economy hindered market growth and the production of quality products.

India witnessed a rapid change in policy starting in 1991 with the Liberalization, Privatization & Globalization (LPG) reforms when international organizations like World Bank and the International monetary Fund called on India to open up its market by reducing tariffs, welcoming foreign competition along with Foreign Direct Investment and simplifying its bureaucratic processes. In 1991, India was faced with an economic crisis, to the point where its foreign exchange reserves were not enough to meet even a fortnight of oil imports. International regulatory bodies hence pushed the Indian government to introduce structural reforms to revive the economy. In 1991, the World Bank provided India $ 7Billion to manage its economic crisis while pushing for the country to liberalize and open its markets.

The reforms consisted of both structural changes along with policies for stabilization in a period marked by high inflation and fiscal deficit. Meaning, both short term and long-term solutions were employed to stimulate growth. Liberalization meant industrial licensing was prohibited except for industries like chemicals; trade barriers were opened up, tariffs rates were reduced hence inviting foreign competition; consumer options increased as several international brands and investment poured into the market, and; the tax structures and bureaucracy was simplified for attracting investment.

Privatization meant the government transitioned from owning most industries to privatizing the same with the aim to create a more market driven economy with the limited presence of government interventions. The government started disinvesting its share, initially selling a partial share and gradually fully privatizing through public sale of shares. Globalization meant integrating the Indian market with the world market, to increase trade, investment and the exchange of goods and services. Foreign Direct Investment (FDI) was invited through various means like inviting foreign brands to invest in the newly opened Indian market, tax rebates and incentives, along with a simplified bureaucratic process. Policy framework shifted from import-substitution to export-led growth. Therefore, these LPG reforms succeeded in integrating the Indian economy in the global economy with India's share in global trade increasing from less than 1% in 1996 to close to 3% in 2024 (Figure 2). India has witnessed a more than 5 times increase in GDP at constant prices, from US$0.64 trillion in 1996 to US$3.48 in 2024 (Figure 3).

Criticism & Policy Failure

While the 1991 LPG reforms were considered necessary for the economy, the policies have also been criticized. Particularly, the reforms proved unsuccessful in significantly reducing the share of population dependent on agriculture, while the share of the primary sector in the GDP fell and that of the service sector rose, the policies failed to create an adequate number of jobs to absorb people from agriculture. Moreover, public investment in agriculture fell during this period, this along with fertilizer subsidies partially being withdrawn has resulted in the slowing down of the Indian agriculture sector.

The manufacturing sector also suffered, and continues to suffer, from poor infrastructure owing to inadequate power generation and electricity facilities, this further made domestic industries weak in front of foreign competition which was cheaper and of better quality. Despite having high GDP growth, infrastructural development has not been given enough attention by the Indian government.

It can be concluded that while the service sector diversified and grew immensely as a direct result of the LPG reforms, the benefits weren't extended to the agriculture and manufacturing sector. Government policies today, which have been explored in this study, are focussing on the development of the Indian manufacturing sector.

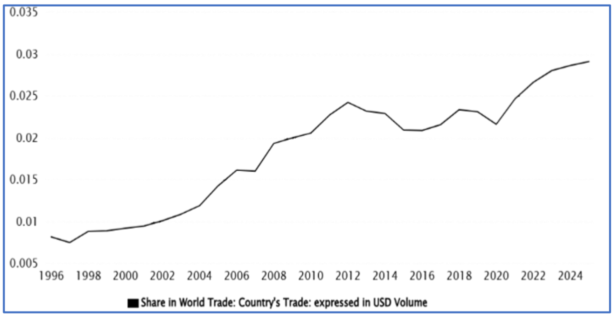


Figure 2: India's Share in World Trade (1996-2024)

Source: CEIC Data (https://www.ceicdata.com)

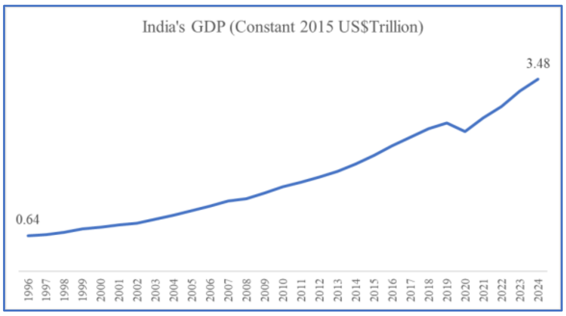


Figure 3: India's GDP at 2015 Constant Price (1996-2024)

Source: World Bank Data (https://data.worldbank.org/)

The Dynamics of Reforms in Pakistan Post Independence

Pakistan's economic model in the 1960s was one that invited policy makers for study and inspiration, its robust nature led to Pakistan's GDP growing at an average rate of 6%, compared to 3.4% for India in the 1960s. Distinct from its neighbours import substitution policies and heavily regulated economies, Pakistan's economy during this period followed a mixed system. The key feature of this mixed system was that rather than playing a dominating role the state played a facilitating role. This was further supported by large scale investment in infrastructure and industry development during this decade under the Ayub Khan regime

Foreign investment was welcomed and industrialization was promoted through incentives like tax rebates and exemptions. Imports were partially liberalized with industrial imports being fully liberalized while imports of consumer goods that could be produced domestically were restricted. The state both guided and invited private investment, both domestic and foreign. The Pakistan Industrial Development Corporation (PIDC) was set up and spearheaded investment in the industrial sector. The export bonus scheme was introduced and this liberal trade policy allowed for considerable inflow of industrial inputs, raw material, machinery etc and also allowed for Pakistan to eventually start exporting industrial products through high rates of growth.

However, this dynamic period was met with surprising policy decisions in the 1970s. The new Pakistan People's Party (PPP) rapidly nationalized most major industries including banks, insurance companies, educational institutions etc. At this time, banks also incurred many losses due to lending non-performing loans to politically favoured people who manipulated their accounts. These losses were borne by the taxpayers. Thus, the once prosperous banking sector along with the robust entrepreneurial sector were both distant memories.

Subsequently, the military regime that took control from 1977-1988 made no efforts to denationalize. While they did open up new industries and investment to the private sector, by this time the economy was so over-reliant on state-owned enterprises and banks that the inefficiencies in the economy prevailed.

In the 1980s academic thinking started to change again. People started to see the many policy failures and economic downturn brought on by the previous decade. There was an increased push for liberalization of trade and privatization of industry. All of this aligned with the IMF's new Structural Adjustment Programme which carried out structural reforms in Pakistan starting in 1988 carrying on through the 1990s, however, none of the reforms were actually fulfilled (Husain, 2012).

In 1991, under the new Nawaz Sharif government, liberalization, privatization and deregulation were implemented through the following policies. Many aspects of trade and investment were liberalized. Investment was welcomed and encouraged in terms of Foreign Direct Investment as well as opening up markets to foreign competition. Nationalized industries underwent disinvestment as they were privatized and Bureaucratic processes were simplified to setup a more conducive business environment for entrepreneurship and innovation.

However, poor governance and political instability left an open economy vulnerable with no proper implementation of major reforms. Instead of stimulating economic growth, these badly implemented reforms, led to the worsening of all economic indicators. The Benazir Bhutto regime that followed did not reverse these reforms but showed no enthusiasm for their proper implementation.

Major recovery was seen when the Mushraff regime implemented the structural reforms and met the conditions for IMF's structural programme. However, as this military regime faced legal issues, their focus from the reforms shifted and implementation was again left hanging. The unstable coalition government that followed was focussed on political survival rather than policy implementation.

The result of this erratic period was an IMF bailout in 2009. Pakistan's economy since the end of its glory days has been heavily dependent on foreign loans and also faces a significant trade deficit. This has left it so vulnerable to external shocks that the slightest fluctuation in the international market or economy devastates the Pakistani economy as seen in the 2022 economic crisis post Covid 19 and the start of the Russia-Ukraine war. Figure 4 depicts the GDP of Pakistan from the period 1996-2024 as constant prices in US$ trillion. Important to note is that even though Pakistan also implemented its reforms in 1991, India's GDP was more than four times higher than that of Pakistan in 1996, reflecting poor implementation of reforms. In 2024 as well, India's GDP is around 9 times higher than that of Pakistan.

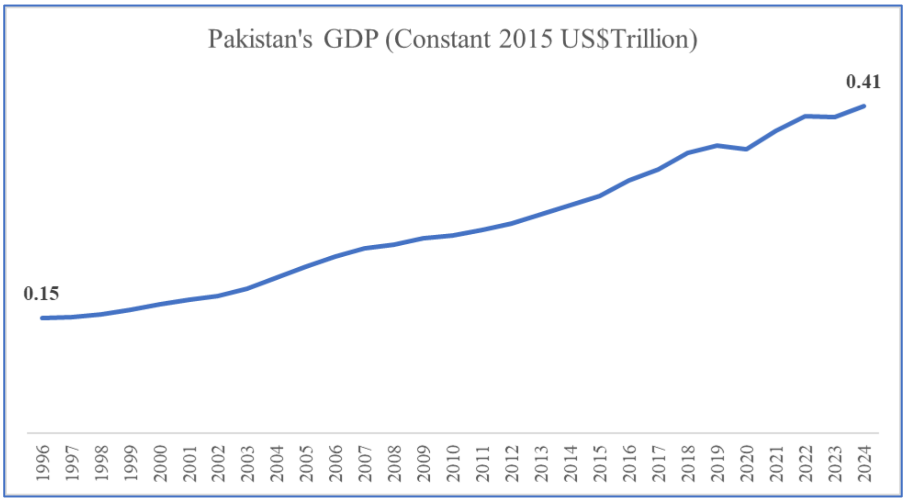


Figure 4: Pakistan's GDP at 2015 Constant Price (1996-2024)

Source: World Bank Data (https://data.worldbank.org/)

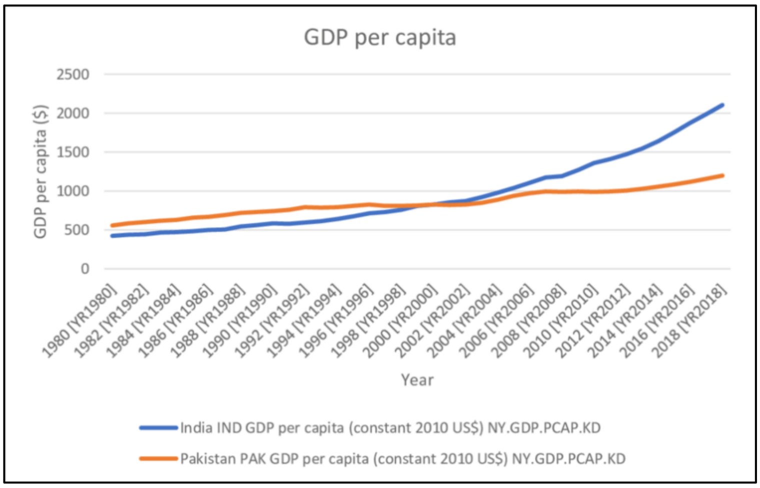
Comparing the Impact of Reforms in the Two Countries

While Pakistan was ahead of India in the 1960s, when the similar Liberalization & Privatization reforms are compared, two broad reasons can be extracted as to why the same reforms set India on the path to become one of the world's largest economies and led Pakistan down the path of taking bailouts and loans:

a. Political instability - Due to the rapid changes in government, there was never a strong and stable leadership to implement such large reforms. As a result, the economy was opened up to vulnerabilities with little force to regulate them. In India, even though it was the Narsimha Rao government that initiated reform, it was the succeeding Vajpayee government that carried forward the process of implementing them which was not the case in Pakistan with succeeding governments trying to implement their own policies instead of carrying forward needed reforms

b. Implementation - A policy is just words on a paper without implementation and that is precisely what happened in Pakistan. While in India, set policies and structural reforms were implemented under the government and IMF guidance, Pakistan failed to simplify its bureaucratic processes and stick to a linear path in terms of policy implementation meaning, they diverted and failed to carry out the original intended reforms

The result was costly, with GDP growth never fully recovering for Pakistan. Up to this point in the story, it has been seen that Pakistan was actually ahead of India when it comes to economic growth however, this era marked a turning point in the growth of both countries as can be seen in the graph below which clearly shows that India overtook Pakistan in terms of GDP growth after 2000, after both countries introduced their LPG economic reforms



Source: Qi, 2020

Figure: Comparison of GDP per Capita in India and Pakistan (1980-2018)

4. Recent Reforms

Recent Reforms in India

Make in India: The Make in India program launched in 2014 is a national initiative to make India a global hub for production and startups, home-grown brands, products and services and increasing our exports while reducing our imports. Since independence India initially saw its primary sector having maximum share in GDP, eventually the service sector developed and took over as the one contributing the most in GDP. India's manufacturing sector lagged behind and therefore Make in India aims to develop this crucial sector.

This program has had a multifaceted impact on the Indian economy. FDI has increased due to relaxed policies and fostering a more conducive environment for investments. GDP growth has increased from 6.98% (2010-2014) to 7.16% (2014-2019). India has improved its ranking on the Ease of Doing Business index. The country jumped from 130th in 2016 to 63rd in 2019, making it easier for businesses to operate in India. This has been achieved through various reforms and initiatives under the "Make in India" program.

The program aimed to create 100 million additional manufacturing jobs by 2022. While the exact number of jobs created is difficult to quantify, the initiative has certainly contributed to the growth of the manufacturing sector and the creation of new employment opportunities. The program has contributed to export led growth and the development of manufacturing industries. By relaxing policies, improving infrastructure and creating a favourable business environment the program has transformed India into a more competitive, sought-after market.

Aatma Nirbhar Bharat: This latest program launched by the government in 2020 is all about promoting Indian products and services. The scheme focuses on factors like land, labor, liquidity, and laws to help India achieve self-reliance. The primary beneficiaries are intended to be workers, farmers, middle-class taxpayers, and the overall economy.

As the government continues to promote manufacturing and promote a conducive environment for business and entrepreneurship, India now stands at a crossroad. The country must now focus on moving up the value chain from just assembling parts to innovation by global startups. A concern that has been raised increasingly is India's economy potentially becoming stagnant instead of growing to become a leading market in terms of exports and startups. This can be understood through a comparison between the countries of South Korea and Malaysia. Malaysia's greatest asset was its cheap labour cost, similar to India. This is why they focussed on attracting foreign investment and companies by having their parts assembly in Malaysia. However, as the per capita income slowly started to rise, other economies in South-East Asia now had even cheaper labour, which is why investment was shifted to countries like Thailand. Moreover, in this time period instead of moving up the value chain through the establishment of innovation-based education and promoting startup growth, Malaysia's industrial sector continued to be driven by just the assembly of parts. This complete reliance on assembly has now led to a stagnant economy, with graduate students struggling to find jobs due to an education system that doesn't promote innovation.

On the other hand, the country of South Korea implemented a policy focussing on three generations. The first generation was majorly employed in agriculture, the government pushed for the second generation to be employed in the industrial sector, the base for this was again initially the assembly of parts by cheap labour. In the meantime, however, as this second generation built their income, the government developed a robust education system fostering critical thinking and innovation. The result, a third innovation of scientists, entrepreneurs and global leaders starting tech giants like Samsung and LG.

Likewise, for India, as tech giants like Apple shift their manufacturing to the country and global companies like Space X's Starlink invest in the Indian market, the government's policies should not just be focussed on the benefits of cheap labour, rather, they should be focussed on mobilizing the population to create innovators that start global chains.

Development of Human Capital In India

Human capital is the most valuable asset of an economy and forms the backbone of all forms of development, moreover, it is also the primary stakeholder in an economy. Thus, it is in the best interest of any developing economy to focus on developing its human capital through education.

India has made significant strides in making education accessible, indicators of which are the literacy rate which stands at 97% for those aged 15-24 (World Bank, 2023) and policies like the Mid-Day Meal scheme leading the charge to provide incentive to uneducated parents to send their children to school. Moreover, schemes like 'Beti Bachao Beti Padhao' provide financial incentives and improved infrastructure to reduce the gender gap and ensure every girl child receives an education.

Succeeding governments at both the federal and state level have recognized the need for private and public investment in the education sector, and continue to focus on establishing government schools. However, priority of quality along with quantity is a problem. There is an increasing gap between public and private schools due to a lack of resources, infrastructural development and most importantly the demand for education. What that means is, even if there is an incentive-based supply for education, since there is limited motivation for say the child of a factory-worker both at home and at school to study, they get limited results. Say a public policy campaign incentivises that at a meagre fee, the children of casual workers can steadily increase their family's income through education, thus the children get enrolled in a government school. However, after enrolling, the student is given access to little facilities compared to private institutions including limited digital literacy which is indispensable in today's world. Moreover, given the environment in government schools, the student has no incentive to perform well or focus on quality education. This creates a vicious cycle which reinforces the rich-poor gap especially in terms of access, which education is supposed to break.

India's education sector has also been heavily criticised for having an outdated curriculum. Thus, to meet the challenges of a changing job market and encourage practical learning instead of rote memorization, the government introduced the National Education Policy (2020) through which curriculum is being re-evaluated and textbooks are being re-drafted. Moreover, a new increased emphasis on vocational training provides avenues for better economic productivity, however, such training faces issues in accessibility and policy implementation

While India's population of 1.4 billion has the fundamental right to education, it is their quality access to this right that remains a problem and prevents the country from breaking financial barriers and transitioning into a developed country or high income country.

In conclusion, India's path to economic growth since independence has seen both dynamic policy implementation and governments invested in ensuring stability. Now more than ever, the country must tread confidently as it looks to ensure better distribution of income. Despite successful reforms and an ever-growing economy, India's per capita GDP is very low at $2700, income inequality is higher than it was under the British raj. Progress might be slow but results cannot be delayed, the Indian economy is slowly becoming a force to be reckoned with, however, it must learn from global examples to choose which path is best for an economy with 1.4 billion stakeholders.

Recent Reforms in Pakistan

China Pakistan Economic Corridor (CPEC): Under its Belt and Road initiative, the Chinese government has invested approximately $70 billion to develop Pakistan's transportation and energy infrastructure. China has made commitments to provide around $46 billion in development deals, which is equivalent to roughly 20 percent of Pakistan's annual GDP. In total, the economic corridor project aims to add some 17,000 megawatts of electricity generation at a cost of around $34 billion. The rest of the money will be spent on transport infrastructure, including upgrading the railway line between the port city of Karachi and the northwest city of Peshawar.

The plan calls for the completion of all the projects by 2030. The economic corridor will shorten the route for China's energy imports from the Middle East by about 12,000 kms as well as link China's underdeveloped far-western region to Pakistan's Gwadar deep-sea port. Some $15.5bn worth of coal, wind, solar and hydro energy projects will come online by 2017 and add 10,400 megawatts of energy to Pakistan's national grid. A $44m optical fibre cable between the two countries is also due to be built. The project also includes the establishment of Special Economic Zones (SEZs) to attract foreign investment and open up the economy to trade.

However, CPEC has not delivered so far as expected. The goals set during phase 1 of the project have not been met till now. Given the delays, Pakistan's already mounting foreign debt will only increase if asset creation and economic growth is not achieved through the project. Critics also note that Chinese beneficiaries are receiving greater profit than the local population. Chinese contractors and labour are being employed in the project instead of economic opportunities being provided to the local population and businesses. Nonetheless, the CPEC if implemented with cooperation and close monitoring can have several long term benefits for the Pakistan economy.

Bailouts: Due to Pakistan's excessive vulnerability to external shocks and reliance on imports, they've faced a severe fiscal deficit, mounting foreign debt and low reserves. This has further been exacerbated because of no stable government to implement strong structural reforms. The country has thus taken many IMF bailouts, most of IMF's structural adjustment plans have failed due to political instability as well as regional conflicts.

The lack of investment and free trade is due to the complex regulatory environment and bureaucratic inefficiencies discouraging investment. The estimated cost of bureaucracy is around 39% of GDP, which hampers productivity and economic growth. Simplifying regulations and opening up its market are critical for fostering a more conducive environment for business

As a result, Pakistan's standard of living continues to deteriorate and the wealth of the country is in the hands of a select few. Inflation rates are at an all-time high and the economic growth which is connected to poverty alleviation has not been achieved. With the CPEC and its latest IMF bailout, the Pakistani economy now more than ever must seize the opportunity to implement real change with a stable government

Development of Human Capital in Pakistan: A significant challenge faced by the Pakistani economy is providing access to education and the development of human capital. As a country that continues to rely on foreign investment and has periods of sporadic growth and fall of GDP, investment in education has been neglected. Compared to India and the global recommended percentage of GDP which stands at 5-6%, Pakistan invests only 2.5% of its already low GDP to education. ((World Bank, 2022)

The result is low literacy rates for youth ages 15-24 at only 72% (UNESCO Institute for Lifelong Learning, 2022) compared to 97% for India (World Bank, 2023). The inefficient investment in terms of educational reform and encouragement of the Research & Development sector has lowered the potential of Pakistan's human capital, keeping it restricted to casual daily wage jobs with a low pay.

In addition, Pakistan also faces similar concerns as India in terms of public-private gap and a redundant education system. However, no significant policy reform has been implemented. While vocational training has been promoted and attempts to bridge the gap between private and non-private schools by adopting a Single National Curriculum have been undertaken, implementation remains an issue, and policy failure stands where good governance doesn't.

The scenario in terms of human capital development is similar in both countries, however, one is able to better invest in the education sector and Research & Development while the other is stuck in a loop of trying to pay off debt and keeping a high defence budget, which leaves little scope for investment in other sectors and needed reform.

5. Conclusion

This study highlights that while both India and Pakistan started with similar economic conditions, their paths diverged significantly due to differences in governance, policy implementation and external influences. India's focus on liberalization and diversification has led to creation of a robust economy while Pakistan has failed to do the same due to political instability and a heavy dependence on foreign loans.

This study has comprehensively analysed the major policies in India and Pakistan's respective growth trajectories, not only comparing the two but analysing the reasons behind policy success and failure. By doing so, it can be concluded that post the 1991 reform era, India was able to revive its economy, while unsuccessful implementation worsened Pakistan's economy. Moreover, recent policies reflect India's effort in diversifying its markets while the other continues to bank on loans and bailouts. As both countries navigate regional turmoil and a changing global economic setup, addressing flaws in their respective economies become important for both countries along with focussing on policy implementation and after 77 years of independence, achieve sustained growth and build rich economies.

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