

Chapter 21

Income Inequality in India: Facts and Recommendations

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ABSTRACT

Social inequality means that certain individuals or groups have more material resources than others. Poverty implies some insufficiency in the material resources of an individual or group. The exploitation of the poor by the rich can be contained by reducing the level of inequality between the rich and the poor, which in turn depends upon reducing poverty through economic reforms. If economic reforms bring about steady and sustained growth in the economy, the poor could benefit in two ways. First, experience has shown that growth (particularly the agricultural growth) trickles down to the poor. Second, sustained growth creates an environment that is, on the whole, congenial for empowerment of the poor. The dependence of the poor on the groups dominating them becomes less precarious owing to expansion of opportunities for employment, education, occupational mobility, and for achieving higher social status.

INTRODUCTION

Social inequality means that certain individuals or groups have more material resources than others. Poverty implies some insufficiency in the material resources of an individual or group. The exploitation of the poor by the rich can be contained by reducing the level of inequality between the rich and the poor, which in turn depends upon reducing poverty through economic reforms. If economic reforms bring about steady and sustained growth in the economy, the poor could benefit in two ways. First experience

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has shown that growth (particularly the agricultural growth) trickles down to the poor. Second, sustained growth creates an environment which is, on the whole, congenial for empowerment of the poor. The dependence of the poor on the groups dominating them becomes less precarious owing to expansion of opportunities for employment, education, occupational mobility, and for achieving higher social status. The poor would also find it easier to mobilise for political action at the same time as pragmatic considerations induce a mood favoring accommodating the poor among the groups confronting them. It may be pointed here that the economic reforms undertaken so far have definitely helped achieve some stable and sustained growth. The Economic Survey presented in the parliament in May 1998 had shown that growth was not adequate. If the income of the poor falls or rises by the same percentage as it does for the rich, economists generally say that income inequality has not changed. But not all analysts believe this is true assessment of social and economic equity, especially in poorer countries. A 10 percent increase for the poor in a developing country is usually trivial compared to a 10 percent increase even for middle-income people, no less the rich.

Inequality measures can be relative, absolute, or intermediate. A relative measure is one whose value remains unchanged when all incomes in an income distribution are raised or lowered by the same proportion. An absolute measure is one whose value remains unchanged when all incomes in a distribution are raised or lowered by the same absolute amount. In India, we do not have systematic data on the distribution of personal incomes, though we do have data, from the periodic surveys conducted by the Central Statistical Office's National Sample Surveys, on the distribution of consumption expenditure. If we look at data from the 1970s to the 2010s, we find that the moderately rising trend in urban India and no significant trend in rural India so that, given that the rural population predominates, the overall all-India trend is not an alarmingly increasing one.

INCOME INEQUALITY IN INDIA

Income inequality in India has worsened over the past three-and-a-half decades and the top 10 per cent of earners corner more than half of the country's national income in 2016.73 percent of the wealth generated last year went to the richest one percent, while 67 crore Indians who comprise the poorest half of the population saw one percent increase in their wealth. India's top 10 per cent of population holds 73 per cent of the wealth adding 17 new billionaires last year, raising the number to 101 billionaires.37 per cent of India's billionaires have inherited wealth, they control 51 per cent of the total wealth of billionaires in the country. Only four women billionaires in India and three of them inherited family wealth. Number of billionaires has increased from only 9 in 2000 to 101 in 2017. 51 billionaires out of the total 101 are 65 years or above and own Rs 10,544 billion of total wealth. Indian billionaires' wealth increased by INR 4891 billion—from INR 15,778 billion to over INR 20,676 billion. INR 4891 billion is sufficient to finance 85 per cent of the all states' budget on Health and Education. In the last 12 months the wealth of this elite group increased by Rs 20,913 billion. This amount is equivalent to total budget of Central Government in 2017-18. Between 2018 till 2022, India is estimated to produce 70 new millionaires every day.

The level of income inequality in India in 2016 matched that in sub-Saharan Africa and Brazil, where top earners accounted for a very high share of income. However, rise in income inequality has been more gradual in India since 1980 compared to Russia, where it has been abrupt and compared to China, where it was moderate. That indicates the role played by policies and institutions in evening out

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