

ANALYSIS OF ECONOMIC INEQUALITY IN INDIA

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Abstract - Economic inequality in India is a big and complex topic that has received broad domestic and international attention. Over the last few decades, the country's economic progress has reduced poverty and increased overall prosperity, but it has also exacerbated income and wealth inequality. Economic inequality is the unequal allocation of wealth, income, or resources within a society or economy among individuals or groups. It is a measure of how a population's economic well-being is spread. There are huge discrepancies in income and wealth across different groups of the population in nations with high economic inequality.

Index Terms - India, Inequality, Wealth, Income.

I. INTRODUCTION

Economic inequality has been a persistent and complex issue in India, a country characterized by its diverse socio-economic landscape. As one of the fastest-growing economies globally, India has witnessed substantial economic development and urbanization in recent decades. However, this progress has not been uniform, leading to significant disparities in income, wealth, and opportunities among its population. The analysis of economic inequality in India involves examining various facets, including income distribution, wealth concentration, access to education, healthcare, and employment opportunities. Understanding the causes and consequences of economic inequality is crucial for policymakers, economists, and society to formulate effective strategies for inclusive growth and sustainable development.

FORMS OF ECONOMIC INEQUALITY IN INDIA

India is a diverse country with a complex social structure that has historically been characterized by various forms of inequality. These inequalities are often rooted in factors such as caste, religion, gender, economic status, and regional disparities. Here are some prominent forms of inequality in India:

- **Caste Inequality:** The caste system is a deeply ingrained social hierarchy that has historically divided Indian society into different castes, with Dalits (formerly known as "Untouchables") at the bottom. Despite legal measures to eradicate caste discrimination, it still persists in many aspects of life, including access to education, employment, and social opportunities.
- **Religious Inequality:** Religious divisions have led to discrimination and inequality, particularly between Hindus and religious minorities such as Muslims, Christians, Sikhs, and others. Religious tensions have sometimes resulted in violence and social exclusion.
- **Gender Inequality:** Women in India face various forms of discrimination and inequality, including limited access to education, unequal pay for equal work, domestic violence, limited political representation, and restricted mobility in some areas.

- Economic Inequality India has a significant wealth gap, with a small percentage of the population controlling a large portion of the country's wealth. This economic inequality often results in unequal access to basic services, healthcare, and education.
- Regional Inequality There are significant disparities in development and infrastructure between different regions of India. While urban centers tend to be more developed, rural areas often lack basic amenities and access to services.
- Educational Inequality: Access to quality education varies greatly across different segments of the population. Children from marginalized communities often have limited access to educational opportunities, leading to a cycle of poverty and inequality.
- Caste-Based Discrimination: Despite legal bans on caste-based discrimination, social practices still reinforce inequalities. This includes issues like untouchability, limited access to public spaces, and discrimination in daily life.

2. REVIEW OF LITERATURE:

1. The worrisome correlation between economic growth and rising income inequality in developing nations like India. The New Economic Policy (NEP) outcomes appear skewed, primarily benefiting a privileged minority while leaving a substantial majority marginalized. This trend indicates that the positive outcomes of globalization and liberalization haven't adequately reached the most deserving segments of the population. This review aims to uncover the underlying causes behind India's post-globalization income inequality (Prafulla Kumar Nath, 2015).
2. Proof of heightened income inequality as a result of globalization and unrestricted trade is particularly apparent in developing nations like China and India. The correlation between liberalization and inequality within less affluent countries has been noted as positive, as explored (Kremer and Maskin, 2003). Substantiated the positive association between openness and inequality, particularly in low-income countries, based on his research (Barro, 2000).
3. Significant disparities in income inequality are evident among various states, exemplified by the cases of Odisha and the North Eastern States. For instance, the median income figures stand at Rs. 9,315 and Rs. 31,812 annually, respectively. It is evident that smaller states in the Northeast exhibit an average income approximately three times higher than that of states like Odisha, as demonstrated (Vanneman and Dubey, 2011).
4. As per the "World Inequality Report 2022," there is a clear indication of escalating inequality, encompassing both income and wealth, within India over the past few decades. This trend has persisted even in recent times. Notably, from 1990 onwards, the proportion of the nation's income belonging to the top 10% and top 1% has steadily risen, while the share attributed to the bottom 50% has consistently diminished. For an overview of this data, as presented by the World Inequality Database (WID) (Ghatak's review, 2021).
5. The top 1% of the wealthiest individuals in India own 58% of the country's wealth, and the 10% own a staggering 80%. This trend of increasing inequality has persisted over time, resulting in the rich accumulating wealth at a much faster rate than the poor, thereby widening the income gap. Notably, income inequality has worsened since the introduction of income tax in 1922, surpassing even the British Raj's record of the top 1% share in national income, which stood at 20.7% in 1939-40. Himanshu (2019)

3. RESEARCH METHODOLOGY

Research problem: Economic inequality in India is significant, with a substantial wealth gap between the rich and poor. Factors like unequal access to education, healthcare, and job opportunities contribute to this disparity, posing social and economic challenges for the country. Government policies and initiatives aim to address these issues, but progress is gradual.

Types of data:

Quantitative Methods:

- **Census Data:** Utilize data collected through official government censuses, which typically encompass a wide range of economic information such as income, employment, education, and demographics. Census data offers a comprehensive national or regional perspective.
- **Administrative Records:** Gain access to administrative sources like tax records, social welfare program data, and employment records to obtain precise and detailed economic data.
- **Wealth and Asset Surveys:** Collect information about assets, investments, property, and debts through specialized surveys or by analyzing financial records. This helps assess disparities in wealth.
- **Labor Market Analysis:** Examine labor market data, including wage statistics, employment rates, and occupational distribution, to investigate economic inequalities within the workforce.
- **Secondary Data Analysis:** Utilize existing economic indicators, reports, and datasets from reputable sources such as government agencies and research institutions to conduct quantitative analyses.

Qualitative Methods:

- **Case Studies:** Delve deeply into specific cases, regions, or communities to gain a nuanced understanding of the economic disparities they face and the contextual factors involved.
- **Content Analysis:** Analyze media content, policy documents, or public discourse to comprehend how economic inequalities are represented, discussed, and framed within society.
- **Narrative Analysis:** Investigate personal narratives, autobiographies, or oral histories to explore individual stories and perspectives related to economic inequality.

4. RESEARCH ANALYSIS:

Three topics are taken for research analysis that include Wealth Distribution, Income Inequality, Regional Disparities.

Wealth Distribution

Wealth distribution among various income groups in India exhibits significant disparities:

- **High-Income Group:** A small percentage of the population falls into the high-income group, holding a substantial portion of the country's wealth. This group includes affluent individuals, high-net-worth households, and top earners who possess a significant share of the nation's wealth.
- **Middle-Income Group:** The middle-income group has seen considerable expansion over the years. It encompasses a larger section of the population compared to the high-income group. This group includes individuals with moderate incomes, professionals, white-collar workers, and small business owners.
- **Low-Income Group:** Most of the Indian population falls within the low-income group. This segment includes individuals working in the informal sector, agricultural laborers, daily wage workers, and those earning minimum wages. They often have limited access to resources and face challenges in wealth accumulation.
- **Ultra-Poor and Vulnerable Population:** Additionally, there's a segment of the population considered ultra-poor, facing extreme poverty and deprivation. This group struggles to meet basic needs and lacks access to adequate resources for wealth accumulation.

Income Inequality:

Income inequality in India has been a complex issue and has seen some fluctuations over the past decade. While there have been improvements in certain areas, the overall scenario remains a challenge.

- **Rise of Middle Class:** India has seen a growth in its middle class, contributing to an increase in income levels for many. This rise in the middle class has narrowed the gap between the rich and the poor to some extent.
- **Urban-Rural Divide:** Income inequality between urban and rural areas persists. Urban areas generally have higher-paying job opportunities and better access to education and healthcare, leading to a disparity in income between these regions.
- **Top Percentile Earnings:** The top percentile of earners in India has seen substantial income growth, contributing to increased income inequality. This group has experienced significant wealth accumulation, while the bottom segments of society have not seen similar advancements.
- **Government Policies:** Various government policies aimed at poverty alleviation and social welfare programs have helped reduce income disparities to some extent. Initiatives like rural employment guarantee schemes, subsidies, and direct benefit transfer programs have aimed to bridge the income gap.
- **Gender Disparity:** Income inequality between genders remains a significant concern. Women, especially in rural areas, tend to have lower access to education and job opportunities, contributing to income disparity.
- **COVID-19 Impact:** The COVID-19 pandemic exposed and exacerbated income inequality in India. The economic fallout disproportionately affected the lower-income groups, leading to job losses and financial hardships for many.

Regional Disparities:

Economic disparities between states and regions in India can be attributed to a combination of historical, social, political, and economic factors. The country is diverse in terms of culture, language, and development, leading to variations in economic performance across different states and regions. Some of the main drivers of economic disparities include:

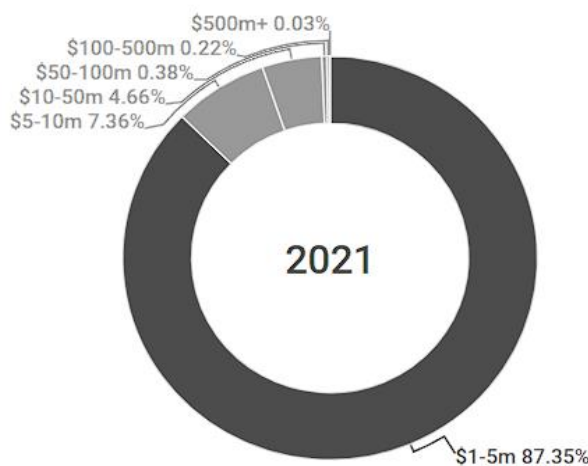
- Historical Factors:
 - Colonial Legacy: The impact of British colonial rule left some regions more developed than others. Certain areas were favored for infrastructure development and resource allocation, leading to lasting economic imbalances.
- Geographic and Resource Distribution:
 - Natural Resources: Regions with abundant natural resources often have a comparative advantage in certain industries. Disparities arise when some states have access to more or better resources, leading to uneven economic development.
- Infrastructure Development:
 - Transportation and Connectivity: Disparities in transportation infrastructure and connectivity can affect trade and economic activities. States with better-developed infrastructure tend to attract more investments and business activities.
- Educational Disparities:
 - Education Infrastructure: Variations in the quality of education infrastructure contribute to differences in human capital development. States with better education systems tend to have a more skilled and productive workforce.
- Social and Cultural Factors:
 - Caste and Community Structures: Social hierarchies and structures can impact economic opportunities. In some cases, certain communities may have historically faced discrimination, affecting their economic development.
- Government Policies:
 - Regional Policies: Policies related to industrial development, taxation, and investment incentives can influence regional economic growth. The effectiveness of policies and their implementation can vary across states.
- Political Stability and Governance:
 - Political Factors: Stable and efficient governance can positively impact economic growth. States with better governance and political stability tend to attract more investments.
- Globalization and Trade:
 - Access to Global Markets: States with better access to global markets and international trade routes may experience higher economic growth. Export-oriented regions can benefit more from globalization.
- Climate and Agriculture:
 - Agricultural Productivity: Climate conditions and agricultural productivity play a significant role in the economic development of states. Regions with fertile land and favorable climate may have a comparative advantage in agriculture.
- Industrialization and Urbanization:
 - Industrial Development: States that have successfully industrialized and urbanized tend to experience higher economic growth. The presence of industries can create job opportunities and contribute to overall economic development.

5. RESEARCH INTERPRETATION

Wealth Distribution

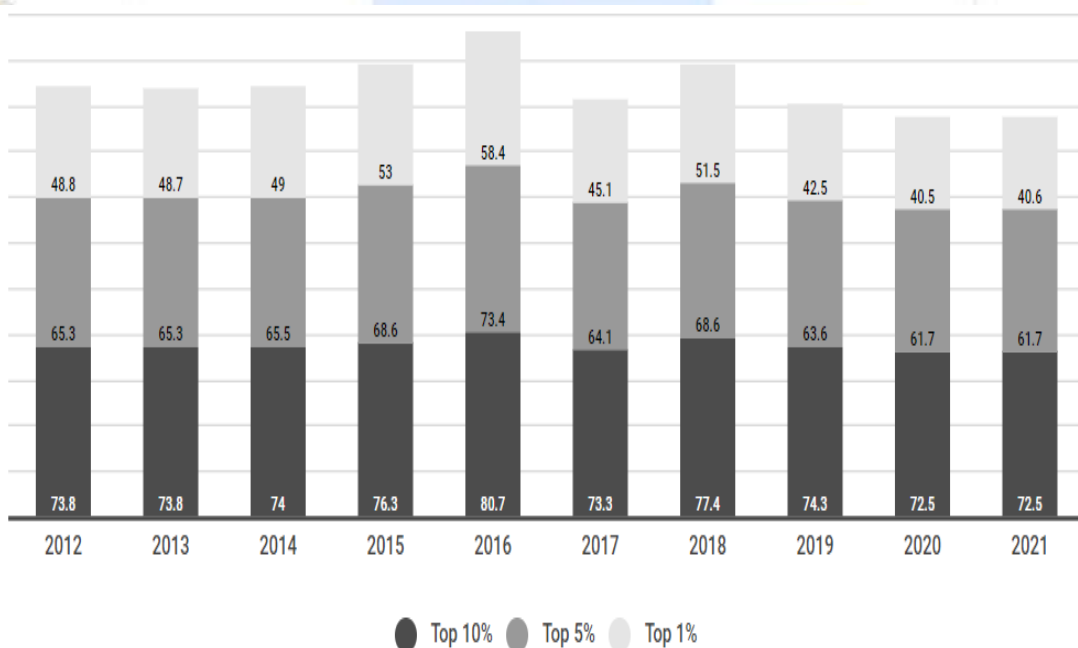
The assets of a company are defined as the net assets, which are expressed as follows: assets - liabilities. Wealth distribution is the comparison of the wealth of different members or groups of a society. This shows an aspect of economic inequality or economic heterogeneity. Wealth distribution differs from income distribution in that it takes into account the economic distribution of ownership of assets in a society rather than the current incomes of members of that society. According to the International Association for the Study of Income and Wealth “The global distribution of wealth is much more unequal than the distribution of income”.

WEALTH DISTRIBUTION



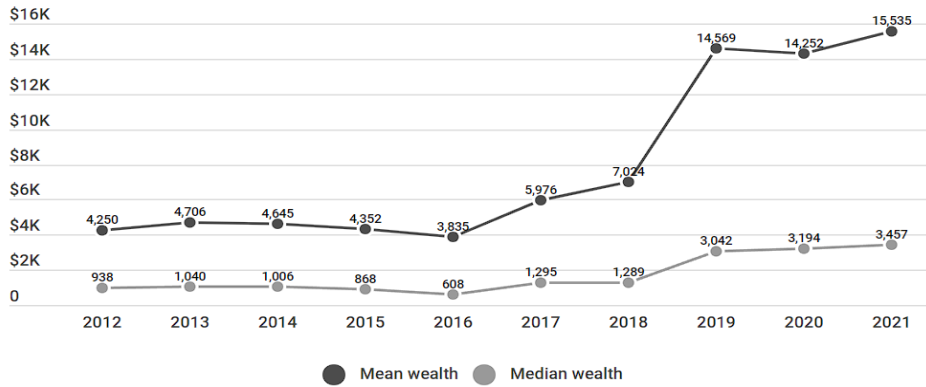
As of 2021, 688,000 adults (75.1% of the adult population) in India have less than US\$10,000 (~8 Lakh), compared to the global average of only 53% of the adult population in the same wealth bracket. The proportion of people in the lowest bracket (<\$10,000) fell from 95% to 77% between 2012, and 2021. Less than 0.1% of India’s adult population owned more than \$1 Million in 2021.

SHARE OF WEALTH



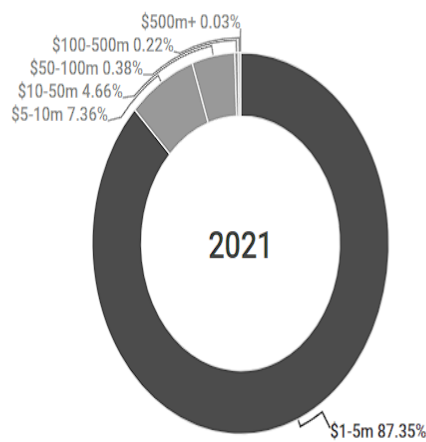
The richest 1% of India’s adult population is 40 years old and 6% of India’s total wealth. The richest 10% owns 72.5% of India’s wealth. Compared to 2013, the concentration of wealth in the hands of rich has not changed significantly in 2021. The richest 10% still owns 72% and 5% of India’s total wealth. The only change is that the richest 1% owns a small share of total wealth in 2021 than in 2013. This shows that the poor have not benefited at all from India’s economic growths in recent years

AVERAGE WEALTH



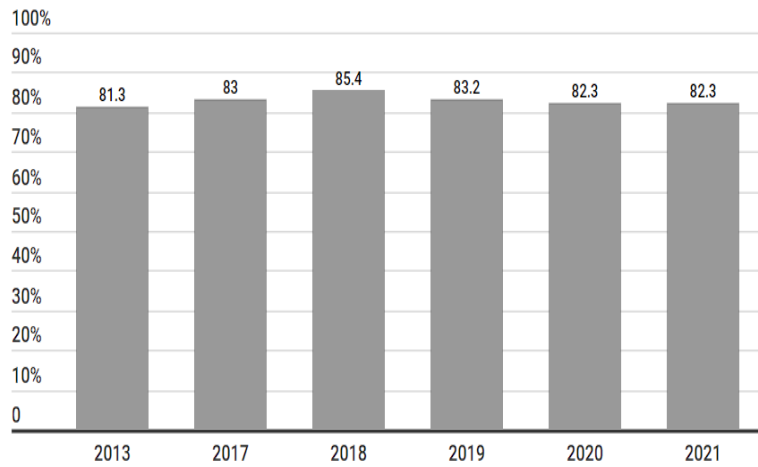
The Median (average) wealth of an adult in India was \$15,535 in 2021, an increase of 9% from the previous year. Compared to 2013, average wealth increased by 265%. The average wealth of an adult in India was \$3,457 in 2021, an increase of 8.2% from the previous year. Compared to 2013, average wealth increased by 268%

HIGH NET-WORTH INDIVIDUALS



In 2021, 695,685 adults in India had \$1 Million to \$5 Million, 14 % increase from 2020. Compared to 2013, the number of adults with \$1 Million to \$5 Million increased by 348% in 2021. During the same period, the number of adults with debts between \$10 Million and \$50 Million increased by 267% in 2021.

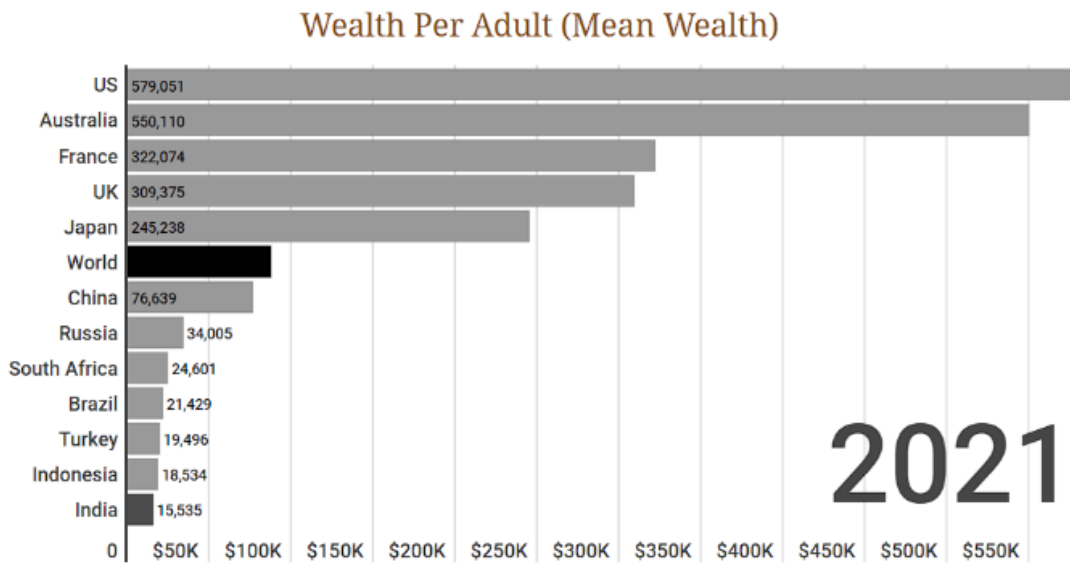
WEALTH INEQUALITY- GINI



The Gini index or Gini coefficient is a statistical measure of distribution often used as a measure of economic inequality, measuring the distribution of income or wealth within a population.

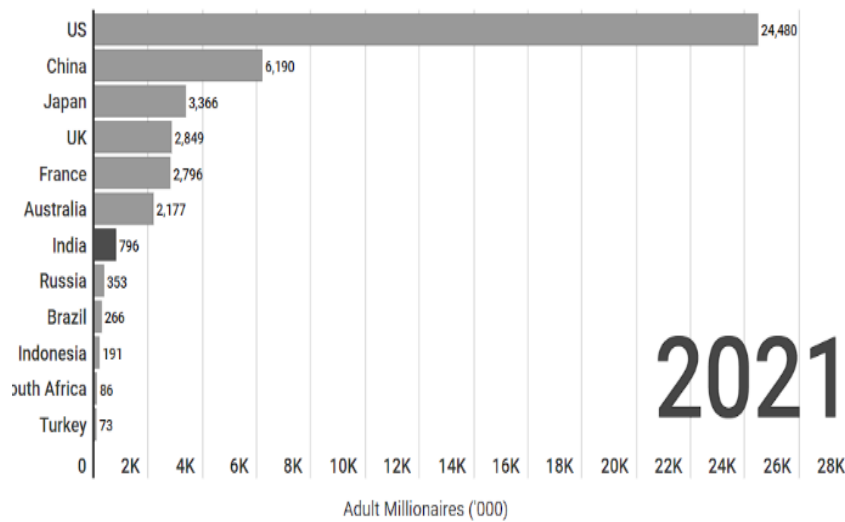
The ratio varies from 0 (or 0%) to 1 (or 100%), where 0 means perfect equality and 1 means perfect inequality. The wealth Gini coefficient in India has averaged 81-83% in the last eight years, showing that the problem of wealth inequality in India remains unresolved.

GLOBAL COMPARISON



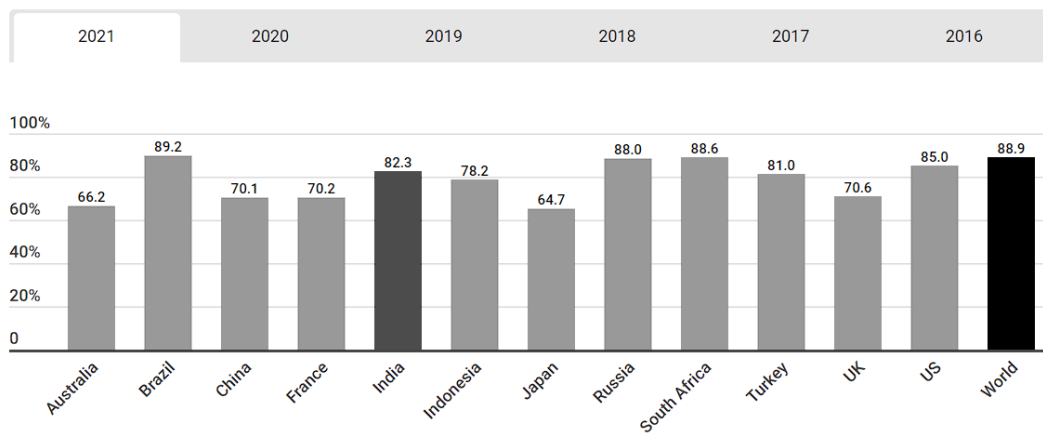
- Compared to G20 countries, India's average wealth per adult (\$15,535) is the lowest in 2021. Between 2013 and 2021, average wealth per adult in India increased by 230%. By comparison, over the same period, wealth per adult increased by 245% in China and 37% in Australia.

Number of Millionaires



- In 2021, 796,000 adults in India owned more than \$1 million, more than G20 countries as Brazil, Russia, Indonesia and South Africa. Between 2013 and 2021, the number of millionaires in increased by 337%

Wealth Inequality - GINI



- GINI: The Gini index or Gini coefficient is a statistical measure of distribution and often used as a gauge of economic inequality, measuring income distribution or wealth distribution among a population.
- The coefficient ranges from 0 (or 0%) to 1 (or 100%), with 0 representing perfect equality and 1 representing perfect inequality.
- The Gini wealth coefficient in India has averaged between 81-83% between 2013 and 2021 showing that the issue of wealth inequality in India remains largely unaddressed.
- In comparison to its benchmarked G20 peers, inequality in wealth distribution in India in 2021 is higher than in Australia, Japan, UK, China, and France.

6. CONCLUSION & FINDINGS:

The analysis of income inequality, wealth distribution, regional disparities, and the impact of economic policies in India reveals a complex landscape marked by multifaceted challenges. Over the past decade, India has witnessed positive changes, such as the rise of the middle class and various government initiatives aimed at poverty alleviation. However, persistent issues such as the urban-rural divide, gender disparities, and the disproportionate growth of the top percentile earners continue to contribute to income inequality.

The factors driving income gaps between different socio-economic groups are deeply rooted and interconnected. Educational opportunities, employment disparities, gender inequality, geographical divides, and historical factors all play significant roles. The COVID-19 pandemic has further exposed and exacerbated these disparities, especially among lower-income groups.

Regional variations in income inequality are evident, with an urban-rural divide and disparities among states. Historical factors, geographical conditions, social and cultural dynamics, infrastructure development, and government policies contribute to these variations. Addressing regional income disparities requires targeted and region-specific policies that focus on infrastructure development, job creation, education, and healthcare accessibility.

Economic disparities between states and regions in India stem from a combination of historical, social, political, and economic factors. Addressing these disparities requires comprehensive policies targeting infrastructure development, educational opportunities, social development, and governance.

In conclusion, addressing the complex web of economic disparities in India requires a holistic and sustained approach. Reforms in education, equitable employment opportunities, gender equality initiatives, and inclusive economic development strategies are essential. Moreover, targeted policies addressing regional variations, intergenerational wealth transfer, and industry-specific disparities are crucial for fostering a more balanced and equitable economic landscape in India.

The analysis of wealth distribution in India reveals a concerning pattern of economic inequality, as reflected in ownership of assets among different segments of the population. As of 2021, a significant proportion of adults in India, 75.1%, possess less than \$10,000, underscoring the widespread economic challenges faced by a majority of the population. This figure contrasts starkly with the global average, highlighting the extent of wealth disparity within the country.

The concentration of wealth in the hands of a few remains a prominent issue. The richest 1% of India's adult population holds 40% of the total wealth, while the top 10% owns a staggering 72.5%. Despite economic growth, the concentration of wealth among the affluent has not significantly changed since 2013, indicating a lack of inclusive benefits from India's economic progress.

The average wealth per adult has increased, but this growth is not uniformly distributed. High-net-worth individuals, those with \$1 million to \$5 million, have seen a notable increase, reflecting a widening gap between the wealthy and the rest of the population. The persistence of wealth inequality is further emphasized by the Gini coefficient, which has averaged between 81-83% over the past eight years, signaling a lack of substantial progress in addressing this issue.

To address these challenges, comprehensive and targeted policies are necessary to promote more inclusive economic growth, equitable wealth distribution, and improved access to opportunities. Efforts should focus on addressing systemic issues, promoting financial inclusion, and implementing measures to uplift the economically disadvantaged. Without concerted action, the persistent wealth inequality in India poses a threat to social cohesion and economic sustainability.

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