



Unjust Disparities: A Closer Look at Inequality in India

This editorial is based on the article [“Growth mania can be injurious to society”](#) which was published in The Hindu on 30 /01/2024. It discusses the persistence of inequality in India despite the ongoing economic growth and explores effective strategies to address this issue.

For Prelims: [WEF](#), [GDP](#), [GST](#), [Growth](#), [GHI score](#), [Global Gender Gap Report](#), [OECD](#), [Mahatma Gandhi National Rural Employment Guarantee Act Scheme \(MGNREGA\)](#), [National Rural Health Mission \(NRHM\)](#), [Pradhan Mantri Jan Dhan Yojana](#)

For Mains: Recent Economic Growth Trajectory of India, Inequality Trends in India, Increasing Inequality in India, Inclusive Growth, Steps to Achieve Inclusive Growth in India.

Recently, the President of the [World Economic Forum](#) commended India, foreseeing it as a future \$10 trillion economy. However, even as India strengthens its economic position, the advantages of this progress aren't reaching everyone, particularly those who are marginalized.

The exclusive emphasis on economic growth is causing increasing concern in India. There is an urgent need for policy interventions and heightened government actions to ensure more inclusive growth.

What has been the Recent Economic Growth Trajectory of India?

- **FY 2022/23:** India's real GDP expanded by an estimated 6.9%. This growth was driven by robust domestic demand, increased investment in infrastructure encouraged by the government, and strong private consumption, especially among higher-income earners.
- **FY 2023/24:** The growth in real GDP during 2023-24 is estimated at 7.3% as compared to 7.2% in 2022-23. **India is ranked 5th in the world's GDP rankings in 2024.** The country's economy has been reported to be at \$3.7 trillion, marking significant growth from its position as the 10th largest economy a decade ago, with a GDP of \$1.9 trillion.
- **Future Prospects:**
 - The Indian economy is poised to hit \$7.3 trillion by 2030 and \$10 trillion mark by 2035 (according to the Centre for Economics and Business Research).
 - The Indian government has set an ambitious target of transforming India into a 'developed country' by 2047.

What are the Inequality Trends in India?

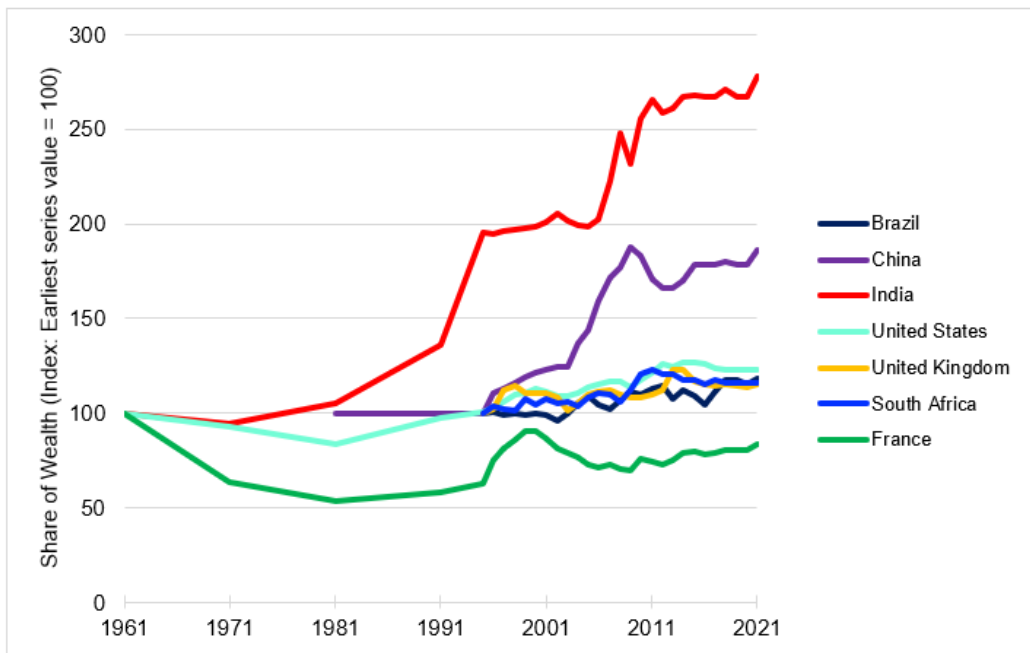
- **Wealth Inequality:** India is one of the most unequal countries in the world, with the top 10% of the population holding 77% of the total national wealth. The richest 1% of the Indian population owns 53% of the country's wealth, while the poorer half jostles for a mere 4.1% of national wealth.
- **Income inequality:** According to the [World Inequality Report 2022](#), India is among the most

unequal countries in the world, with the top 10% and top 1% of the population holding 57% and 22% of the total national income respectively. The share of the bottom 50% has gone down to 13%.

- **Tax Burden on Poor:** Approximately 64% of the total goods and services tax (GST) in the country came from the bottom 50% of the population, while only 4% came from the top 10%.
- **Healthcare is Luxury:** Many ordinary Indians are not able to access the health care they need. 63 million of them (almost two people every second) are pushed into poverty because of healthcare costs every year.
- **The State of Food Security and Nutrition in the World, 2023:** Around 74% of India's population could not afford a healthy diet, and 39% fell short of a nutrient-adequate one.
- **According to Global Hunger Index 2023:** India's 2023 [GHI score](#) is 28.7, considered serious according to the GHI Severity of Hunger Scale.
 - India's child-wasting rate, at 18.7, is the highest child-wasting rate in the report.
- **Gender Inequality:** India was ranked 127 out of 146 countries in the [Global Gender Gap Report, 2023](#), and faces the perennial issue of "missing women" from the workforce - which is a wicked problem.

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Share of Wealth held by Top 1% (1980-2021)



What are the Causes of Increasing Inequality Despite High Economic Growth in India?

- **Wealth Accumulation:**
 - **Concentration of Wealth:** Concentration of wealth in the hands of a few can perpetuate inequality over generations, as the wealthy can pass on advantages to their descendants.
 - **Inadequate Land Reforms:** Inadequate land reforms can result in a significant portion of the population remaining landless or having insufficient land, making them vulnerable to poverty and economic instability.
 - **Crony Capitalism:** Corrupt practices and favoritism can result in wealth accumulation among a select group, contributing to inequality.
- **Lack of Inclusive Growth Policies:**
 - **Skewed Distribution of Economic Gains:** Economic growth may disproportionately benefit certain sectors or income groups, leading to an uneven distribution of wealth.
 - **Regressive Taxation Policies:** Tax systems that favor the wealthy or lack progressivity can contribute to income inequality.
 - **Lack of Social Safety Nets:** Inadequate social safety nets and welfare programs may leave vulnerable populations without sufficient support, widening the wealth gap.

▪ **Inadequate Labour Policies:**

- **Financialization of the Economy:** An emphasis on financial markets and speculation over productive investments can lead to wealth concentration in the financial sector.
- **Wage gaps :**Wage gaps between skilled and unskilled workers can contribute to income inequality. Informal labor markets with lower wages and fewer benefits can widen the income divide.
- **No Minimum Wages:** Weak labor market policies, including insufficient minimum wage regulations and limited collective bargaining rights, can contribute to income disparities.

▪ **Social Exclusion:**

- **Caste Discrimination:** Social exclusion based on caste played a significant role in increasing inequality in India by marginalizing certain groups and limiting their access to opportunities, resources, and benefits.
- **Gender Inequality:** Discrimination based on gender can lead to unequal access to employment opportunities and wage disparities.
- **Lack of Access to Education:** Unequal access to quality education limited opportunities for upward mobility, reinforcing existing disparities.
- **Technological Deprivation:** Automation and technological advancements lead to job displacement and wage stagnation for certain groups, exacerbating income inequality.

What is Inclusive Growth?

- As per **OECD (Organisation for Economic Co-operation and Development)**, inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all.
- It means having access to essential services in health and education by the poor. It includes providing equality of opportunity, empowering people through education and skill development
- Several schemes implemented by the government for inclusive growth:
 - [Mahatma Gandhi National Rural Employment Guarantee Act Scheme \(MGNREGA\)](#)
 - [Prime Minister's Employment Generation Programme \(PMEGP\)](#)
 - [Pt. Deen Dayal Upadhyaya Grameen Kaushalya Yojana \(DDU-GKY\)](#)
 - [Deendayal Antyodaya Yojana- National Urban Livelihoods Mission \(DAY-NULM\)](#)
 - [Samagra Shiksha Scheme 2.0](#)
 - [National Health Mission](#)
 - [Swachh Bharat Mission](#)
 - [Mission Ayushman](#)
 - [Pradhan Mantri Jan Dhan Yojana](#)

What Steps should be taken to Achieve Inclusive Growth in India?

▪ **Foster Inclusive Framework:**

- **Enforce Constitutional Provision:** Enforce constitutional guarantee of equality as enshrined in fundamental rights through policy measures. Government policies that are formulated to strengthen these rights need strict implementation.
- **Progressive Taxation:** Implementing progressive taxation in India can help reduce income inequality by ensuring that those who earn more contribute a higher proportion of their income to taxes.
 - A 1% wealth tax on Indian billionaires is enough to fund the National Health Mission, India's largest healthcare scheme.
 - Taxing India's billionaires at 2% would support the nutrition of India's malnourished for three years.
- **Inclusive Governance:** Foster inclusive governance by encouraging citizen participation, promoting transparency, and reducing corruption. Empower local self-governments and involve marginalized communities in decision-making processes.
- **Private Sector Engagement:** Encourage [corporate social responsibility \(CSR\)](#) initiatives that focus on inclusive development. Encourage private companies to invest in social sectors and support community development projects.

▪ **Increase the Reach of Basic Necessities:**

- **Universal Access to Public Services:** By ensuring universal access to public funded high-quality services like public health and education, social security benefits, employment guarantee schemes, inequality can be reduced to a great extent.
- **Employment Generation:** The labor-intensive manufacturing sector of India has the potential to absorb millions of people who are leaving farming while the service sector tends to benefit the urban middle class.
- **Women Empowerment:** Promote gender equality in education, employment, and entrepreneurship to empower women economically and socially.
- **Social and Financial Inclusion:**
 - **Land Reforms:** Implement land reforms to address issues of land ownership and tenancy. Ensure fair and equitable distribution of land resources.
 - **Promoting Civil Society:** Provide a greater voice to traditionally oppressed and suppressed groups, including by enabling civil society groups like unions and associations within these groups.
 - **Technology and Innovation:** Embrace technological advancements to create new opportunities for all.
 - Ensure that the benefits of technological progress are shared across different sections of society.

Conclusion

By embracing and implementing inclusive policies that tackle the underlying causes of inequality, India has the potential to transition towards a more equitable society. This transformative approach aligns with the aspirations of the [United Nations' Sustainable Development Goal 10](#).

Drishti Mains Question:

Discuss the causes of increasing inequality despite India's high economic growth and suggest measures to achieve inclusive growth in India.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q. Inclusive growth as enunciated in the Eleventh Five Year Plan does not include one of the following: (2010)

- (a) Reduction of poverty
- (b) Extension of employment opportunities
- (c) Strengthening of capital market
- (d) Reduction of gender inequality

Ans: C

Mains:

Q. COVID-19 pandemic accelerated class inequalities and poverty in India. Comment. (2020)

