



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

WEALTH AND INCOME INEQUALITY IN INDIA

Sulabha Sharma

Research Scholar

Department of Economics

Mahatma Gandhi Kashi Vidyapith, Varanasi, India

Abstract: Every successful endeavor begins with a vision but is rarely in focus; India's biggest phase of evolution towards development is obscure with the nation's stark diversities staring at it. It is undeniable that India has demonstrated its resilience by achieving notable economic booms, despite the deficits of 1991, 2008, 2012, and 2021. However, the jewel in the crown has been the last decade of the Indian Economy where we witnessed a significant amount of uprising in innovation and a huge surge of startup companies despite the structural challenges, everlasting endeavoring corruption, diminished social welfare, and standard of living.

It is critical to recognize that India's development journey is complex and multifaceted, influenced by components like demographic dynamics, regional disparities, socioeconomic inequalities, and so on. And while these differences come with unique challenges, they also present tremendous possibilities for inclusive growth and sustainable development.

This research paper on "Wealth and Income inequality in India" dives into the difficult subject of diversity in India, seeking the causes and consequences of its roots. It tries to unravel the starkness of the ingrained financial disparities in India by exposing concentrated wealth ownership and an alarming gap in wealth and income status, where a small proportion of the population enjoys a significant proportion of the nation's resources. Furthermore, this study paper emphasizes the deteriorating trend of inequality, which is being pushed by a confluence of socioeconomic variables such as globalization, technological improvements, and uneven access to opportunities.

Introduction

To mark the magnitude of income and wealth inequality challenges in India it is worth examining the Forbes Billionaires Report 2022, according to which the 10th richest person in the world ranks from India. Additionally, as per the latest data available on World Development Indicators, India is the 5th largest economy in terms of GDP ranking of countries at the current US dollar in 2021 stated by the Ministry of Finance, India (posted by PIB Delhi on 13th March 2023). Meanwhile paradoxically despite these economic achievements there are States in India with 51.91% of the population that come under multidimensional poverty (National Multidimensional Report 2021 NITI Ayog).

Now the question that is staring back at us is - Are we developing at the cost of these states and their people?

In other words, it has been redundantly noticed throughout decades that the Indian Economy always tended to structures of disparities irrespective of the changes in the Economy. Even the World Inequality Reports 2022 assessed India to be among one of the most unequal nations in the world.

In recent decades, India has made incredible strides towards becoming one of the world's most quickly developing economies, notably in the technology sector. However, this expansion has been accompanied by rising income and wealth gaps, raising questions about the country's inclusion and sustainability. This research study intends to dive deeply into the intricate nature of income and wealth disparity in India, providing light on its core causes and repercussions. The research seeks to know the causes and consequences of India's income and wealth disparity by assessing existing data, analyzing trends, and relying on relevant theoretical frameworks.

Having said this, it has to be marked that in today's developing era India cannot avoid the possibility of being a Pareto Economy of the zero-sum game with growth and fall in living standards side by side directly proportional to each other. The 75 years of independence in the Indian Economy marks Nation becoming richer, but governments / the Public becoming poorer.

Literature Review

Chatterjee, A and Mitra, S. K. (2022) Income inequality and economic growth in India: Evidence from panel data analysis. *Journal of Economic Development*, 47(1), 35-54, uses panel data analysis to study the link between income inequality and economic development in India. According to the authors, income disparity has a detrimental influence on India's economic growth. They contend that measures targeted at lowering inequality in income, such as progressive taxes and social security programs, can help boost economic development.

Kanbur, R. (2022). Inequality and inclusive growth in India: The challenge of bridging the gap. *The Indian Journal of Labor Economics*, 65(1), 1-19, investigates the issues of closing the inequality-inclusive growth gap in India. The article addresses the different causes that contribute to the disparity in India, such as historical influences, the Indian economy's structure, and cultural and social standards. The author also investigates policies and initiatives targeted at alleviating inequality in India, emphasizing the importance of a holistic and integrated strategy to achieve inclusive growth.

Ravallion, M. (2022). India's inequality: An overview. In S. Ravi & C. B. Barrett (Eds.), *Handbook of Inequality in India* (pp. 1-12), Springer, provides a detailed examination of the characteristics of income and wealth inequality in India. He also recommends viable policy actions to address India's inequality.

According to Oxfam India. (2021, *The inequality virus*, ISBN 978-1-78748-640-9 exacerbated the economic disparity in the nation as a whole during the pandemics, with the nation's top 11 billionaires in India watching their wealth grow while the poorest 50% of the population seeing their wealth drop resulting in the loss of employment and lower incomes for many households with low incomes, aggravating the country's already-existing disparities.

Ministry of Finance, Government of India. (2021). *Economic Survey of India: 2020-21*, has repeatedly emphasized the issue of income and wealth disparity in India. Rising inequality was cited as a key concern for the Indian economy in the 2020-21 Economic Survey, and initiatives to encourage equitable growth were advocated, such as boosting opportunities for education and healthcare, strengthening social safety programs, and generating more formal-sector employment.

International Labor Organization (ILO). (2020). *Women and Men in the Informal Economy in India: A Statistical Picture 2020*, ISBN: 978-92-95106-42-0 found that workers in the informal sector have lower earnings and less stable employment compared to those in the official sector, according to research. As a result, the income disparity between employees in both the formal and informal sectors has widened, adding to the country's total income inequality.

- ❖ Singh, P. (2020) How solidarity works for welfare: Sub nationalism and social development in India. Cambridge University Press, ISBN 978110769745, argued that India's federal system of governance has contributed to the persistence of income and wealth inequality, as power is decentralized to regional governments that may have different priorities and capacities to address inequality.
- ❖ Indian Institute of Dalit Studies. (2020). State of the Nation's Social Inclusion: A Study of Dalits and Adivasis., discovered both the Adivasis and Dalits (indigenous peoples) across the country are somewhat more inclined to be impoverished and marginalized, with a lower standard of education, lower-paying occupations, and limited access to healthcare. According to the research, prejudice towards scheduled tribes continues to be a substantial hindrance to their social, economic, and mobility.
- ❖ Reserve Bank of India (RBI). (2019). financial inclusion in India: 2019, identified income inequality as a primary cause of financial exclusion in India, with lower-income people having less opportunity to utilize formal financial services. Policy actions that encourage financial inclusion, such as boosting financial literacy and extending opportunities for formal financial services in disadvantaged areas, were proposed in the study.
- ❖ National Statistical Office. (2019). Key Indicators of Household Social Consumption on Education in India, 2017-18, found that the wealthiest 10% of Indian families account for 42.5% of the country's total revenue, while the poorest 50% account for only 15%. The survey also noted considerable geographical differences in income disparity, with the greatest levels of inequality seen in metropolitan areas and certain northern Indian states.
- ❖ World Bank (Year of Publication: 2019): Addressing Inequality in South Asia., found that there is limited social mobility in India, with individuals from disadvantaged backgrounds having lower chances of upward mobility compared to those from more privileged backgrounds. According to the study, having access to education, health care, and social security schemes may have an essential role in increasing social mobility in India.
- ❖ Watal, R. P., Anant, T. C., & Aghi, M. (2018). The NITI Aayog's report on Income Inequality in the Indian Economy: Policy Interventions for Addressing the Challenge identified income inequality as the main challenge facing the Indian economy and offered policy solutions to address it, including expanding access to healthcare and education, bolstering social protection programs, and promoting job growth in inclusive and equitable sectors.

I. RESEARCH PROBLEM

Despite being the 5th largest economy in the world (PIB), India remains to be one of the most unequal societies with a problem of wealth concentration in the hands of small elite. This raises a valid concern regarding its repercussions on both social cohesion and economic growth. This scenario calls for a thorough examination of the causes and consequences stemming from the growing divide between the affluent minority and the remaining majority of the population.

II. RESEARCH OBJECTIVE

1. To assess historical overview on income and wealth disparity.
1. To examine Wealth and Income Inequality trends in India over the last few decades.
2. To investigate the primary causes of wealth and income disparity in India.
3. To analyze the present and the future consequence of wealth and income disparity in India.
4. To provide suggestions for policy makers to address the income and wealth inequality while still maintaining the inclusivity of the economic growth.

V. SIGNIFICANCE OF THE STUDY

Despite being one of the world's fastest-growing economies, India remains one of the most unequal nations, with a significant amount of wealth concentrated in the hands of small elite. It has been a common knowledge throughout any time period that inequality has the power to impede economic development and advancement by limiting access to health care, education, financial services, entrepreneurship, and innovation as well as by decreasing incentives to work. This study on Wealth and Income Inequality in India focuses on analyzing the patterns of inequality throughout past few decades to get significant insight into its causes and consequences.

V. RESEARCH METHODOLOGY

The research methodology for the study on wealth and income inequality in India would involve quantitative and qualitative methods for analyzing existing secondary data sources, such as, government reports and academic studies to find identify the income and wealth disparity in India, its causes and its consequences. This would entail analyzing data from the previous decade on indicators that include the Gini coefficient, concentration of wealth proportions, and income shares of various population groups.

VI. LIMITATION OF THE STUDY

- ❖ The study's main focus will be on the income and wealth inequality situation in India, but it could overlook the unique cultural and social factors that make the nation's inequality unique and aesthetic. Additionally, there are no sample surveys taken to capture the distinctive experiences of disadvantaged groups, such as women, and schedule tribe people, who might encounter various degrees of injustice and prejudice.
- ❖ While the study will provide insights into the situation of inequality in India, the findings may not be generalizable to other countries or regions. Depending on the unique setting and social and economic variables, the sources of inequality and viable policy remedies may differ.

VII. HOW HISTORY DEALT WITH WEALTH AND INCOME INEQUALITY

- ❖ Kautilya (4th century BCE): Kautilya believed that to prevent excessive levels of inequality, the state must actively participate in ensuring that money is allocated fairly. He promoted wealth transfer and progressive taxes to aid the underprivileged and impoverished in achieving that goal. He believed that to spur economic growth and provide people more opportunities to increase their wealth and incomes, the government should support small and medium-sized businesses and encourage trade and commerce.
- ❖ Dada Bhai Naoroji (early 18th century to early 19th century): According to Dada Bhai Naoroji, the primary cause of wealth and income imbalance in India is an unequal distribution of land ownership. He advocated that where a large number of the population struggled to make ends meet, a small number of wealthy landowners controlled the majority of the land. Additionally, he also gave the theory of "drain of wealth" where he explained how the British colonials stole wealth from India and transferred it to Britain and how they played the most significant role in India's economic underdevelopment.
- ❖ BR Ambedkar (late 18th century to mid-19th century): BR Ambedkar believed that wealth and income inequality in India are inextricably related to social and economic disparity. He believed that the caste system segregated people into rigid social orders inflicting a significant impact on economic opportunities and outcomes. In his book "The Annihilation of Caste," BR Ambedkar advocated how economic disparity could only be addressed by abolishing the caste system and creating a more egalitarian and just society. He felt that a truly democratic and fair society could only be realized if every person had equal access to economic opportunities and resources.
- ❖ The Classics (late 18 to mid-19 century): Classical economics defined income and wealth inequality as a discrepancy between families or people within a community. They understood that a large income or wealth gap might cause social unrest, political instability, and a concentration of political and economic power. They believed that government initiatives like progressive taxation and social welfare programs may lessen the negative effects of income inequality while maintaining the incentives for economic growth and development. In addition, they argued that inheritance taxes and land reform may assist in reducing extreme wealth inequality and foster a more equitable allocation of assets in society.
- ❖ The Neo-Classicals (late 19 to early 20th century): Neoclassical economists believed in market forces for determining income inequality rather than government policies. They assert that the rule of supply and demand in a free market economy allows an individual to earn more money. According to neoclassical economists wealth and income disparity are strongly related to each other meaning that those with higher wages are typically able to accumulate more wealth over time. They argued that since it provides incentives for saving, investing, and intergenerational wealth transfer, wealth disparity is a natural and essential component of a free market economy. However, they also acknowledge the unfavorable effects caused by high wealth disparity, such as a concentration of economic and political power. They typically support programs that promote economic opportunity and mobility as well as those that address market failures that contribute to wealth and income disparities, such as monopoly dominance or unequal access to financial and educational opportunities.

- ❖ The Keynesians (early to mid-20th century): Keynesians argued that because lower-income families have less disposable money to spend on goods and services, income and wealth inequality might result in a decline in aggregate demand. As a result, unemployment may increase and economic development may stall. Keynesians also assert that measures to combat inequality, such as social safety programs and equitable taxation, may boost economic development by boosting demand and eradicating poverty.
- ❖ The Neo Keynesians (mid-20th century to present): Neo-Keynesians emphasize the significance of policies that attempt to lessen inequality, such as progressive taxation and social welfare programs, in addition to the significance of government intervention to correct market failures. They support legislation such as minimum wage laws, antitrust restrictions to promote competition, and education measures to combat information asymmetry to increase salaries for low-paid employees.

VIII. WEALTH AND INCOME INEQUALITY IN INDIA

Being a country that gave the world the theory of "Bindu Visphot and the beginning of SUNYA (Zero), India sure has a weird way of understanding its own economy. Its peculiarity is evident in the functioning of its economy, which appears to cater predominantly to privileged elite of the population while struggling to extend its benefits to the majority. Notwithstanding the notable advancements made in alleviating absolute poverty, India continues to grapple with persistent challenges in addressing income and wealth inequality. India's development strategy has always been to establish a social economic pattern with self-reliance, social justice, and alleviation of poverty achieved within a democratic political framework and a mechanism of mixed economy. However, its resulting outcome always had bizarre faults. Despite witnessing remarkable macro-level transformations, India's progress at the micro level, addressing the intricacies of its diverse realities, has been lagging. This may be due to its unique social framework, wherein a Pareto economy exists, with stark divisions between the impoverished and the affluent, leaving the middle class caught in a precarious position with limited access to salaried jobs and minimal subsidies.

As the saying goes it is hard to be poor but more difficult being stuck in the middle with the rare opportunity to go up and a lot of situations pushing you down.

Tracing Income and Wealth Inequality in India Since and past independence:

- ❖ According to the recent press release by economists Thomas Picketly and Lucas Chancel, the share of the nation going to the richest 1 percent has always been at its highest level since the passage of the British Raj economy. They combined the household surveys, national accounts, and tax data together to efficiently trace income inequality in India from (1977-2015). The data highlights that less than 21% of the total income went to the top 1% of the earners in the late 1930s, 61.0 in the early 1980s, and 22% in the most recent decade.
- ❖ As per the Article published by the economic times on the World Inequality Report, it is visible that income and wealth inequality in India has been on the rise since 1947. The gap between rich and poor around 1857-1947 is shown as the top 10%. earning nearly 50% of all the income and wealth and 65% of the total wealth.
- ❖ According to the Oxford Committee for Famine Relief reports. The top 10% of the Indian population holds 77% of the total national wealth. 73% generated in 2017 went to the richest 1%, while of the wealth 670 million Indians who comprise the poorest half of the population saw only 1% increase in their wealth.
- ❖ As per the 'World Inequality Report 2022', India - the top 10% and top 1% in India hold 57% and 22% of the total national income respectively while the bottom 50% share has gone down to 13%. The report was authored by Lucas Chancel and coordinated by renowned economists Thomas Piketty, Emmanuel Saez, and Gabriel Zucman.

Converting the data provided by the world inequality report 2022 into a table format we get:

Table 1: Proportion of income and population

Proportion of income(%)	Proportion of population(%)
0	0
22	1
35	9
30	40
13	50

[Reference: Chancel, L., Piketty, T, Saez, E, Zucman, G. et al. World Inequality Report 2022, World Inequality Lab.]

Note: For the sake of calculations here, I have assumed the remaining middle proportion of population to be 40% and the remaining proportion of income to be 35%.

Now, using the data in table 1 we will table the cumulative percentage of population and income.

Table 2: Cumulative percentage of population and income

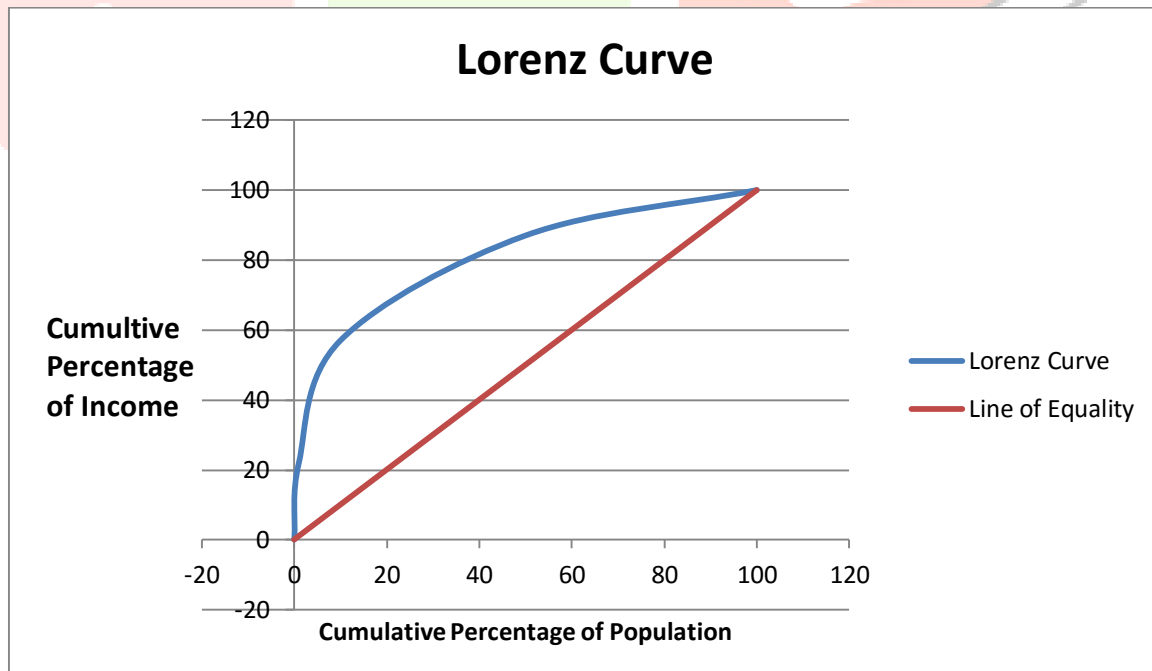
Cumulative percentage of population(%)	Cumulative percentage of income(%)
0	0
1	22
10	57
50	87
100	100

[calculated according to Table 1]

We will now plot the graph accordingly taking:

X axis = cumulative percentage of population ranging from 0% to 100%

Y axis = cumulative percentage of income ranging from 0% to 100%



Graph 1 (Lorenz Curve)

Graph Analysis: According to the graph,

By connecting the data point of the x-axis and the y-axis on the Lorenz curve, we will observe a concave shape of the curve between 0% and 100% indicating income disparity among different segment of the population

- (0%, 0%) indicates that the lowest percentage of the population has negligible share of income.
- As we move along the curve we see that the cumulative percentage of income increasing far more as compared to the cumulative percentage of population at (1%, 22%) we see 1% of the population holding up approximately 22% of the total income indicating a higher concentration of income among a small segment of the total population.
- At the point (10%, 57%) we see 10% of the total population holding around 57% of the total income maintaining a further increase in income concentration among a relatively small portion of the population.
- At the point (50%, 87%) we see 50% of the population holding around 87% of the total income suggesting a substantial increase in income distribution among a larger segment of the population signifying that income is gradually distributed among a larger portion of the population.
- At the point (100%, 100%), it signifies that the entire population (100%) holds the entire income (100%), which represents perfect equality.

The shape of this particular Lorenz curve, indicates skewed distribution of income towards a smaller percentage of the population implying that a relatively small portion of the population holds a larger share of the income.

To calculate the degree of income inequality We will now calculate the area between the Lorenz curve and the line of perfect equality (the diagonal line from bottom left to top right) using the trapezoidal rule and then we will go on to calculating the Gini coefficient, which is twice the area between the Lorenz curve and the line of perfect equality.

$$\text{Area} = 0.5 * \sum[(x(i+1) - x(i)) * (y(i+1) + y(i))]$$

$$\text{Area between Lorenz curve and line of perfect equality} = [(0.5 * (.01 - 0) * (0.22 + 0)) + (0.5 * (0.10 - 0.01) * (0.57 + 0.22)) + (0.5 * (0.50 - 0.10) * (0.87 + 0.57)) + (0.5 * (1.00 - 0.50) * (1.00 + 0.87))] = 0.4086$$

Therefore Area = 0.4086 and hence the Gini coefficient = 2 x 0.4086 = 0.8172

Therefore, the Gini coefficient for this distribution of income in India is 0.8172, indicating very high income inequality.

- ❖ *World Bank. (2019). Gini Index (World Bank estimate)–India*, provides us with four decades of gini Index to look at.

Table 3: Gini Index

Year	Index
1977	33.3
1983	32.1
1987	32.6
1993	31.7
2004	34.4
2009	35.4
2015	34.7
2016	34.8
2017	35.9
2018	34.6
2019	35.7

[World Bank. (2019). *Gini Index (World Bank estimate) - India*. Retrieved from World Bank, website: <https://data.worldbank.org/indicator/SI.POV.GINI?locations=IN>]

[Note- the Gini Index is calculated between a scale of 0 to 100 where a Gini Index of 100 indicates extreme economic inequality, and a Gini Index of 0 indicates total income equality, in which every person or household has the same income].

The data provided represent the Gini Index values for India from 1977 to 2019. Examining the data, we can identify certain patterns and trends:

India had a Gini Index of 33.3 in 1977, indicating moderate income inequality at the time. The Gini Index ranged between 31.7 and 32.6 from 1983 to 1993, reflecting relatively consistent income inequality throughout that time period. The Gini Index rose slightly to 34.4 in 2004, showing a small increase in income inequality. Following then, the Gini Index rose further, hitting its peak in 2017 at 35.9. By 2019, the Gini Index had reached 35.7, showing that income disparity in the country had persisted.

These figures reveal that income inequality has been an enduring concern in India, with a generally increasing trend over the years. Gini Index values above 30 signify significant income disparities within the population.

[Note: It is also important to recognize that the Gini Index does not provide a complete picture of the distribution of income and the complex processes of inequality. Other aspects, such as regional differences, socioeconomic inequities, and poverty levels, should be included in order to acquire a more nuanced understanding of the situation.]

- ❖ *According to the World Data inequality data base*, the net personal wealth held by the top 10% indicates a growing wealth inequality, where a relatively smaller proportion of the population holds a larger share of the total net personal wealth.

Table 4: Net Personal Wealth held by top 10% of the total population in India

Year	Net Personal Wealth (Top 10%)
1995	0.5448
2000	0.5484
2005	0.5490
2010	0.6142
2015	0.6404
2020	0.6390
2021	0.6445

Source – World Data Inequality database

We can see from the given data that in the subsequent years, the percentages of net personal wealth seems to have increased gradually, indicating a rising concentration of wealth among the top 10% of the population wherein the year 1995 indicate the top 10% holding approximately 54.48% of the total net personal wealth subsequently reaching 64.45% in the year 2021.

IX. REASONS FOR INCOME AND WEALTH INEQUALITY IN INDIA

The reasons for rising inequality in India are many and varied, including many domestic, global, and technological factors. Firstly

- ❖ **Caste system:** Talking about the time period prior to British India, the caste system might have significantly contributed to persistent inequality by creating a hierarchical social structure that restricted access to resources and opportunities for certain castes. This system classified individuals into distinct social groups based on their birth, with each caste assigned specific occupations or roles within society.

According to Dharampal. (1983), the Beautiful Tree: Indigenous Indian Education in the Eighteenth Century. Biblia Impex Pvt. Ltd. There was no singular experience or outcome for all lower castes. The caste system's impact on economic possibilities and wealth accumulation varied depending on elements such as geographical location, historical background, and individual caste dynamics. His study found that the hierarchical character of the caste system usually led to inequalities in the allocation of land, belongings, and economic possibilities. There is a huge gap between urban and rural communities because rural areas lack opportunities and access to resources.

- ❖ **Landownership Patterns:** Even though having land has always been an important factor of prosperity in India, the majority of the population historically had relatively limited access to land and agricultural resources. The large landholdings had generally been concentrated in the possession of a small number of strong elites. In their article, "History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India," Abhijit V. Banerjee and Lakshmi Iyer methodically also examined the relationship between land ownership patterns and economic performance in several regions of India. Their findings are based on a thorough examination of historical data, surveys, and archival documents, allowing them to provide comprehensive insights into the impact of huge landholdings on economic outcomes. Their writers emphasize how the

Britishers implemented land rules and regulations favoring the concentration of huge landholdings in the hands of a privileged few creating a chasm between the landowning aristocracy and the landless people, aggravating wealth disparities and socioeconomic inequality.

- ❖ **Colonial Exploitation:** During the colonial era, India experienced exploitation by foreign powers, which resulted in the extraction of wealth and resources from the country. This colonial legacy left a lasting impact on India's economy and contributed to ongoing inequality. As outlined by Dietmar Rothermund in his work "An Economic History of India: From Pre-Colonial Times to 1991," several economic policies established by the colonial government in India were to serve the interests of the colonizers while maximizing profits for the colonial powers. For example:

Land Revenue Systems: The British administration introduced the Zamindari and Ryotwari systems, which involved excessively overbearing collection of land taxes from Indian farmers, leading to overwhelming taxation, land seizures, and the impoverishment of farmers.

The Exploitation of Natural Resources: The Britishers exploited India's rich natural resources by extracting minerals, timber, and agricultural produce, to meet the demands of the colonial markets. The extraction of these resources often resulted in the depletion of India's natural wealth.

Trade Policies: The British administration imposed heavy tariffs and restrictions on Indian industries, hindering their growth and promoting the export of raw materials to the colonial markets. This approach prevented the development of domestic industries and technological progress in India.

Monopolies: The British powers established monopolies in trade, finance, education, and transportation. These monopolies enabled the colonial powers to control and manipulate the Indian economy, restricting competition and maximizing their profits.

Indigo Cultivation: The colonial administration forced Indian farmers to grow indigo instead of food crops, leading to food shortages and agricultural distress. The indigo system exemplified the exploitative practices of the colonial powers, as Indian farmers faced harsh working conditions and low wages.

- ❖ **Economic Policies:** Economic policies pursued by successive governments have also played a role in shaping wealth and income inequality by favoring particular segments of society while ignoring others aided in the accumulation of wealth in the grasp of a few. For example –according to Chancel, L., & Piketty, T. (2019). Indian income inequality, 1922-2015: From British Raj to Billionaire Raj?, India in the seventh plan, led by Rajiv Gandhi (1984-1989), promoted the relaxation of market regulations, increased external borrowing, and expanded imports. The tax system also underwent a gradual transformation, with top marginal income tax rates declining to 50 percent, leading to a balance of payment crisis and advanced deregulation.

It's true that while policies are frequently intended to promote growth and development in the economy, their execution and influence may unintentionally result in unequal outcomes. In the context of India, government policies have indeed led to the spread of disparity at different levels. For example:

Minimum Support Price: the government's Minimum Support Price (MSP) Policy in India, which has been in effect since the 1960s. It was initially introduced as part of the Green Revolution strategy to ensure price stability and income security for farmers. The MSP policy sets a minimum price at which the government purchases certain crops from farmers to support their incomes. The MSP is announced by the government before the sowing season and serves as a benchmark price for agricultural produce.

However, the implementation and effectiveness of the MSP policy has been a subject of debate. Critics argue that the benefits of MSP often favor larger farmers who have better market access and bargaining power. They argue that larger farmers are in a better position to negotiate prices and access government procurement channels, while smaller farmers may struggle to sell their produce at the MSP. This disparity in access to MSP benefits can contribute to income disparities between larger and smaller farmers.

Over the years, there have been calls for reforms in the MSP policy to address the concerns of income disparities and still, there is ongoing debate and discussion about the effectiveness and impact of the MSP policy in addressing income disparities in the agricultural sector.

Direct Benefit Transfer (DBT) Scheme: Introduced in 2013, the DBT scheme aimed to transfer agricultural subsidies directly to farmers' bank accounts to ensure efficient and targeted delivery of subsidies. However, the implementation of the scheme was fraught with difficulties, and there were concerns over the scheme's exclusion of small and marginalized farmers from its benefits.

Pradhan Mantri Fasal Bima Yojana (PMFBY): First implemented in 2016, it was developed as a flagship crop insurance program with the goal of providing financial protection to farmers in the

case of crop loss or damage due to natural disasters, pests, or diseases. However, the accessibility and effectiveness of these crop insurance schemes, particularly in reaching small and marginalized farmers. Issues related to the premium burden, claim settlement process, and administrative complexities have been raised, potentially contributing to income disparities. This can result in unequal access to financial protection and exacerbate income disparities between small and large farmers. Recognizing these challenges, there have been efforts to improve the accessibility and effectiveness of crop insurance schemes. Reforms such as simplifying the application process, reducing premiums for small farmers, enhancing awareness and outreach programs, and leveraging technology for better implementation and monitoring have been proposed and implemented.

- ❖ **Privatization:** The policies supporting the privatization of public sectors can have implications for inequality, particularly in terms of job losses and their impact on vulnerable and lower-income individuals, the process of privatization and its associated policies can contribute to income disparities and inequality. Here are some factors to consider:

Inadequate Social Safety Nets: Privatization may result in loss of employment as private corporations restructure or shrink operations to boost profitability. Individuals who lose their occupations may find it difficult to locate new work, leading to an increase in unemployment and economic inequality.

Inequalities in Skill and Wage: The move from the public to private sectors may result in a mismatch between displaced workers' skills and the requirements of new job possibilities. This can lead to wage disparities because workers may be forced to accept lower-paying positions or face unemployment if they are unable to adjust to changing labor market needs.

The concentration of Wealth: Privatization may result in the transfer of state assets to a smaller group of private owners or investors, resulting in the concentration of wealth in the hands of a few persons or businesses. This has the potential to worsen economic inequality because the advantages of privatization may accrue disproportionately to those with higher financial means and access to investment opportunities.

Limited Access for Small and Marginalized Groups: Small and marginalized groups may face barriers to entry as a result of privatization, making it difficult for small enterprises and entrepreneurs from marginalized areas to keep up with larger, more established competitors. This can further perpetuate income disparities and hinder economic mobility for these groups.

With all these ongoing challenges it can also not be denied that privatization policies have also managed to enhance efficiency, attract investment, and foster economic growth. Here are a few examples of PSU disinvestments :

1. Hindustan Zinc Limited: The disinvestment of Hindustan Zinc Limited, a leading zinc producer, took place in 2002. (Source: "Hindustan Zinc Ltd - Company History" on The Economic Times website")
2. Maruti Suzuki India Limited: The disinvestment of Maruti Suzuki, a major automobile manufacturer, began in 2003. (Source: "History - Maruti Suzuki India Limited" on Maruti Suzuki India Limited's official website)
3. Bharat Aluminium Company Limited (BALCO): The disinvestment of BALCO, an aluminum producer, was carried out in 2001. (Source: "Bharat Aluminium Company Limited - Company Profile" on Business Standard website)
4. Videsh Sanchar Nigam Limited (VSNL): The disinvestment of VSNL, a telecommunications company, occurred in 2002. (Source: "Videsh Sanchar Nigam Ltd. - Company Profile" on Business Standard website)
5. Neyveli Lignite Corporation Limited (NLC): The disinvestment of NLC, a lignite mining and power generation company, took place in 2003. (Source: "History - Neyveli Lignite Corporation Limited" on NLC India Limited's official website")
6. Hindustan Petroleum Corporation Limited (HPCL): The disinvestment of HPCL, an oil and gas company was implemented in 2003. (Source: "About Us - Hindustan Petroleum Corporation Limited" on HPCL's official website)
7. Bharat Petroleum Corporation Limited (BPCL): The disinvestment of BPCL, another major oil and gas company, started in 2020. (Source: "About Us - Bharat Petroleum Corporation Limited" on BPCL's official website)
8. Disinvestment of Container Corporation of India (CONCOR): The disinvestment of CONCOR, a logistics and transportation company, was implemented in 2020. (Source: "Disinvestment of CONCOR" on the Ministry of Finance, Government of India website.)

9. Disinvestment of the Airports Authority of India (AAI): The disinvestment process for AAI, responsible for managing airports in India, was announced in 2021. (Source: “Disinvestment Policy – PIB” on the Press Information Bureau, Government of India website)

- ❖ **Globalization policies:** The process of globalization involves opening up markets and promoting trade and investment, which is generally supposed to lead to tremendous opportunities for the economy. Nevertheless, it may also lead to unequal outcomes like lacking access to education, health, and finance.

It is indeed true that trade liberalization involves reducing barriers to international trade, and encouraging worldwide liberalization. But we cannot also deny that opening up the home market to international competition exposes domestic sectors to rapid changes in global market conditions. If domestic industries are not competitive enough, they may struggle to survive or face challenges in adapting to global market dynamics, leading to further economic instability. There could be a loss of policy autonomy as trade liberalization often requires countries to conform to international trade rules and agreements. This may hinder a country's capacity to execute domestic policies such as protecting domestic industry or enacting legislation to protect public health and safety.

- ❖ **Tax policies:** Tax systems that are not progressive or that fail to adequately address wealth inequality can contribute to income disparities. If the tax burden falls disproportionately on lower-income individuals, while the wealthy enjoy tax breaks or loopholes, it can exacerbate income inequality. For example:

A Flat Tax System: In this system, every person pays the same tax rate irrespective of income level, which might disproportionately penalize lower-income people. *Capital Gains Tax:* Because it largely pertains to investment income, the implementation and rates of capital gains tax can have an impact on income inequality. Lower rates or exemptions on capital gains can benefit wealthier individuals who have more investment opportunities.

Corporate Tax: The corporate tax structure, including rates and loopholes, can influence income inequality by affecting the distribution of corporate profits and the ability of corporations to contribute to public finances.

Estate Tax: The estate tax, also known as inheritance tax or wealth tax, can play a role in addressing wealth inequality by taxing large inheritances or estates. The implementation and thresholds of the estate tax can impact its effectiveness in reducing wealth concentration.

Tax Avoidance and Evasion Policies: Policies addressing tax avoidance and evasion may help ensure that people and corporations pay their fair share of taxes and prevent wealth concentration among those who take advantage of tax loopholes.

X. CONSEQUENCES OF INCOME AND WEALTH INEQUALITY IN INDIA

Through this research paper we have come to see that in case of India, the connection between economic growth and economic disparity is very complicated and impacted by a number of different parameters. We also witnessed tremendous economic and structural changes in India after the 1990s, improving the number of economic statistics.

Some claim that India's economic growth followed the concept of the dampening effect of the technical progress by the economist Jagdish Bhagwati and some say India followed a Kuznets curve-like pattern with income disparity first rising during the country's formative years and then gradually declining as a result of higher levels of education, skill, urbanization, and social welfare initiatives.

However this research paper on income and wealth inequality in India has clearly indicated that the relationship between economic growth and economic disparity in India is not as straightforward. It highlights persistent wealth and income inequalities, caste disparities, as well as challenges in addressing regional and social inequalities.

Furthermore the research paper also shows that the government policies, while providing subsidies or incentives to encourage innovation and investment, may also lead to a concentration of economic opportunities in particular sectors while disregarding others which then reduces the aggregate demand and undermines the growth of the now inferior good because the wealthy tend to spend comparatively a lower fraction of this income on this good than the middle and the lower income groups (lipstick effect).

Hence we can say that now with India marking a significant step towards the technological sector especially Artificial intelligence the present and future consequences of income and wealth inequality in India has a tendency to be bizarre.

According to “IMPLICATIONS OF AI ON THE INDIAN ECONOMY” by Rajat Kathuria, Mansi Kedia & Sashank Kapilavai, Indian Council for Research on International Economic Relations, the immediate consequences of AI, can take the form of disparity between labour and capital, depending on the manner in

which organisations deploy AI tools. Research on skill content of tasks in India suggests that between 1983 and 2011, the task intensities of manual tasks has declined while the intensity of ‘Non-routine Cognitive Analytical’, and ‘Non-routine Cognitive Interactive’ tasks has increased, with changing technology being the driving force. Thus a large spike in inequality is thus imminent in an AI-based ecosystem in India According "Harms of AI" by Daron Acemoglu, NBER Working Paper Series 29247, published in September 2021", if AI continues to be deployed along its current trajectory and remains unregulated, then it can harm competition, consumer privacy and consumer choice.

According to Niti Ayog report on National Strategy for Artificial Intelligence published on 2018, Automation is anticipated to result in a net loss of employment in agriculture, while job prospects in the construction industry are predicted to increase dramatically. This might have a range of effects on India's traditional sectors. Meanwhile, several studies have highlighted the unpreparedness for the workforce of STEM graduates, underlining the subpar quality of engineering institutions in India as 80% of engineering graduates, according to some estimates, are unemployed after graduation.

However, the future impact of economic inequality and developing technology on India is yet to be fully explored as not much research has been done on this sector.

XI. CONSEQUENCES OF WEALTH AND INCOME DISPARITY ON PRESENT AND FUTURE INDIAN ECONOMY

- ❖ **Job Polarization:** The adoption of new technologies can lead to job polarization, where routine tasks are automated, resulting in the displacement of certain job roles. This can disproportionately impact lower-skilled workers who may face challenges in transitioning to new roles requiring advanced technical skills.
- ❖ **Skill Gap and Technological Divide:** Those with access to quality education and resources can acquire the necessary skills to adapt and thrive in technology driven economy, while the marginalized communities with limited resources may face barriers in acquiring these skills leading to further deepening the income and wealth disparities by restricting access to high-paying jobs and entrepreneurial opportunities.
- ❖ **Concentration of Wealth and Power:** The rise of AI-based industries and platforms can lead to the concentration of wealth and power in the hands of a few dominant players. Companies that effectively leverage AI technologies may amass substantial profits and wealth, contributing to income inequality. The concentration of wealth and power in a few hands can also influence decision-making processes, potentially widening socioeconomic disparities.
- ❖ **Access to Technologies:** Unequal access to technologies can further exacerbate income and wealth inequality. Affordability and availability of technology driven products, services, and infrastructure may be limited to certain segments of society, hindering equal opportunities for economic growth and development. The lack of access to technologies can create a digital divide, perpetuating existing inequalities.
- ❖ **Ethical Considerations and Bias:** The deployment of AI algorithms and systems can inadvertently perpetuate existing biases and inequalities. If AI systems are trained on biased or discriminatory datasets, they can amplify inequalities in areas such as hiring, lending, and resource allocation. Addressing bias and ensuring ethical AI practices are essential to mitigate the potential adverse effects of AI on income and wealth inequality.

XII. SUGGESTION

India has a unique geographical, social, political, and economical structure. The only way to move forward in this scenario is “divide and conquer”. Each state of India needs to be financially independent to the extent that we start exporting and importing within our own country. Being one of the most resourceful land areas making each state self-sufficient on their own under the big umbrella of nation India is not just a utopian epiphany but very much a possibility. This in long run not only will work as multi-layer fort against any global spill-over effect but also will be the best example of inclusive sustainability throughout the world.

XIII. CONCLUSION

With time, it has been quite clear that where the trickle-down effect may work for a nation with more of a uniform social-political structure it is far from suitable in the case of India. As can be seen from the ongoing diversity and different levels of development or growth. At one point India is ready to be the next Silicon Valley and simultaneously in other front instances, people are killing themselves because of poverty. It is like Karl Marx said - “The road to hell is paved with good intentions”

It is crucial to recognize that we are all participants in the same game, albeit at different levels, contending with similar hardships but facing the same circumstances. To navigate this landscape effectively, we must distinguish between earnings, high earnings, and over-earning, as well as acknowledge the perpetual cycle of diminishing utilities and escalating demands. India often stands out as a nation with a significant wealth disparity, characterized by a juxtaposition of poverty and affluence.

India mirrors the concept of the dampening effect of the technical progress on social welfare given by the economist Jagdish Bhagwati along with a never-ending cycle of diminishing utilities and increasing demands and India always seems to stand out as a poor country with an affluent elite.

XIV. REFERENCE

- ❖ Chatterjee, A and Mitra, S. K. (2022) Income inequality and economic growth in India: Evidence from panel data analysis. *Journal of Economic Development*, 47(1), 35-54
- ❖ Kanbur, R. (2022). Inequality and inclusive growth in India: The challenge of bridging the gap. *The Indian Journal of Labour Economics*, 65(1), 1-19.
- ❖ Ravallion, M. (2022). India's inequality: An overview. In S. Ravi & C. B. Barrett (Eds.), *Handbook of Inequality in India* (pp. 1-12), Springer
- ❖ Oxfam India. (2021). *The inequality virus*
- ❖ Ministry of Finance, Government of India. (2021). *Economic Survey of India: 2020-21*
- ❖ International Labor Organization (ILO). (2020). *Women and Men in the Informal Economy in India: A Statistical Picture 2020*, ISBN: 978-92-95106-42-0
- ❖ Singh, P. (2020) *how solidarity works for welfare: Sub nationalism and social development in India*. Cambridge University Press, ISBN 978110769745
- ❖ Indian Institute of Dalit Studies. (2020). *State of the Nation's Social Inclusion: A Study of Dalits and Adivasis*.
- ❖ Reserve Bank of India (RBI). (2019). *Financial inclusion in India: 2019*
- ❖ National Statistical Office. (2019). *Key Indicators of Household Social Consumption on Education in India, 2017-18*
- ❖ World Bank (Year of Publication: 2019): *Addressing Inequality in South Asia*
- ❖ Watal, R. P., Anant, T. C., & Aghi, M. (2018)
- ❖ Srinivasan, T. N. (2019). India's economy: performance and challenges. *Journal of Asian Public Policy*, 12(1), 1-16.
- ❖ "The Economic Thought of Kautilya" by Ratan Lal Basu
- ❖ Kumar, N., & Kumar, S. (2021). Income and Wealth Inequality in India: Causes, Consequences, and Policy Options. In *Handbook of Income Distribution* (pp. 981-1025). Elsevier.
- ❖ Piketty, T. (2014). *Capital in the twenty-first century*. Harvard University Press.
- ❖ World Inequality Lab. (2022). *World Inequality Report 2022*.
- ❖ *Annihilation of Caste* by B.R. Ambedkar (1936)
- ❖ *An Inquiry into the Nature and Causes of the Wealth of Nations* by Adam Smith (1776)
- ❖ *Principles of Political Economy and Taxation* by David Ricardo (1817)
- ❖ *The General Theory of Employment, Interest, and Money* by John Maynard Keynes (1936)
- ❖ *A Theory of Justice* by John Rawls (1971)
- ❖ *Capital in the Twenty-First Century* by Thomas Piketty (2013)