

Inequality in India and its Effects on Society

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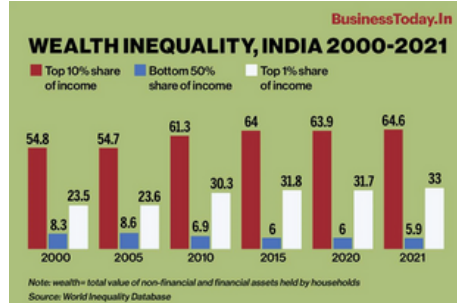


We are a country of approx 1.4 billion, and quite diversified. Having a few people who own a whole skyscraper in which they even don't live for various reasons to the last person in line who doesn't get to choose on which side of the footpath they have to sleep. Yes, we take pride in our diversity but diversity in this form is a bane to our country, and surely diversity in the economy is something that should be avoided.

While we were celebrating Azadi ka Amrit Mohotsav there were around 10.2% of India which was in extreme poverty according to the world bank, more than half of children under the age of 4 are stunted and malnourished, and we still rank 47 highest in Child Mortality in the world. Even after 75 years of independence we still rank 147 in the Commitment to Reducing Inequality Index which is published by Oxfam International.

Economic inequality is the unequal distribution of income and opportunity between different groups in society. There is inequality in our society and during the pandemic, the inequality has increased, and the marginalized sections of society were hit harder than the rest of us. In our country inequality is not just decided by the skills one has, it also has a lot to do with caste, gender, and even the location in which one is born into. On average SC ST communities are the most marginalized sections of our society and women are even more marginalized in them. Periodic Labour Force Survey for the years 2017-18, 2018-19, and 2019-20 shows that the top 10% earn approximately equal to the bottom 64%. The top 10 account for one-third of the incomes earned. This essentially means that the Rich of India controls more wealth and wealth is highly asymmetrically distributed. Urban areas have a 44.4% wealth concentration in the highest quintile (20%) compared to a meager 7.1% concentration in rural areas this shows that there is a higher level of inequality in the urban population than in rural. (source: the State of Inequality in India Report was released by the Economic Advisory Council to the Prime Minister).

The Inequality in India despite the growth in the last two decades has significantly increased, the share of the bottom 50%

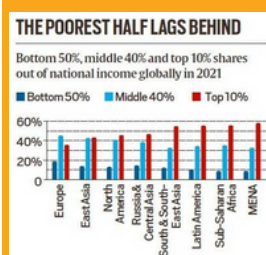


has gone down from 8.3% to 5.9% while the share of the top 1% has risen up from 23.5% to 33%. This has led to resources, facilities and services being provided to a few while the rest of the population is deprived of that.

Owing to the low levels of income in some sections of society and the higher cost of living in urban India, and the higher level of inequality lead to the development of slums. Around 6.55 crore of the Indian



population lives in slums. (source: Government answer in Rajya Sabha, 9 Oct 2022). At the end of 2020, the wealth Gini coefficient of India stood at 82.3. This was a significant increase compared to 74.7 in 2000. The biggest increase was recorded from 2000 to 2005, indicating a strong trend in inequality (source: World Bank). The Palma ratio is the share of all income received by the 10% of people with the



Inequality is a fact all over the world. Still, in the developing world and underdeveloped countries, the degree of inequality is much higher than in Europe, East Asia, and North America.

highest disposable income divided by the share of all income received by the 40% of people with the lowest disposable income. Countries should aim at a Palma ratio of no more than 1 India's is at 1.5, indicating a much higher level of economic inequality. (source: orfonline.org).

Effects of inequality on society

The link between poverty and crime traces its existence way back to the times of Aristotle when he stated that Poverty is the parent of crime. This statement aptly summarizes how the two concepts are intrinsically linked. The link can be studied in two ways:

The poor are likely to be criminals
The poor are the victim of crimes
There is a vicious cycle between poverty, unemployment, and crime. Due to poverty, a person is mostly deprived of good education, which

leads someone to unemployment and further, the individual enters into crime. The inverse can also be true such as a person with a criminal record may not get a job which would lead him to remain poor. Hence this cycle does not

allow the poor to get out of this chain, and their whole life is doomed. Is poverty a risk factor for domestic violence?

Women in households with low incomes are 3.5 times more likely to experience domestic violence than women in slightly better-off households. The links are complex, but one thing is sure: poverty exacerbates the abuse because it increases or prolongs women's exposure to it as it reduces their capacity to leave (source: cpag.org.uk)

Work by Belton M. Fleisher leads the way in the 1960s by analyzing the effects of income and unemployment on juvenile delinquency (Fleisher, 1963, 1966). According to him, crime rates are positively associated with

unemployment and low-income levels. The argument that lower income levels lead to higher crime rates was confirmed by a study conducted in 1973 by Isaac Ehrlich. Studies support a positive relationship between poverty (absolute or relative) and property crime (such as Braithwaite (1979); Danziger and Wheeler (1975); Danziger (1976); Gillespie (1976); Jacobs (1981); Blau and Blau (1982); DeFronzo (1983); Howsen and Jarrell (1987) and Jarrell and Howsen (1990).

Solutions to the problem taken by the government

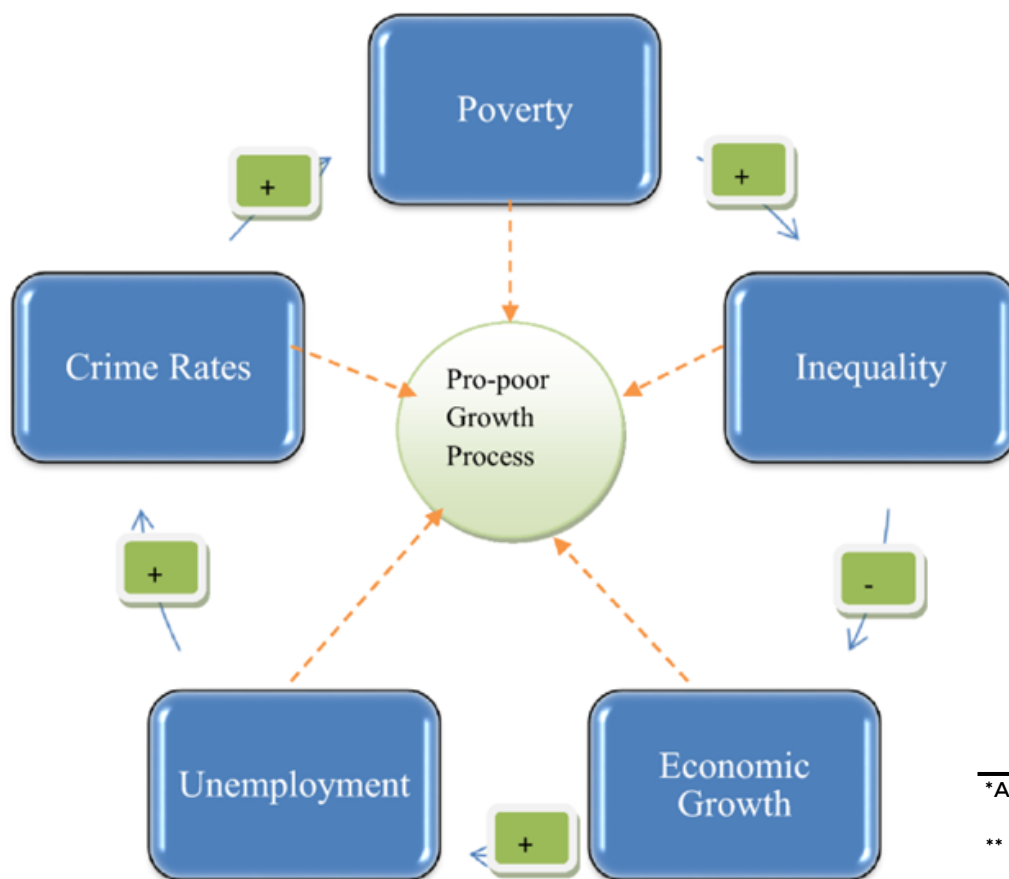
- Inequality makes it difficult for people from the bottom of the pyramid to access good education and health, this leads to poor education in their children, which makes poverty to pass on to the next generation. To stop the wheel government needs to focus on free and quality education and medical services, especially in poor sections of the city.
- Invest in public services, including water, electricity, and childcare, to provide a better quality of life.
- Focusing on the development of skills in the working population to make them employment worthy. Schemes like Skill India can play a vital role.

- Progressive taxation, where corporations and the richest individuals pay more to the state in order to redistribute resources across society. The role of taxation in reducing inequality has been clearly documented in OECD and developing countries. Tax can play a progressive role or a regressive one, depending on the policy choices of the government.
- There is a need for Universal Income Support. Economic Survey 2016-17 has suggested replacing all current cash transfers with universal basic income. The survey wants UBI to replace and not supplement the existing social welfare, and anti-poverty schemes like MGNREGA, PMJSY, etc.
- Making technology cheaper and deepening its penetration. Penetration of UPI and digital transactions has helped many small-scale businesses to grow, and government should work more on financial inclusion.
- Mudra Loan under PMMY: Under this scheme loan amount of up to Rs. 10 lakh is offered to women who want to start their own business or expand the existing one. Since women are marginalized of the marginalized in Indian society, it helps to bring women into the financial system

- Last but not least, making the eldest woman as head of the family on the ration cards not only helps to guarantee food security but also helps to change the mindset of society towards women

Conclusion

Inequality in society has always been a problem, and it leads to degradation in society in form of poverty, domestic violence, and criminal activity. Kuznets Curve tells us that with economic growth in the initial phases, there is an increase in inequality in the society in developing countries, but as the country transits from developing to developed there is a decline in inequality. Our country is still in the developing phase, and hence we are witnessing a rise in inequality. There are some solutions to the problem as having direct benefit transfer schemes, distribution of food grains to marginalized sections of society, investing in labor-intensive work like infrastructure development, focusing more on the development of skills, and progressive taxation system.



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