Rising Inequality in India

What is the issue?

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- The research advocacy “Oxfam” recently published a comprehensive report on the economic inequality in India.
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- The report is glaring and calls for wide corrective actions.
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What does the Oxfam Report say?

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- A recent report titled “Widening Gaps - India Inequality Report, 2018” was released by ‘Oxfam India’ revealed the extent of inequality in the country.
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- It has been pointed out that while inequality was stagnant in the 1980s, it started to increase since 1991, and continues to surge at present.
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- This has mainly been attributed to the “lopsided” economic and developmental policies of successive governments, particularly after liberalisation.
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- Significantly, the wealth of the India’s Billionaires (totally 101 in 2017) was 10% of GDP in 2013 and has subsequently rose rapidly to about 15% currently.
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- Also, a large share of wealth of the richest lot has been attributed to “crony capitalism” rather than to innovation or the fair rules of the market.
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- Further, Specific policy choices favouring capital rather than labour, has inherently become part of the growth trajectory in India.
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- These designs along with accumulated inheritances has consequently, seen the share of the poorer lot dip continuously in the wealth matrix.
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What are some of the specifics?

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- **Regional divergence –** Differential wealth between states have existed even before independence and the Indian planning process had aimed to undo this.
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- But the outcome has not been as expected as income inequality between states has been found to be continuously increasing over time.
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- Hence, the rise in inequality in India is due to – growing income divergence between states and increasing inequal income distribution within states.
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- **Caste Groups -** Among various social groupings, SCs continue to remain the most disadvantaged, with a significantly lower per-capita income share.
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- Also, declining trend in the income shares for the ST group, with a corresponding increase in the share of others has been deciphered.
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- **Religion -** Religious identities too has been found to be significant for an individual's access to basic services, and his ability to mobilize resources.
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- In some cases, these may cause isolation, exclusion, and stereotyping of communities, which can impact jobs and livelihood opportunities.
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- Signficantly, smaller minorities such as Christians, Parsis and Jains have a larger share of income/consumption than their population share.
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- But for Muslim populations, this is not the case and they even seem to fare worse than SC and STs in urban areas.
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- The share of Muslims in national income (per-capita), has also indicated a decline over a period of time, both in rural and urban areas.
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What needs to be done?

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- Economic inequality is more concerning in Indian than elsewhere as it

reinforces existing societal fractures along - caste, religion, and regional lines.
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- Apart from being a moral concern and vision of the constitution, reducing inequality is central for the functionality of Indian democracy.
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- To reverse this trend, tax collection should be enhanced through progressive direct taxation - such as introducing wealth and inheritance taxes.
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- This then needs to be spent on health, education and nutrition for the underprivileged, focusing especially on the early childhood development.
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Source: Indian Express

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