

## Revisiting India's Inequality Debate

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**Data sourced from reliable Income Surveys reveals that inequality exists in India, but it has not worsened in the last decade.**

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Dear **Reader**,

A very happy Monday to you.

Recent statements by former Congress party President Rahul Gandhi drawing from his party's manifesto and the just sacked head of the overseas cell of the Congress Sam Pitroda, put the spotlight on the problem of inequality in India. Both Gandhi and Pitroda contend that inequality had worsened in the last decade and that if elected to power the Congress party would undertake a redistribution of wealth.

**This week I will unpack the claims at the core of this debate.** To test for its empirical veracity, I ran this claim past [Rajesh Shukla](#), CEO of People Research on India's Consumer Economy (PRICE branded as ICE 360°).

**Using the proprietary data generated by surveys conducted by ICE 360°, Rajesh uncovered two central findings:**

1. **Inequality exists in India;**
2. **It has improved over the last six decades and not worsened.**

The extremely informative conversation with Rajesh will shortly feature in my weekly show on StratNews Global. So watch out for it too.

### **The Inequality Challenge**

As mentioned in the introduction, recent statements from senior members of the Congress party has put the spotlight on the problem of inequality in India. Since they have come in the middle of a very contentious general election campaign, the comments have turned controversial and acrimonious. The resulting noise has turned this into a political slug fest instead of a healthy debate.

To be sure though, this is not the first time that the problem of inequality is being flagged. I recall two previous instances: Once by the Indian Parliament and another by the Supreme Court.

Over a decade ago, ironically when the Congress-led United Progressive Alliance (UPA) was in power, the parliamentary standing committee on finance delivered a stinging critique on the prevailing political economy in its 59th report—Current Economic Situation and Policy Options.

Arguing that majority of the people were being excluded from the growth process, and the gains were accruing to a few, it said (the bold text is my doing):

*"In the context of the economic growth and per capita income, **the committee is concerned to note the emerging ever-widening gap between the rich and poor and the increasingly disproportionate***

***distribution of assets in our country. It is being observed that the purchasing power is getting concentrated in the hands of a few, whereas the majority is stuck below the expenditure curve."***

Similarly, a year earlier, the Supreme Court of India flagged the problem of inequality and blamed it for the naxalite or red terror problem. Justice Sudershan Reddy in his order on Salwa Judum (a vigilante outfit sponsored by the then Chhattisgarh government) said (the bold text is my doing):

***"That violent agitator politics, and armed rebellion in many pockets of India have intimate linkages to socio-economic circumstances, endemic inequalities, and a corrupt social and state order that preys on such inequalities has been well recognized. In fact the Union of India has been repeatedly warned of the linkages."***

So, the challenge of inequality is not new. It exists and has been flagged in the past. The question is whether it has worsened, particularly in the last decade as alleged by the Congress party in its election campaign.

Sidestepping the rhetoric, I opted to run this claim past Rajesh Shukla, CEO of PRICE (People Research on the Indian Consumer Economy). Through their surveys, PRICE has generated tomes of proprietary data, sufficient to create a socio-economic profile of India, and test for claims like the challenge of inequality.

Empirical testing of such political claims are important not just to examine their veracity. If indeed the problem exists, then it is imperative for the public policy framework to respond adequately. Unaddressed, it can well snowball into a social and political challenge that could soon spiral out of control. Look around the world and you know what I mean.

## Tracing Inequality in India

(Ratio of share of top 90th and bottom 10th percentile in household disposable income)

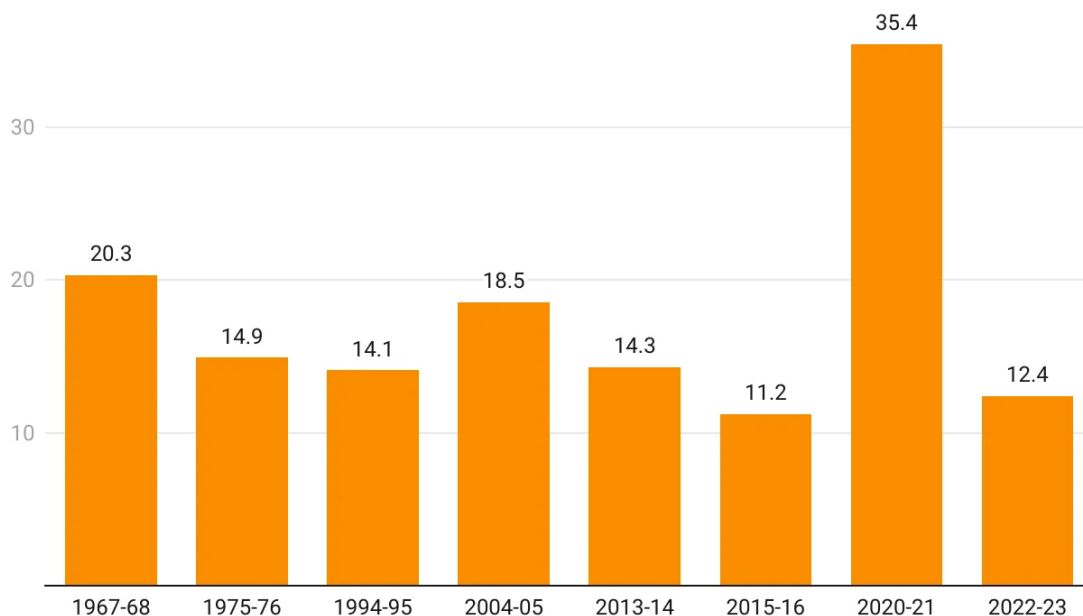


Chart: Anil • Source: Compiled by PRICE • Created with Datawrapper

## The Findings

Rajesh actually managed to go back decades by tapping into surveys conducted by the National Council for Applied Economic Research (NCAER, 1968-2005) and updating it with recent surveys by PRICE (2014-2023). There were two broad conclusions:

1. Inequality does exist in India;
2. It has however improved and not worsened over the last six decades.

The graphic above sums up the arc of inequality in India. What Rajesh has done is to take the proportion of the shares of the top 90th and bottom 10th percentiles in household disposable income to give us a measure of inequality.

It shows us that the ratio dropped from over 20 in the 1960s to 11.2 in 2015-16. Thereafter there is a huge bump in 2020-21—the phase of the covid-19 pandemic, which forced a shutdown of the Indian economy causing severe devastation—reversing the gains established over decades.

What is fascinating is the recovery that followed with the ratio dropping to 12.4 in 2022-23. This only confirms that the 2020-21 bump was a clear outlier. More importantly, the rebound is an outcome of the success of the social welfare spending—including the programme for distribution of free food grains to 800 million people—to protect livelihoods from the devastation of the pandemic.

Ironically for the Congress party, this debate over inequality has put the spotlight on the stellar success of the social welfare spending undertaken by the Bhartiya Janata Party (BJP)-led National Democratic Alliance (NDA) in the last decade.

To a large degree this success is presaged on the trinity of Jandhan-Aadhaar-Mobile (JAM) that helped create a kind of economic GPS for the union government to identify a beneficiary.

As a regular reader you are aware that I have dwelled on this theme often. Not only has this saved the national exchequer nearly Rs3 lakh crore by eliminating ghost accounts and leakages, it has also caused a dramatic reduction in poverty. Sharing the link to a previous newsletter on this theme, in case you wish to recap.

[https://thecapitalcalculus.substack.com/p/revisiting-indias-inequality-debate?utm\\_source=post-email-title&publication\\_id=233257&post\\_id=144360613&utm\\_campaign=email-post-title&isFreemail=true&r=2xl9x&triedRedirect=true&utm\\_medium=email](https://thecapitalcalculus.substack.com/p/revisiting-indias-inequality-debate?utm_source=post-email-title&publication_id=233257&post_id=144360613&utm_campaign=email-post-title&isFreemail=true&r=2xl9x&triedRedirect=true&utm_medium=email)