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Poverty And Income Inequality In India

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Abstract

In India, "income inequality" refers to the wide gap between the richest and poorest citizens. According to the CIA World Factbook, in 2011, the Gini coefficient, a measure of income inequality, was 35.2% in India. Out of a total of 157 nations, India ranked 95th. Another issue is the unequal distribution of wealth; as of November 2016, one study found that only 54 percent of the country's wealth was controlled by billionaires; this was the second highest proportion in the world only behind Russia. It is estimated that the top 1% of Indians hold 58% of all wealth, while the top 10% control 80% of all Indian wealth. This trend has been on the rise, suggesting that the richest people are becoming richer at a faster pace than the poor, leading to a wider income gap. Since income tax was instituted in 1922, inequality has increased to unprecedented levels, well exceeding the 20.7% of national income earned by the top 1% under the British Raj in 1939–1940. This previous best date back to 1939–1940. India's GDP has been growing at a rate higher than that of most other nations, indicating that the country's economy is thriving. There is no guarantee that a more even distribution of national income follows from a rise in the GDP. The increasing socioeconomic inequality in India has made it harder for those living on lower incomes to have access to basic services like education and healthcare. Those at the bottom of the economic ladder are finding it more difficult to do so in light of the widening income disparity, increasing the probability that they will get trapped in a cycle of poverty. Low wages, gruelling hours, and a lack of basic services like medical care, clean water, and sanitary toilets define the poorest 10% of the population.

Keywords: *Poverty,Income,Inequality, India, worldwide, WID, Debt , Investments*

Introduction

It's often believed that not everyone in India is afforded equal rights. The World Inequalities Database (WID), Oxfam, and Forbes and Hurun's rankings of the world's richest people all address this problem. The main theme of these conversations is, of course, money. There is a shortage of trustworthy data to support debates on consumption levels (or, more precisely, consumer expenditure). Since 1972–1973, every five years, the National Statistical Organization (NSO), then known as the National Sample Survey Organization

(NSSO), has published results from a countrywide survey of consumer spending. No such event has taken place since 2012–2013. Inaccuracies in the collected data delayed the release of the 2017-18 survey results. Since 2014, the Centre for Monitoring the Indian Economy (CMIE) has started conducting an annual Consumer Pyramid Household Survey (CPHS), which has helped fill in some of the gaps. However, several experts in the field have cast doubt on the validity of the sample frame, especially in terms of the very disadvantaged. (Dev, 2018)

It's been a worldwide trend since 1971 that the top 1 percent and top 10% of Americans have owned more than the bottom 50% of Americans combined. In contrast, the latest data from micro-level polls like the National Sample Survey reveals that (NSS), the All-India Debt and Investment Survey (AIDIS), and the Consumer Pyramids Household Survey, a quite different picture of the last decade emerges (CPHS by CMIE). According to these numbers, income and wealth growth rates have been higher for low-income households and lower for high-income families in India during the last several years, suggesting that the country's economic imbalance has shrunk. (Gupta & Singh, 2016)

We also analyse the state of economic inequality in India across three metrics (wealth, income, and consumption) to see how it has evolved over the last decade. Consumption, income, and wealth are all theoretically expected to be related to one another. After all, those on the lower socioeconomic rungs tend to score lower on all three measures, while those at the top end tend to score higher. Individual agency (such as how much of one's salary one saves) and situation (such as economic climate) interact to influence all of these aspects. Work conditions, income stability, inheritance, economic downturns, health emergencies, and the need to prepare for retirement are all personal issues. People's attempts to maintain their standard of living in the face of fluctuations in their income or other collective circumstances might put a strain on their wealth and force them to dip into their savings. These factors suggest that the link is flawed. (Dubey & Wadhwa, 2001)

However, we may prepare for the future by looking for trends in the magnitude of the gaps between these parameters. First, wealth disparity would be worse in the long term than income inequality, since wealth is built up over time via savings, investment returns, and inheritances. Second, with more money coming in, consumers may afford to spend more, but the pace of growth decreases with higher incomes. Because of this, it is common knowledge that the wealthy save more money than the poor. This is why it's more common for income to exceed expenditures than vice versa. People also strive to maintain a

consistent level of spending when their income is inconsistent. Equitable while economic developments have made wealth and income distribution more or less even, consumption distribution has remained rather steady. In actuality, the disparity in wealth often outweighs that in income, and the disparity in income typically outweighs that in consumption.

According to the report on the state of inequality in India, the number of very poor Indians fell by 12.3 percentage points between 2011 and 2019 and has been consistently low since then. However, the top 0.1% of incomes are responsible for 7.5% of national income, according to the report.Home 2019 and 2020, the top 1% of earners will take in almost three times as much as the bottom 10%. Income distribution is shown to be very unequal, with the top 1% receiving 6.82% of all income and the top 10% receiving 32.526%. However, only around 22% really reached the bottom 50% of the population. Ten percent of all wages, according to the PLFS 2019-20, are at least Rs 25,000 per month (Rs 300,000 per year). The report's findings back up this terrible reality. A individual whose yearly income is $340,000 may be among the top 10% of wage earners in the nation, as shown by this data. (Himansu, 2007)

According to the NFHS-V (National Family Health Survey), 2019-21 report, just 10.4 percent of the population lives in poverty in the cities, while 54% of the rural population (the bottom 40% of the total population) resides in the two lowest quintiles (the poorest and the poor). 74% of urban Indians also belonged to the top two wealth quintiles (richest and rich). Based on these numbers, it's clear that rural India is home to a disproportionate share of India's poor.It also exemplifies the vast differences between the several states. There are a disproportionate number of persons in the two lowest socioeconomic brackets in the north and northeast. Twelve US states and territories are home to more than half of the country's poorest residents. The highest concentrations of the two poorest categories are in the states of Assam, Bihar, and Jharkhand. The fewest members of any given group may be found in Delhi, Goa, and Kerala (in that order). According to the data, there are significant regional differences between the north and the south. Southern states do better than their northern counterparts, despite their varying levels of prosperity. However, the South has a smaller proportion of the lowest two income brackets. (Himanshu, 2007)

Objective

1. Discuss about Data from a Survey on Debt and Investments for All of India
2. Discuss about Reasons for High Inequality
3. Discuss about World Inequality Database

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World Inequality Database

For this study, we analysed the wealth disparity in India using data from the most current All-India Debt and Investment Survey (AIDIS) and the World Inequality Database (WID). The World Inequality Database is a resource for studying the evolution of inequality across time (WID). The AIDIS's detailed information allows us to track changes in India's income disparity throughout time. The World Inequality Database (WID) reports that wealth inequality has worsened since 1981, with the top 10% and 1% amassing more wealth while the bottom 50% saw their share of the pie decrease (Table 1 and Figure 1). More than 60% of India's wealth has been amassed by the country's wealthiest 1% during the last decade. However, just 6% of global wealth is really within reach of the bottom half of the global population. The income disparity in India has grown substantially over the last four decades, as seen by these numbers.

Table 1: Average Share of Wealth by Economic Group in India (1961-2020)

Year	Average Share of Wealth of Bottom 50%	Average Share of Wealth of Top 10%	Average Share of Wealth of Top 1%
1961-1970	12.29%	43.18%	11.87%
1971-1980	11.75%	42.25%	11.23%
1981-1990	10.91%	45.00%	12.50%
1991-2000	8.36%	54.57%	23.31%
2001-2010	8.10%	56.60%	25.70%
2011-2020	6.12%	63.68%	31.55%

Note: The data is obtained from the World Inequality Database. The average wealth share is computed by a simple arithmetic average of annual wealth shares.

We calculate wealth expansion rates for various socioeconomic categories using WID data. This sheds light on how different socioeconomic groups' wealth evolves over time. The top 1% and top 10% of the population became wealthier than the bottom 50% of the population at any point in the 21st century (particularly as seen in Table 2). Table 2 also shows that wealth growth slowed considerably after 2010. From 1995 to 2010, it averaged roughly 8 percent annually, but from 2011 to 2020, it is expected to average about 5 percent.

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Figure 1: Wealth Inequality in India (1961-2021)

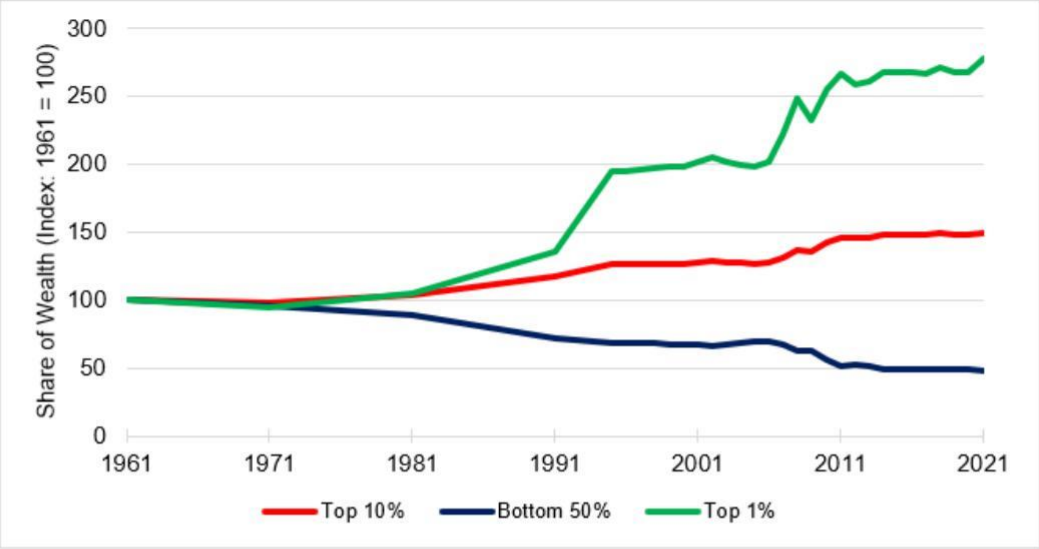

Table 2: Growth Rate of Wealth by Economic Group in India (1995-2020)				
Year	Average Annual Growth Rate of Net Personal Wealth	Average Annual Growth Rate of Net Personal Wealth of Bottom 50%	Average Annual Growth Rate of Net Personal Wealth of Top 10%	Average Annual Growth Rate of Net Personal Wealth of Top 1%
1995-2000	8.10%	8.02%	8.16%	8.24%
2001-2010	8.17%	7.39%	8.66%	9.26%
2011-2020	5.77%	5.16%	5.95%	5.97%

Note: The data is obtained from the World Inequality Database. The average annual growth rate of national wealth is computed by a simple arithmetic average of the annual growth rate of the net personal wealth due to availability of annual time-series data. The net personal wealth time series used is in constant local currency units. A detailed methodology for the construction of annual growth rate of wealth for each economic group is available in Appendix 2.

The WID also allows us to examine the distribution of wealth in comparable economies and developed nations. The poorest half of Indians have seen their wealth halve since 1961. To illustrate, here is Figure 2. The top 1 percent have seen their share of wealth increase by almost 180 percent since 1961, while the top 10 percent have seen theirs increase by roughly 50 percent (see Figure 3). Figured out. The percentage of wealth held by the top 1 percent has increased the most, from 1961 to the present, in India. Looking at measures like as the percentage of the population in the lowest half and the top ten, however, it remains second only to China. (Himanshu, 2015)

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Figure 2: Share of Wealth held by Bottom 50% (1980-2021)

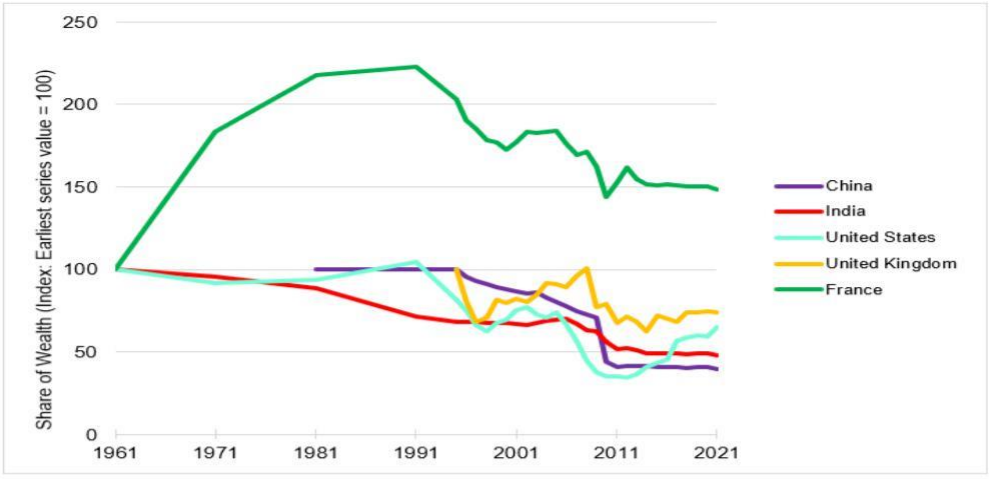


Figure 3: Share of Wealth held by Top 10% (1980-2021)

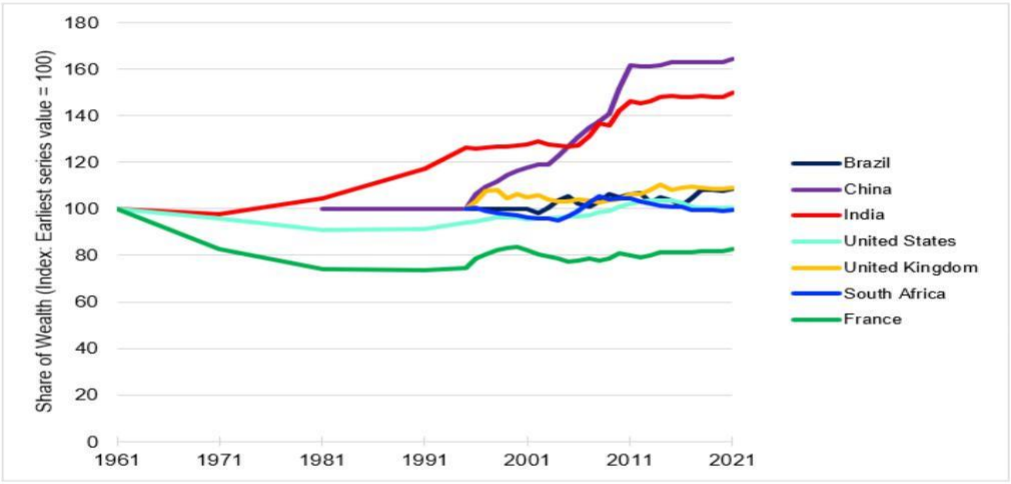
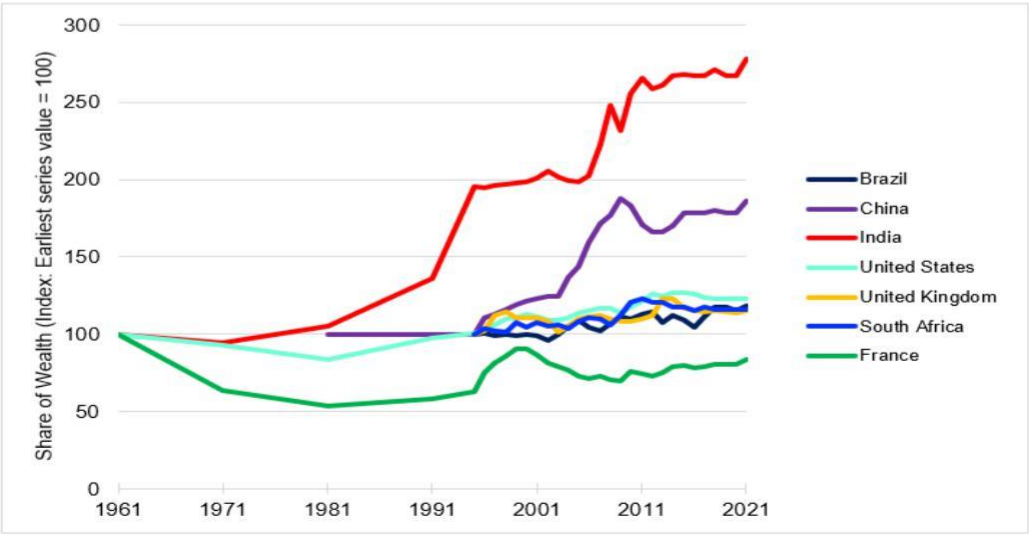


Figure 4: Share of Wealth held by Top 1% (1980-2021)



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Data from a Survey on Debt and Investments for All of India

The WID also allows us to compare the distribution of wealth to that of peer economies and more developed nations. Half of India's poorest have had their wealth halved since 1961. (Figure 2). The top 1 percent have seen their share of wealth increase by almost 180 percent since 1961, while the top 10 percent have seen theirs increase by roughly 50 percent (see Figure 3). Figured out. Only in India has the wealthiest 1 percent seen their share of the economy increase the greatest since 1961. Other metrics, such as the ratio of those in the lowest half to those in the top ten, place it second only to China.

Table 3: Share of Net Asset by Decile Group, 2012 and 2018

	All India (Weighted)	
	2018	**2012**
Top 10%	54.98%	62.98%
Middle 40%	39.37%	33.13%
Bottom 50%	5.65%	3.89%

Note: The data is obtained from the All-India Debt and Investment Survey (AIDIS) Report 2014 and 2019. Specifically, we use the following tables and figures – Figure 3.2 on Page 21 (AVA as on 30.06.2018) and Statement 3.7 on Page 27 (AOD as on 30.06.2018) from the AIDIS Report 2019; Statement 3.2 on Page 11 (AVA as on 30.06.2012) and Statement 3.5 on Page 16 (AOD as on 30.06.2012) from the AIDIS Report 2014. We adjust the wealth data in the 2019 reports for inflation by taking the CPIs in 2012-2013 and 2018-2019 respectively and treating the former as the base year. The all-India numbers are calculated by assuming a rural and urban population ratio of 3.5:6.5.

Below, we examine the AIDIS data in the same manner as we examined the WID data, focusing on the growth rates of assets for each decile group during the previous several years. Figure 5 displays, after accounting for inflation, the annualised growth rates of net assets (gross assets less debt). From this data, we may deduce that only the top 10% of the richest persons saw a negative net asset growth rate, while the other 90% experienced positive net asset growth at annualised rates ranging from 2% to 8%. The poorest 10% to 20% of the population had the greatest increase in their wealth during the last several years. It's a serious problem because net assets have been growing at a negative real rate on average. The yellow line illustrates this point. This is due to the fact that the growth rates of the wealthiest 10% are likewise negative. (Jayadev & Vakulabharanam, 2007)

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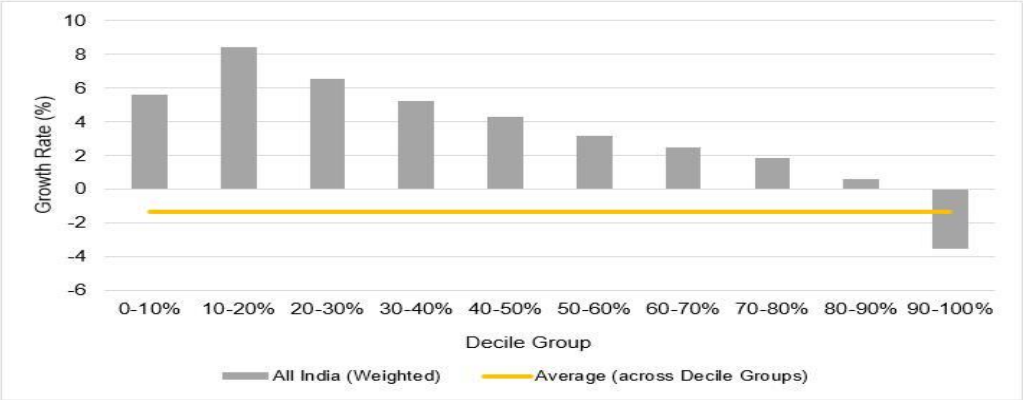
Figure 5: Annual Real Growth of Net Assets by Decile Group (2012-2018)



Our data seems to demonstrate that the wealth disparity in India has expanded over the last decade, but in two distinct ways. Longitudinal evidence from the World Inequality Database (WID) demonstrates that wealth inequality has worsened dramatically over the last four decades. In comparable and developed nations, this is often not the case. In contrast, data from AIDIS shows that between 2014 and 2019, the gap between Indian families' gross and net assets has been narrowing. Keep in mind that in 2012, the amount of agricultural land held by families was estimated using data from the AIDIS survey. The projections for 2013–2020 are based on the continuation of the assumption that agricultural land contributes the same proportion of national GDP as it did in 2012. According to (Bauluz, et al., 2021). To better understand the evolution of wealth disparity over time, it may be instructive to peruse AIDIS reports. We anticipate an updated version of WID that incorporates the most current data from AIDIS, but for the time being, the WID data presents a solid picture of how India's wealth has evolved over time.

Due to the possible underrepresentation of outliers in the sample frame, the AIDIS results should be utilised with care. The top 0.001 percent of the population holds 16 percent of the wealth, according to an intriguing experiment in which data from AIDIS and affluent lists was combined (as opposed to the negative growth observed for the richest, based on the AIDIS data alone). When the missing wealthy are added to the survey data, the overall effect is a smaller reduction in wealth inequality. (Leigh, 2007)

Income Inequality

Table 4 and Figure 6 use WID data to compare the shares of the national median income enjoyed by the poorest 50%, top 10%, and top 1% of the population throughout many decades. Between 1951 and 1991, there was a little fluctuation in the percentage of national revenue earned by various

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economic groupings. However, since 1990, the percentage of the nation's income that goes to the bottom 50% of the population has been consistently declining, while the percentage that goes to the top 10% and 1% has been constantly growing. This trend seems to be widening the gap between the wealthy and everyone else.

Table 4: Average Share of Income by Economic Group in India (1951-2020)

Year	Average Share of Income of Bottom 50%	Average Share of Income of Top 10%	Average Share of Income of Top 1%
1951-1960	18.56%	38.62%	13.13%
1961-1970	20.10%	36.98%	12.91%
1971-1980	20.75%	34.62%	10.05%
1981-1990	20.24%	34.69%	9.87%
1991-2000	19.08%	38.75%	13.26%
2001-2010	16.26%	47.37%	19.42%
2011-2020	13.25%	56.74%	21.74%

Note: The data is obtained from the World Inequality Database. The average income share is computed by a simple arithmetic average of annual income shares.

A country's economic health may be gauged by looking at its income growth rate, which reflects the extent to which the economy's production has shifted. Good economic development benefits everyone, even the poor, therefore it's crucial to devote a lot of attention to it. However, statistics reveal that income growth is often smaller for the poor than for the affluent. We may calculate the percentage increase in each group's share of India's total income since the middle of the 20th century by looking at the percentages of India's total revenue that each group makes up. Income growth rates for the top 1 percent and top 10 percent and the poorest 50 percent diverge more sharply after 1980, as seen in Table 5. However, the disparity between the affluent and the poor in terms of income growth has narrowed during the last decade. (Sen & Himanshu, 2004)

Figure 6: Income Inequality in India (1951-2021)

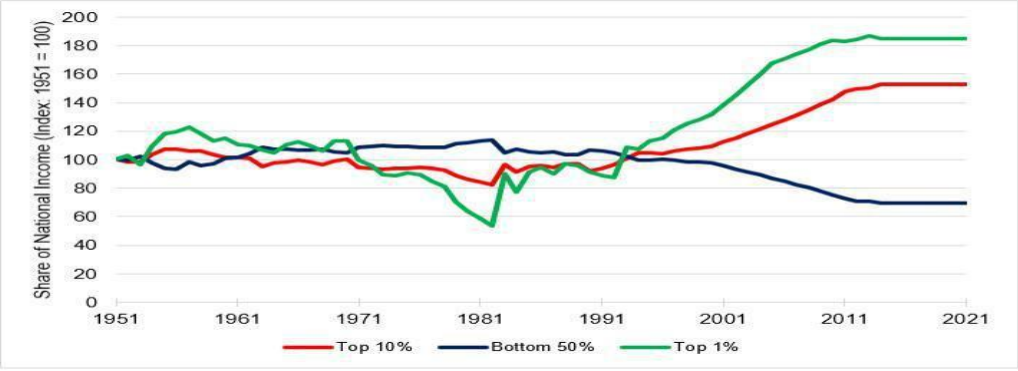

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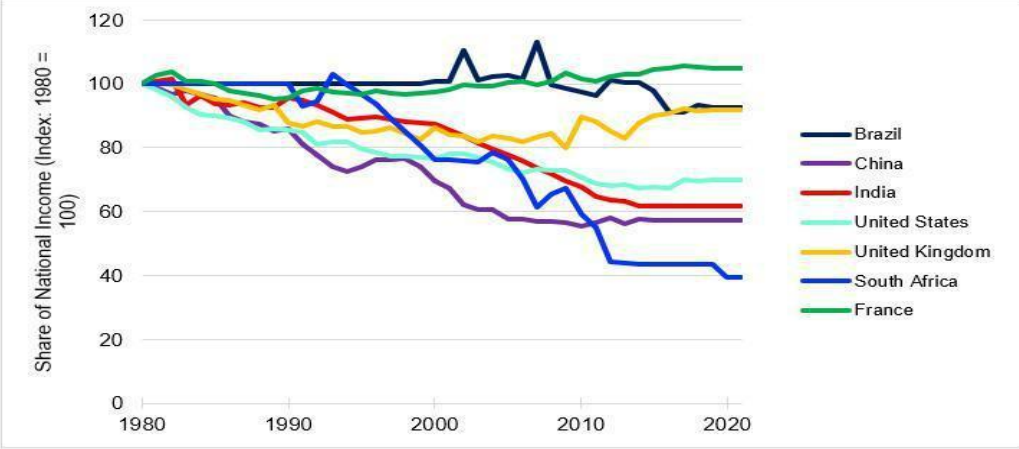
Table 5: Growth Rate of Income by Economic Group in India (1951-2020)

Year	Average Annual Growth Rate of National Income	Average Annual Growth Rate of Income of Bottom 50%	Average Annual Growth Rate of Income of Top 10%	Average Annual Growth Rate of Income of Top 1%
1951-1960	4.31%	4.36%	4.38%	4.99%
1961-1970	3.97%	4.14%	3.93%	3.90%
1971-1980	3.02%	3.31%	2.37%	0.55%
1981-1990	5.45%	5.25%	5.71%	6.98%
1991-2000	5.69%	5.31%	6.45%	7.29%
2001-2010	6.67%	5.55%	7.82%	8.12%
2011-2020	5.35%	4.97%	5.66%	5.37%

Note: The data is obtained from the World Inequality Database. The average annual growth rate of national income is computed by a simple arithmetic average of the annual growth rate of the net national income due to availability of annual time-series data. The net national income time series used is in constant local currency units. A detailed methodology for the construction of annual growth rate of income for each economic group is available in Appendix 2.

Because it reflects the shift in economic production, the rate of income growth is a useful indicator of an economy's health. The fact that economic expansion benefits everyone—including the poor—is why it receives so much attention. However, statistics reveal that income growth is often smaller for the poor than for the affluent. By analysing each demographic's proportion of India's overall income, we can calculate how much their standard of living has improved since the middle of the last century. According to Table 5, the disparity between the top 1% and top 10% of earners and the lowest 50% of earners widened after 1980. However, the disparity between affluent and poor in terms of income growth has narrowed during the last decade. (Mazumdar, Sarkar, & Mehta, 2017)

Figure 7: Share of National Income of Bottom 50% (1980-2021)



Note: This figure includes South Africa and Brazil that witnessed large declines in share of wealth of the bottom 50%, including periods where the share of wealth held was negative (due to debt). We excluded these countries in the corresponding figures in section 2 for ease of exposition.

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Figure 8: Share of National Income of Top 10% (1980-2021)

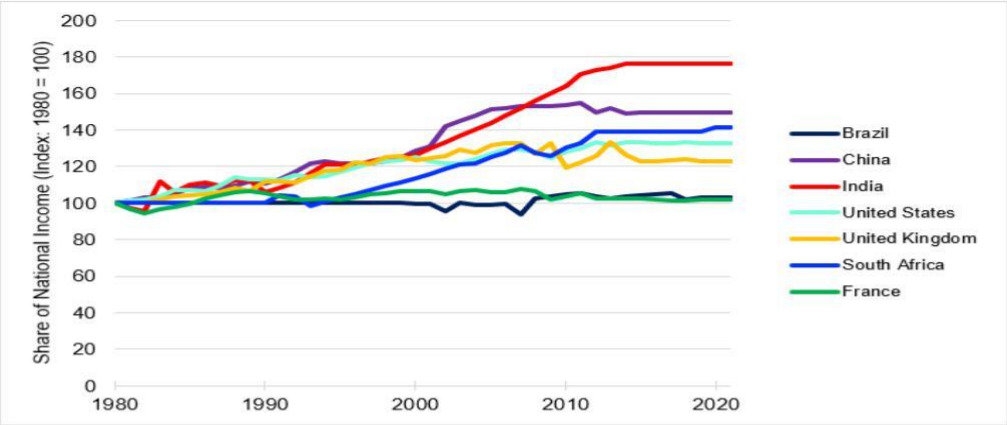
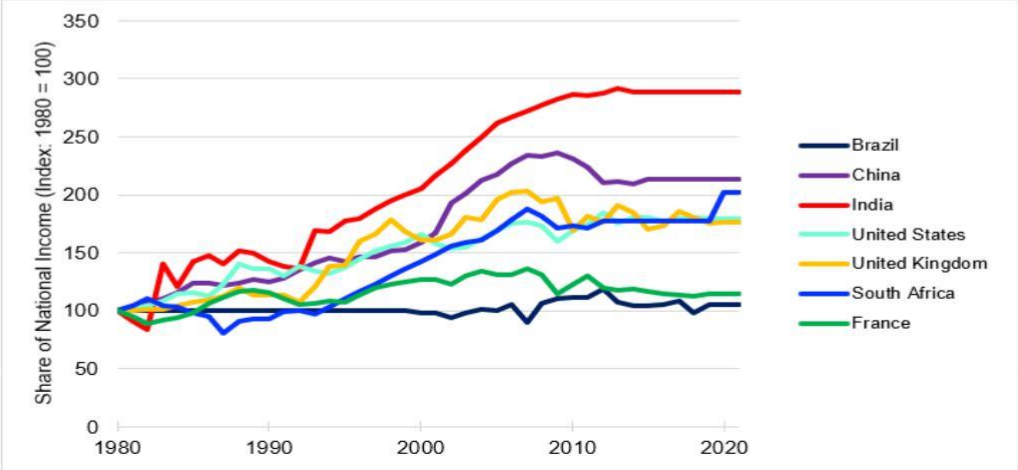


Figure 9: Share of National Income of Top 1% (1980-2021)



We have previously warned that utilising WID data to examine income disparity in India during the last several years may need further caution. Income distributions are determined by extrapolating consumption survey data under the premise that there is a positive correlation between income and consumption (for the highest income groups). According to Chancel and Piketty (2019), where there is no tax or consumption survey data for a particular year, the WID data assumes that the growth rate is the same as in previous years. Income disparity seems to have worsened during the 1980s, even if data for more recent years is lacking. We won't know how income inequality in India has evolved over the previous several years until fresh data from consumer surveys are incorporated to the WID.

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Consumption Inequality

NSS data

According to our findings, income disparity has narrowed over the last decade. According to NSS data gathered by the NSSO, income inequality in India decreased between 2011 and 2017. Monthly consumption expenditures by high-income, middle-income, and low-income families in India, 2011–2017 (Table 6). The top 5% and top 10% have spent less on consuming as a percentage of income between 2011 and 2017, whereas the lowest 50% have increased their spending as a percentage of income.

Table 6: Share of Consumption Expenditure by Decile Group (NSS Data), 2011 and 2017

Decile Group	All India (Weighted)	
	2017	**2011**
Top 5%	16.23%	18.67%
Top 10%	25.53%	28.56%
Middle 40%	45.56%	44.42%
Bottom 50%	28.91%	27.02%

Note: The data is obtained from the Reports on Key Indicators of Household Consumer Expenditure for 2011-12 and 2017-18. Specifically, we use the data on the average MPCE across decile classes from reports (presented in Table T3 on Page 11 of the 2011-12 report and Table T-3 on Page 9 of the 2017-18 report). We adjust the 2017-18 data for inflation by taking the CPIs in 2017-18 and 2011-12 respectively and treating 2011-12 as base year. The numbers for All-India are calculated by taking a weighted average of rural and urban population using a ratio of 3.5:6.5, following Subramanian (2021).

The average monthly per capita consumption expenditure (MPCE) of wealthy, middle-class, and low-income families is broken down by annualised real growth rate in Table 7. Only the middle 40% and the poorest 50% are increasing their purchases. When accounting for price increases, the wealthiest 10% of households spent less on consumer goods and services in 2017 than they did in 2011. As a result, both personal consumption and overall economic growth slowed significantly, by around 2 percentage points. (Kim, 2012)

Table 7: Annual Real Growth of MPCE by Decile Group (2011-2017)

Decile Group	**All India (Weighted)**
Top 5%	-2.48%
Top 10%	-2.03%
Middle 40%	0.24%
Bottom 50%	0.95%
Average across Decile Groups	-0.18%

Note: The data is obtained from the Reports on Key Indicators of Household Consumer Expenditure for 2011-12 and 2017-18. Specifically, we use the data on the average MPCE across decile classes from reports (presented in Table T3 on Page 11 of the 2011-12 report and Table T-3 on Page 9 of the 2017-18 report). We adjust the 2017-18 data for inflation by taking the CPIs in 2017-18 and 2011-12 respectively and treating 2011-12 as base year. The numbers for All-India are calculated by taking a weighted average of rural and urban population using a ratio of 3.5:6.5, following Subramanian (2021). We annualize the growth rates using: y_t= 〖(1+g)〗 ^t y_0. We calculate the average growth rates across all the ten decile groups in the last row of the table. Note that since we take the average growth rate across all decile groups and this is annualized, this is not a simple weighted average of the other rows' growth rates in the table.

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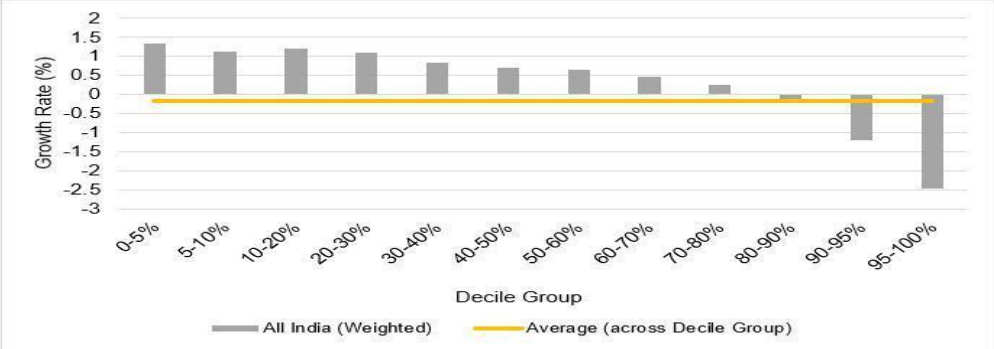
From 2011-2017, MPCE growth rates are shown in Figure 10 for each of the ten decile groupings. The lower 80% of the population are spending more of their income on consumer goods. Across all categories in the decile distribution, consumption growth is much slower than GDP per capita growth. The yellow line represents the weighted average growth rate of consumer expenditures across all 10 decile categories. Once again, consumer spending is on the decline. When wealthy individuals reduce their spending, the average falls as a result. When we examined the AIDIS data, we saw the similar disparity in wealth. (Lee & Lee, 2018)

Figure 10: Annual Real Growth of MPCE by Decile Group (2011-2017)



Note: The annualized per capita GDP growth rate over the period is 5.52%. We calculate these figures using the per capita GDP at constant prices from the RBI Handbook of the Indian Economy, 2017-2018.

CPHS data

The Centre for Monitoring Indian Economy's Consumer Pyramids Household Survey (CPHS) data is also included in this article (CMIE). Similar trends can be seen in the data: the gap between individuals' spending habits has narrowed from 2014 to 2019. Spending on consumer goods is decreasing among the wealthiest 10% but increasing among the middle and lowest 10%. (Table 8). These findings corroborate those from NSS polls.

Table 8: Share of Consumption Expenditure by Decile Group (CPHS Data), 2014 and 2019

Decile Group	All India	
	2019	**2014**
Top 10%	23.59%	26.39%
Middle 40%	45.87%	45.79%
Bottom 50%	30.54%	27.82%

Note: The data is obtained from the Consumer Pyramids Household Survey data collected by the Centre for Monitoring Indian Economy (CMIE).

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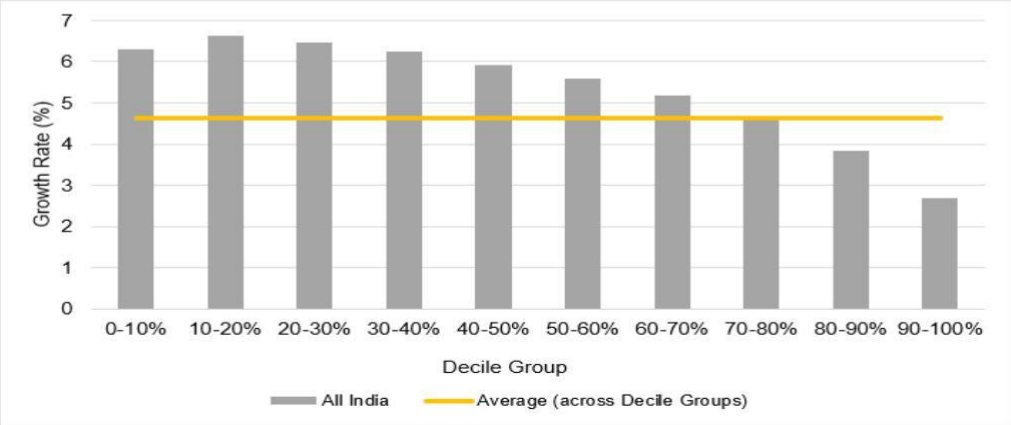
The CPHS data is similarly adjusted for inflation when calculating growth rates for various types of expenditure. Table 9 and Figure 11 show the average yearly increases in MPCE by demographic in the years 2014-2019.

Table 9: Annual Real Growth of MPCE by Decile Group (2014-2019)

Decile Group	All India (Weighted)
Top 10%	2.69%
Middle 40%	4.66%
Bottom 50%	6.27%
Average across Decile Groups	4.63%

Note: The data is obtained from the Consumer Pyramids Household Survey data collected by the Centre for Monitoring Indian Economy (CMIE).

Figure 11: Annual Real Growth of MPCE by Decile Group (2014-2019)



Note: The annualized per capita GDP growth rate over the period is 2.96%. We calculate these figures using the per capita GDP at constant prices from the RBI Handbook of the Indian Economy, 2019-20.

Once again, we see that lower-income families have a faster-growing rate of consumer spending. However, no negative growth rates are shown in the NSS data, either overall or for any subset of respondents. Instead, all of the categories show positive growth, and the average increase in consumption (4.63 percent) is greater than the increase in GDP per person (2.6 percent) throughout this time period (2.96 percent). Some persons at the lowest end of the consumption distribution may have been left out of the CPHS statistics, which has raised some eyebrows.

Unfair consumption during COVID

The impact of COVID on the economy and public health was unexpected. We may utilise CPHS data to learn how households' consumption changed during

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the COVID lockdown and what became of the disparity between households' consumption before and after the lockdown. Spending by affluent, middle-class, and low-income families on consumer goods and services is compared to their December 2019 levels in Table 10. While the wealthiest 10% cut down on their spending, the lowest 50% increase theirs by around 1%. We observed that during COVID, there was almost no variation in people's spending habits. According to Gupta et al. (2021), economic inequality decreased during the COVID epidemic (so did consumption inequality, but to a lesser extent). The decline in capital income for the wealthy and the corresponding decline in demand for labour at the top of the wage distribution are at the root of these trends.

Table 10: Share of Consumption Expenditure by Decile Group (CPHS Data), August 2020 and December 2019

Decile Group	All India	
	Aug-20	**Dec-19**
Top 10%	21.84%	23.59%
Middle 40%	46.32%	45.87%
Bottom 50%	31.83%	30.54%

Note: The data is obtained from the Consumer Pyramids Household Survey data collected by the Centre for Monitoring Indian Economy (CMIE).

In Figure 12, we see the percentage increases in consumer spending from December 2019 to August 2020 for each of the 10 income deciles. When considering the decline in consumption inequality during COVID, it is important to note that all decile groups reduced their consumption spending throughout this period (by 16.8 percent). The largest decline was seen in the group with the greatest money, although all of them were negative (at least before August 2020, with the first round of lockdown).Despite focusing mostly on economic disparity, it's worth noting that we haven't spent much time discussing poverty in this post. Using CPHS data, Dhingra and Ghatak (2021) conclude that between December 2019 and December 2020, poverty increased by 9.3 percentage points in rural regions and by over 11.7 percentage points in urban areas. The first few months of the CPHS saw a 14.2 percentage point increase in rural poverty and an 18.1 percentage point increase in urban poverty. The true rise in poverty caused by Covid-19 is likely to be bigger than what the numbers suggest because to various issues with the CPHS data. (Sylwester, 2000)

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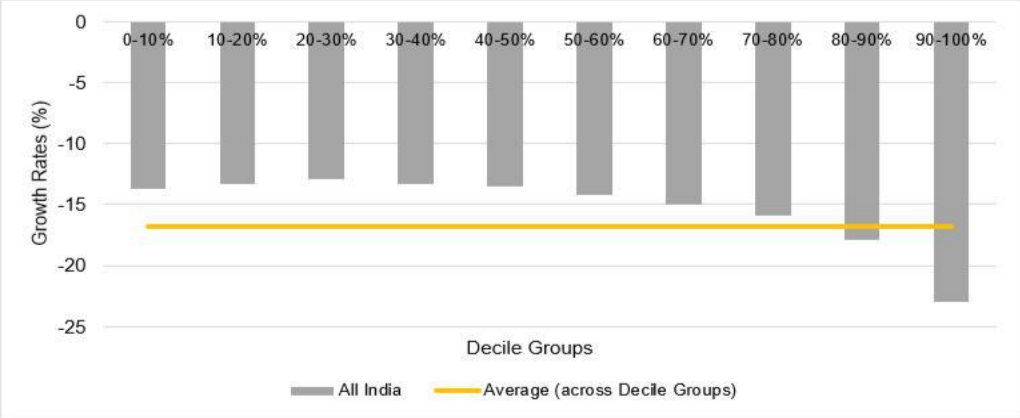
Figure 12: Growth Rates of per-capita Expenditure across Decile Groups (December 2019 - August 2020)



Using a wide range of statistics and expert opinion, this article examines the state of economic inequality in India. According to World Inequality Data, India's wealth gap is one of the largest among its peers and developed nations, and it has been widening over the last several decades. Recent surveys of households, however, reveal that economic inequality (in terms of wealth and consumption) has been shrinking in recent years, according to our study.

Subramanian (2019) attributes the recent decline in economic inequality to a general tilt to the left and a decrease in the income and spending of the affluent; by calculating the growth rates for each decile group, we can better understand the factors at play. In addition, this makes sense given that poverty is increasing, a topic we hardly touched on. From 2011-12 to 2019-20, Mehrotra and Parida (2021) use data from the NSO's Periodic Labour Force Survey (PLFS) to determine that both the poverty head count ratio and the overall number of poor individuals in India have increased. The NSS data support this conclusion (Subramanian, 2019).

While there are still issues with the data, our findings may be explained as follows. If an economy is already uneven and has a surplus of workers, then reducing the growth rate may help reduce the issue of inequality. If profits from capital increase faster than those from labour in an economy with too many employees, as is often believed, then a slowdown in growth would likely to halt the process by which the affluent gain more from economic expansion than the poor. (This point is shown using a simplified model in Appendix 3.) Assuming other factors remain constant, it is evident that widening disparities in wealth are undesirable. However, it may be inaccurate to concentrate just on inequality without also considering averages or poverty levels, given that the

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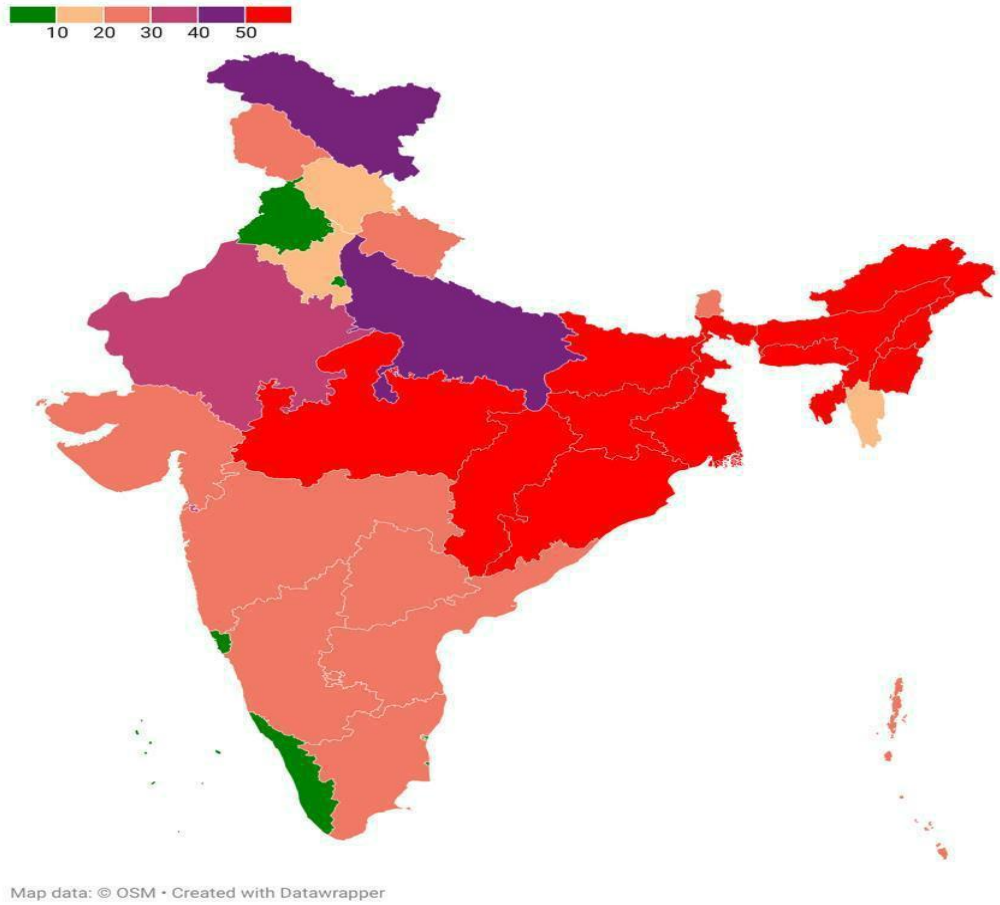
economy as a whole is slowing (or perhaps decreasing, as was witnessed immediately after Covid-19).

Figure 13: The percentage of poor and poorest people (the bottom 40% of the population) in each Indian state



Source: NFHS-V, 2019-21

There is "extreme inequality" in India, as reported by the World Inequality Database (WID) in 2021. The average yearly income for an adult in India is estimated to be INR 204,200. The richest 10% of Indians make about 20 times the median yearly wage (INR 1,166,520) compared to the bottom 90% (INR 53,610). The bottom half of the population receives just 13% of national income, while the top 10% get 57% and the top 1% receive 22%.Some individuals in India have a lot of money, whereas others don't. Looking at the wealth gap between the top 10% and the lowest 50% of the population, we can see that it is widening. There are reports that the top 1% of Indians control 65% of the country's total household wealth, while the bottom 10% own just 6%. The wealth gap between the richest 10% and the poorest 50% in India is far larger than the income gap. (Das, 2012)

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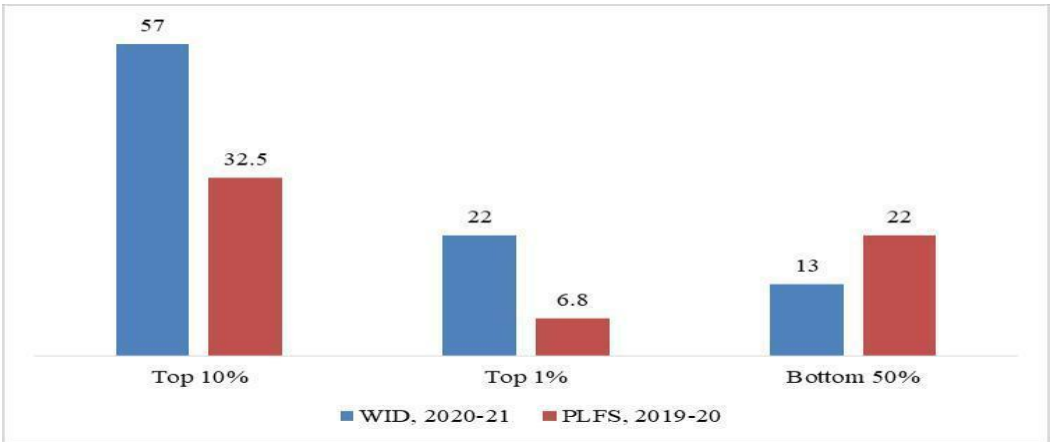
Figure 14: WID 2020–21 and PLFS 2019–20: Analyzing Income Disparity in India



Source: WID, 2020-21 and PLFS, 2019-20 Reports

The NFHS-V dataset cannot be directly compared to the WID or PLFS datasets since they contain information on the income inequality between the bottom 50% and the top 10% or 1% of the population. By focusing on urban areas, researchers were able generate hazard estimates of the proportions of the population in each wealth quintile. **(hancel & Thomas, 2018)**

Reasons for High Inequality:

The widening income divide in India might be due to a number of factors. In 2021, just little more than 18 percent of women will participate in the labour force. The wealth and income inequality will widen as a result of this. The World Bank predicts that by 2021, India's total workforce participation rate would fall to 46.3%, making it even lower than Pakistan's percentage (50.2 percent). As can be seen in Figure 3, the labour force participation rate has been falling since 2010. Many Indians were unable to escape poverty since it was so low in 2020.

Despite India's economy expanding considerably over time, the country's persistent poverty problem persists. The graphs below demonstrate the failure of the "trickle-down" idea. The income gap between the bottom half and the top 10% has widened since 1990, as seen by the graph. Both the service and manufacturing sectors failed to add to the labour force, despite the rapid expansion of the economy. (Banerjee & Esther, 2013)

Figure 15: The number of working-age Indians (15+), yearly GDP growth, and the income gap between the top 10% and the bottom 50% since liberalisation.

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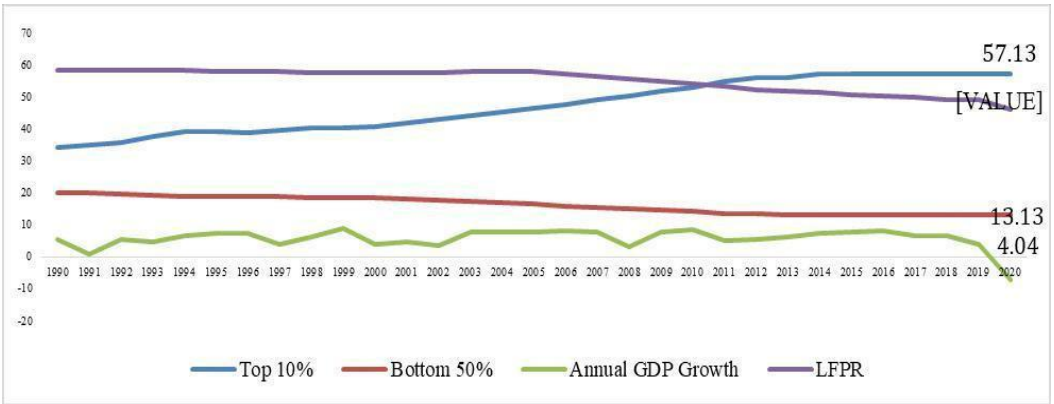
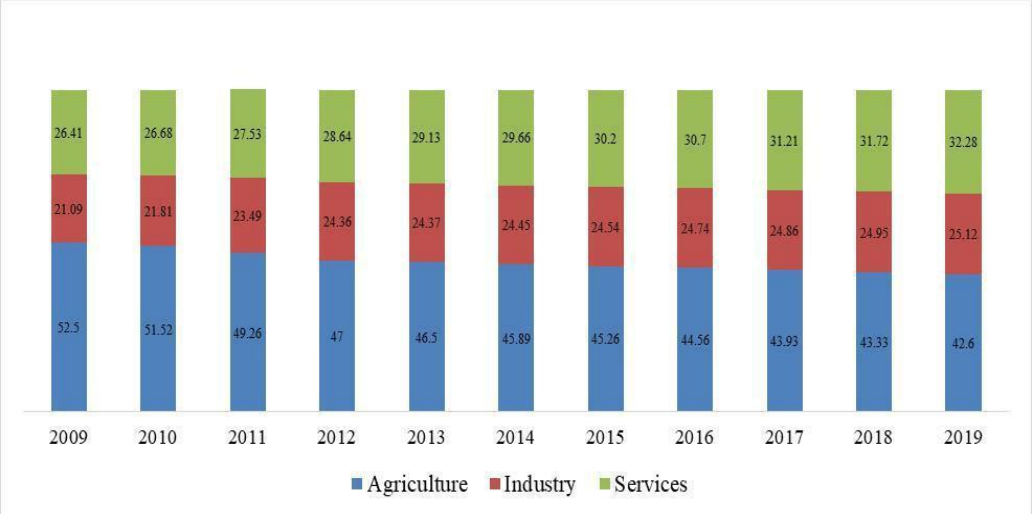


Source: World Bank (ILOSTAT Database), 2021; World Inequality Database, 2020; Value shown is for 2019.

There are a number of factors contributing to the worsening income gap in India. In 2021, just little more than 18 percent of women will participate in the labour force. This makes it more challenging for certain individuals to advance in their careers. The World Bank predicts that by 2021, India's total workforce participation rate would fall to 46.3%, making it even lower than Pakistan's percentage (50.2 percent). As can be seen in Figure 3, the labour force participation rate has been falling steadily since 2010, reaching a minimum in the year 2020. Many Indians' lives were prolonged by this factor.India's economy has grown significantly over the years, yet the country's poverty issue has not gone away. The results show that trickle-down theory didn't work. Since 1990, the income disparity between the poorest half of the population and the wealthiest 10% has grown, as shown by the graph. Despite the robust state of the economy, it is evident that no new employment were generated in either the service or manufacturing sectors. (Bach, Giacomo, & Steiner, 2012)

Figure 15: Percentage of the Workforce



Source: CEIC Data, World Bank

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Third, India's spending on social services has grown over time, from 6.2% of GDP in 2014-2015 to 26.6% in 2021-22. (It is indicated in the preliminary expense plan). From 4.5 percent to 6.6 percent of GDP, health care spending has grown, but social services like education have dropped (from 10.8 percent to 9.7 percent). Medical costs are spiralling out of control, forcing even People into poverty. Parents may fall into poverty if they are unable to pay for their children's education. Worryingly, education's share of total expenditures has been falling for a decade, and by 2020-21, it will account for just 10.4 percent. (Abraham, 2017)

According to the State of Inequality in India Report 2021, 33.50% of the population worked full-time, while 45.78% were self-employed. According to the data, 50.2% of the working-age population will really be employed in 2019-2020. (The FLFP was 30%, whereas the MLFP was 76.8%). (Nair, 2016)Throughout 2019-2020, the LFPR in the nation was 50.7%, whereas it was just 49.3% in the city. The NFHS-V, 2019-21 demonstrates that India has a greater poverty rate than the rest of the world because of its large number of part-time employees and its low LFPR. According to BPL cards, 45.5 percent of the families in the nation are economically vulnerable. However, according to the most current statistics from the NFHS-IV (2015), only 38.6% of families held BPL cards, indicating that this is not a reliable indicator of poverty (45 percent). Since the population of India's poor is decreasing, this doesn't make any sense. The quantity of BPL cards should ideally decrease with time.It would be difficult for the Government of India to reduce inequality when the LFPR is so low (50.8% in 2019-20) and the unemployment rate is so high (4.8% in 2019-20). To add insult to injury, 71% of Scheduled Tribes and 49% of Scheduled Castes are comprised of persons in the two worst wealth quintiles (NFHS-V, 2019-20).

Conclusion

How income disparity changes over time is affected by how much people move up or down the economic ladder. Income inequality has narrowed, but many people who have risen out of poverty in recent decades still face a precarious future if they let their guard down. And the vast majority of the impoverished today have been poor for quite some time. It will become more difficult to eradicate poverty in India via development alone if the structural challenges that prevent the chronically poor from escaping poverty are not addressed. If India succeeds in addressing these issues, it would be far simpler to eliminate poverty via economic development alone.Therefore, it may be argued that there are more marginalised groups, the majority of which are concentrated in the

country's poorest fifth. Because of this, the percentage of people living in poverty throughout the globe will rise. The government of India, along with those of a number of other states, must enhance their efforts to provide more job possibilities and their expenditure on critical social services like medical care and education in order to tackle the problem of inequality. Very little communication occurs between generations, and this trend shows no signs of abating anytime soon. This shows that not everyone has equal access to resources. In addition to improving social justice, eliminating these sorts of disparities might spur economic expansion that further reduces inequality. It would be ideal if one of these things happened. This may be the result of more people, especially the less privileged, deciding to further their education.

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