

The gap between India and Bharat: The Real Face of India's Economic Inequality

“Where do you stay Sannyasida?” I asked my aunt’s driver in Bengali “Why? ITC Sonar Bangla,” came the instant reply. Looking at my facial expression my aunt explained, “What he meant was the slum adjacent to ITC Sonar Bangla, the 5 Star Hotel”. This pretty much sums up the economic growth of India- side by side we see a class of people all sorts of luxuries money can provide and on the other hand some are in extreme poverty.

The problem of economical inequality in Indian society needs effective solutions. However, it is a concept that might be difficult to understand if we simply look at facts and figures. When the 11th Five-year Plan was being drafted in 2007, Indian Economy was found to be in a much stronger position than what it was a few years ago. After slowing down to an average growth rate of 5.5% during 1997-98 to 2001-02, it has accelerated significantly to 8.8% during 2003-04 to 2007-08. During 2006-07 India’s domestic output grew annually at 8.7% making it the world’s second fastest growing country after China. Yet the S.D.Tendulkar committee (appointed by the government to estimate poverty) declared that about 42% of the country’s population is below the poverty line. Very good so far. But what does these signify? Explain to me in plain language. Unpack these stats and tell me what it means. Explain if you mean that there is a disparity between the growth rate and the poverty rate. DO NOT assume that the figures are explanatory. Explain them. According to 2003 Human Development Report India is the home to one fifth of the world’s poor people. When World Bank statistics reflect increasing domestic prices and population below poverty line, but decreasing employment rates, it cannot be a good thing. World bank states: To achieve a higher rate of poverty reduction, India will need to address the inequalities in opportunities that impede poor people from participating in the growth process.

It might be argued that a major reason behind India’s growth not being sufficiently inclusive is because jobs in the organized sector have not increased despite the faster growth. The growth in Indian Economy is more of a service sector-led growth than an industry-led growth. These include increasing employment in industries such as financial, IT, banking and so on. The service sector employs a majority of very skilled labour paying them high. The majority of the population from the lower strata of society often cannot afford that education to qualify for those jobs and this increases the disparity in income level in the society. This is termed by the eminent economist Prof. Sanyal as “Growth fed by inequality”.

Add: Now here is another interesting fact. Statistics show that the number of billionaires in India has almost doubled, but at the same time 42% of the population is below the poverty line. We calculate the gini co-efficient or 10% Kuznet’s Ratio to measure inequality in the society. This is the ratio of incomes of the bottom 10% of the society and the top 10% of the society. According to the Human Development Report 2000 India’s gini co-efficient is 0.33 and Australia’s gini is 0.35 .Seeing this value ~~any person~~

someone may conclude that the situation of poverty in India is not that grave. But in reality in India the income is concentrated in the top 2% of the society. So, in place of 10% Kuznet's ratio if we take between 5%-2% Kuznet's ratio the value of inequality is seen to be much higher.

Eminent Economist Professor Kalyan Sanyal recommends addressing this problem of the growing 'the gap between India and Bharat' with strategic distribution of wealth. According to him, in a certain research it was seen that if we divide the total financial aid sanctioned by the government for the poor by the number of people below the poverty line then we get a value of approximate Rs.5,000 p.a. per person. According to him direct payment of that sum of money to the people would help many of these people to rise above the poverty line. Thus corruption and inefficiency play huge roles in creating inequality of wealth. Indian society has a unique relationship of economic inequality and castes. According to Prof. Madhura Swaminathan of ~~ISI~~ Indian Statistical Institute, in the rural areas the average income of people belonging to Scheduled Castes and Scheduled Tribes and Other Backward Classes is only about 14% of that of the average hindu households. In order to ensure inclusive growth, it is important that the nation takes effective steps towards building up human capital, breaking the social barriers and give a lot of stress on clarity and efficiency in the government proceedings.

Approach paper to Eleventh Plan Approach paper to Eleventh Plan published by the Indian Planning Commission expresses concern about the discrepancy between the growth shown in statistics over in recent years and the requirement of employment for

References

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