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Economic Inequalities in India: Some Disquieting Features

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Abstract

The paper aims at investigating the nature and extent of economic inequality in India in the post-reform period. Recent evidence suggests that economic inequality has been steadily rising in India since the onset of economic liberalization. For this, secondary information has been collected and analysed using various quantitative techniques. Results suggest that inequalities across the globe have drastically increased during 1980 to 2016, but situation is very grim in case of India. Analysis reveals that income share of top 1 per cent witnessed a continuous decline till early 1980s whereas it started rising since the mid-1980s. Since the early 2000s, the income share of top 1 per cent population in India has reached above the income share of bottom 50 per cent. Inequalities are not only limited to income distribution, but also very sharp in terms of consumption expenditure and assets holding. During 1991 to 2012, the share of bottom 30 per cent population in total private wealth declined from 2.8 per cent to 1.33 per cent, whereas, the share of top 10 per cent has increased from 51.6 per cent to 62.5 per cent. It is clear that benefits of economic growth in India have beenenjoyed by the rich, rather than percolating down to improve the economic health of poor in the phase of high economic growth.

Key words: inequalities, assets, consumption expenditure, reforms, growth.

1. Context and Background

The issue of economic inequality has been a widely discussed area both by the policy makers as well as researchers across the global(Dreze and Sen, 2011; Chandrasekhar and Ghosh, 2015; Ghosh, 2016, Chancel and Piketty, 2017; Himanshu, 2019).According to World Inequality Report (2018), rise in economic inequalities has been witnessed by almost all countries in the recent decades. Sharp increase in inequalities has been reported in case of North America, India, Russia and China since 1980. In these countries, top 10 per cent populationheld 37 per cent to 61 per centshare in national income; it was highest in case of middle East and lowest in case of Europe (World Inequality Report, 2018).

India is the second-most unequal society after South Africa in the world (World Wealth Report, 2016). The report highlights that India accounts for the highest proportion of adults (i.e. 80 per cent) in the world that find representation among the global bottom 20 per cent. As against this,just 0.3% of adults of the country are present in the top 1 per cent global wealth holders. What is even more worrisome is the fact that India is experiencing more of bad inequality wherein access to opportunities to improve the life chances is limited to few socio-economic groups only (Corbridge, 2009). While good inequality entails higher rewards to better skills, bad inequality is harmful to harmonious growth simply for the fact that few groups do not have access to opportunities to improve life chances.

With this understanding, the present paper aims atanalysing the trends in inequality in India for the period 1980 to 2012using various economic indicators drawn from secondary information. The focus of the paper, however, is limited to analyse inequality in terms of income growth, wealth holding, consumption expenditure, occupational earnings, etc. These issues are analyzed using secondary information published by the Reserve Bank of India, National Sample Survey Organization, World Bank and available information in published research.

This paper is divided into four sections including introduction. Section II provides broad understanding about the existing issue at hand. Empirical results related to inequality trends in India are discussed in section III. Paper ends with concluding observations and discussion on major findings.

2. Understanding Inequality in India: An Insight from Literature

The issue of socio-economic inequalities has been widely discussed at the global level as well as in context of India. Keeping in view the objective of this paper, in this section, existing studies mainly on the issue of economic inequalities is discussed.

Inequality in India is rising sharply since the last three decades(Himanshu, 2019[1]) and it is considered as one of the most unequal countries in the world.The seriousness of the issue can be understood from the fact that 77per cent of the total national wealth is held by the top 10 per cent of the Indian population and just the top 1per cent hold around 52per cent of the wealth[2](). Further, in 2017, poorest 50per cent of the population observed just 1per cent increase in their wealth while richest 1per centcornered 73per cent of the wealth generated[3]. Global Wealth Report, 2016 also presents similar estimates. It is shocking to observe that a minimum wage worker in rural India would take 941 years to earn an annual income equal to the earnings of a top paid executive at a leading Indian garment company. Chancel and Piketty (2017), has also observed that India is experiencing high income concentration among top 1 per cent of the population. They have observed that "*top 0.1% of earners captured a higher share of total growth than the bottom 50% (12% vs. 11%), while the top 1% received a higher share of total growth than the middle 40% (29% vs. 23%) (pp. 1).*"

The rising inequalities in wealth accumulation are also visible in terms of Gini coefficient of total assets that has increased from 0.65 to 0.74 during 1991 to 2012 (Anand and Thampi, 2016). An inter-state comparison of annual growth of asset accumulation also presents large disparities among the states. For instance, rich and middle-income states have observed continuous and rapid accumulation of assets as compared to poor states in India. A recent study by Organization of Economic Cooperation and Development (2017) reports that regional Gini index has risen from less than 0.22 to 0.28 between 1999-2000 and 2013-14. Large spatial inequalities exist in India in terms of inequality in production, consumption and access to public services across states and between rural and urban areas. The rural-urban divide in India is so large that the issue is famous with the name of 'India versus Bharat' debate. More than half of India's population still lives in rural areas but various indicators of socio-economic progress (accessibility and affordability of health and educational services, purchasing power of rural households, absolute poverty, social discrimination etc.) have always disfavored rural areas as compared to urban areas (Deaton and Dreze, 2002; Pal and Ghosh, 2007; Bhaduri, 2008; Corbridge, 2009; Hari and Hatti, 2015; OECD, 2017).

[1]https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp-2019-42.pdf
[2]https://www.oxfamindia.org/blog/what-inequality
[3]https://www.oxfam.org/en/india-extreme-inequality-numbers.

Besides, intra-state inequalities in terms of wealth accumulation are also rising as indicated by an increasing Gini coefficient in case of almost all the states during 1991-2012. In India, inequalities are visible in all its facets since increasing wealth inequality is observed across social and religious groups as well.

Existing studies have identified various underlying factors which would have driven India towards the current stage of inequality. One of the main reasons behind the increase in individual level and regional inequalities is continuous low investment in provision of public goods. In 2013, public expenditure on health care in India stood at 1.2 per cent of Gross Domestic Product (GDP), which is much lower than even many South Asian Countries viz. Afghanistan (1.7), Bangladesh (1.3), Nepal (2.6) Sri Lanka (1.4), and Bhutan (2.7) and it is further discouraging to know that, rather than increasing, this expenditure has been declining in the recent period (Hari and Hatti, 2015). Inequalities in the distribution of health and education services have risen as these services are increasingly going into the hands of private players. It is so because public sector investment in all activities including merit goods has been declining since the onset of economic reforms (Pal and Ghosh, 2007). This has adversely affected the poor strata of the society and rural population as they are not able to afford the private health and educational services. Under these circumstances, it is inevitable that inequalities would rise further. Evidence suggests that education plays a critical role in uplifting the disadvantaged sections and reducingthe inequalities (Cheema, 2013 and 2018). But inequality in access to education is severe even within urban areas; it is so much so that less than 40 per cent of the children from the bottom 20 per cent of the population attend secondary schools as against 72 per cent from the top 20 per cent of the urban population (OECD, 2017). This is the case of only urban India, and on the basis of this one can well imagine the magnitude of inequalities between urban and rural India.

Other major reason behind increase in income inequalities is increase in open unemployment owing to declining employment elasticity in both organized and unorganized sector (Papola and Sahu, 2012). Therefore, the economic growth in India is termed as 'jobless growth' (Chadha and Sahu, 2002; Mehrotra, Gandhi, Saha and Sahoo, 2012; Chandrasekhar and Ghosh, 2015). In this context, Pal and Ghosh (2007) reports fault with macroeconomic policies of the government namely trade liberalization negatively affecting mass employment sectors viz.

agriculture and small and medium enterprises, reduction of fiscal deficit by reducing capital expenditure and rural expenditure generally, reduction in public expenditure on social services, liberalization of financial sector reducing credit flow to agriculturists and small and medium enterprises, etc.

In the recent times, emerging Asia is facing considerably high inequality of incomes as compared to the rest of the world and within emerging Asia, India is only second to China in terms of growth of inequalities. It is evident from the fact that after 65 years of planning, India felt the need to focus the approach paper of its Eleventh Five-Year Plan (2007-12) and Twelfth Five-Year Plan (2012-17) on the issue of inclusive growth. Besides, in the recent years various welfare schemes viz. Pradhan Mantri Jan Dhan Yojana, RashtriyaSwasthyaBima Yojana, Pradhan Mantri Mudra Yojana, Gramoday Se Bharat Uday, AMRUT Plan, Atal Pension Yojana, Sansad Adarsh Gram Yojana have been announced by the government of India to ensure the transfer of benefits of growth to the poor population and rural development.

3. Results and Interpretation/discussion:

Understanding and analyzing inequality is a complex issue and has many facets. Here inequalities are analysed in terms of income, wealth, and consumption. First sub-section analyses the inequalities on the basis of growth in income across different income groups. Second part tries to understand the inequalities in consumption expenditure across different groups of population. Third part examines wealth inequalities in India. And last part presents locational divide in India. We have analyzed rural-urban divide and also inequality in terms of share of various sectors in total GDP and the share of employment in the respective sectors.

3.1. Inequalities in Income

Table 1 presents the extent of income growth and inequality in India as compared to other major countries of the world during 1980-2016. It shows large variations in income shares of top income groups and bottom income groups. In all these countries, cumulative real income growth per adult is systematically higher for upper income groups but the gap between the bottom 50 per cent and the top 1 is extremely high in case of India (Table, 1). During 1980 to 2016, the growth of income of bottom 50 per cent was 107 per cent whereas income growth in case of top 10 per cent was 469 per cent. It suggests that income growth of the top 10 per cent was more than 4 times that of income growth of bottom 50 per cent during the reference period. This gap is higher in case of India as compared to other selected regions. Average figures of income growth at world level present a contrary scenario wherein income of the bottom 50 per cent grew at faster rate than the top 10 per cent during 1980 to 2016.

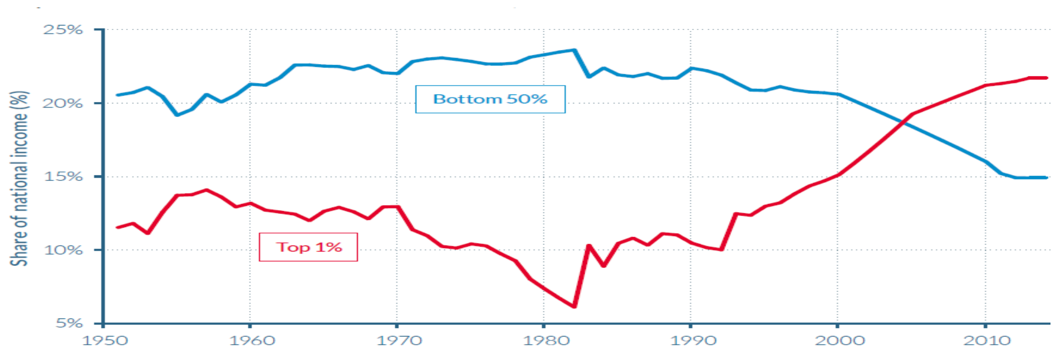
Table 1: Global income growth and inequality during 1980 to 2016

	Total cumulative real growth per adult (in %)				
Income group	**China**	**Europe**	**India**	**US-Canada**	**World**
Full Population	831	40	223	63	60
Bottom 50 %	417	26	107	5	94
Middle 40 %	785	34	112	44	43
Top 10 %	1316	58	469	123	70
Top 1 %	1920	72	857	206	101
Top 0.1%	2421	76	1295	320	133
Top 0.01%	3112	87	2078	452	185
Top 0.001%	3752	120	3083	629	235

Source: World Inequality Report, 2018.

Inequalities are not limited to top and bottom income quintiles. There is a huge variation in income growth of top 10 per cent and top 1 per cent across the selected nations (Table, 1). In case of India, per adult income growth of top 10 per cent was 469 per cent whereas growth experienced by top 1 per cent was 857 per cent. It means, income of top 1 per cent grew at almost double rate as compared to top 10 per cent, which is much higher when compared with other selected countries. Another interesting fact is that income growth varied significantly within top 1 per cent adults in India. These numbers suggest that income inequalities have been on the rise in India during the period 1980-2016.

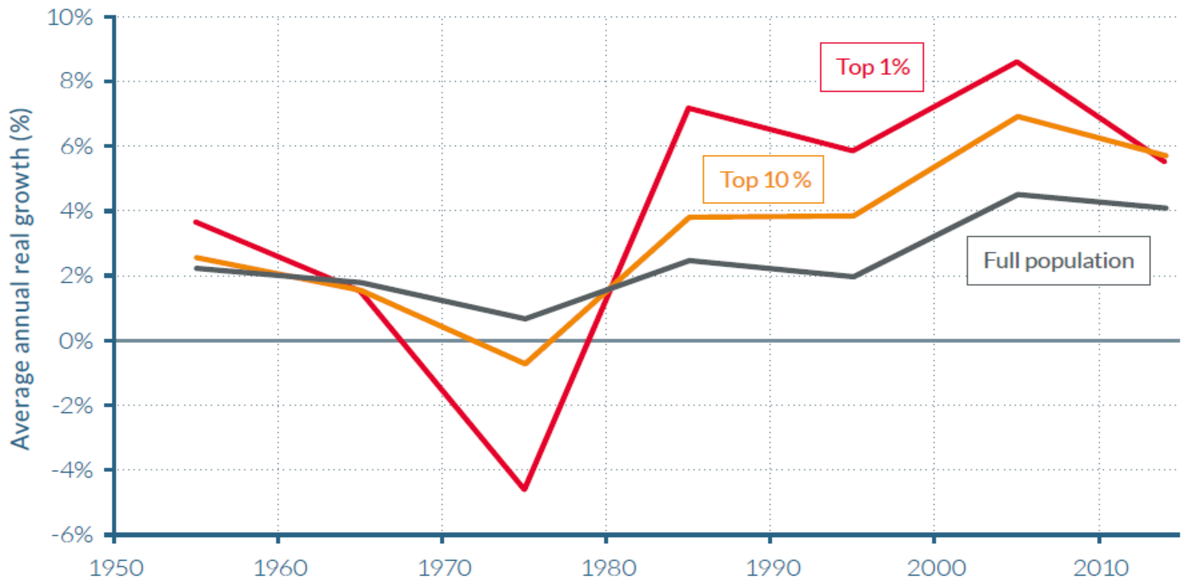
Figure 1: Top 1% and Bottom 50% income shares in India, 1950-2014



Source: Same as Table 1.

The variation in income shares in India is further highlighted in figure 1. It appears that income share of top 1 per cent witnessed a continuous decline during the mid-1950s till early 1980s whereas, correspondingly, income share of the bottom 50 per cent has recorded some improvement. The scenario has changed since the early years of 1980s. As compared to the earlier period, income share of bottom 50 per centhas observeda consistent declinesince the early 1980s while the share of top 1 per cent has consistently been on increase. It is worrisometo note that since the early 2000s, in absolute terms, income share of top 1 per centpopulation has become higher than income share of bottom 50 per centand this divergence between the two income groups in terms of their share of national income has been on rise since then (Figure, 2).

Figure 2: Income growth in India, 1951-2014: Full population vs. Top 10% vs. Top 1%



Source: Same as Table 1.

Top income groups are not only amassing more than just bottom income groups but the average of total population as well. Average annual real income growth of top 1 per cent is shown vis-à-vis top 10 per cent and totalpopulation (Figure, 2). It is surprising to note that income growth of the top 1 per cent population has remained higher than the average income growth of top 10 per cent as well as the average growth for whole of the population in India. Two important inferences emerged from Figure 2. First, income growth of top 1 per cent and top 10 per cent grew at lower rate as compared to average income growth of total population during the 1960s and 1970s. Further, income growth of both the groups (top 1 per cent and top 10 per cent) witnessed downfall till mid-1970s, the period of strict state regulations. Second, the income growth of top 1 per cent and 10 per cent has not only reached above average income growth of total population in the early years of 1980s but the gap has also widened over time. Interestingly, this coincides with the period of initiation of economic reforms process in India. With the announcement of liberalization process, all the quantitative and qualitative restrictions were eliminated and private players were given free hands to exploit the opportunities and increase their income. Further, it is surprising to note that the real income growth of bottom 40% has always remained below average (income growth of totalpopulation) between 1980 and 2016 in India. The gap is more than double as average income grew at 223 per cent but income growth of bottom 40 per cent was just 107 per cent since 1980 (World Inequality Report, 2018).

Table 2: Share of global growth captured by income groups, 1980–2016

Income group	India (in %)	World
Bottom 50%	11	12
Middle 40%	23	31
Top 10%	66	57
Top 1%	28	27
Top 0.1%	12	13
Top 0.01%	5	7
Top 0.001%	3	4

Source: Same as table 1.
Note: Values are net of inflation.

The share of global growth captured by various income groups in India vis-a-vis world reveals the growing extent of inequality in India since 1980 (Table, 2). The extent of inequality in India is acutely high in the recent years. It is evident as bottom 50 per cent population has captured 11 per cent share of global growth whereas it was 66 per cent in case of top 10 per cent and 28 per cent in case of top 1 per cent. The growth share of top 10 per cent was 6 times the growth share of bottom 50 per cent and 2.87 times the middle 40 per cent. Instead of top 10 per cent, if we consider top 1 per cent, it is surprising to note that growth share of even top 1 per cent was 2.5 times the growth share of bottom 50 per cent and 1.21 times the growth share of middle 40 per cent. Going further, the growth share of even top 0.1 per cent was more than that of bottom 50 per cent. It implies that income is getting concentrated with rich population and benefits of rapid economic growth have not trickled down to poor population as was believed by the advocates of liberalization. When we compare the Indian scenario with the global average, it appears that inequalities in Indian rich and poor are considerably high (Table, 2).

3.2. Inequalities in Consumption

The claims regarding rising economic inequalities are further substantiated by presenting information on distribution of consumption expenditure.

Table 3: Distribution of total national consumption expenditure

	Bottom 20%	Bottom 40%	Top 20%	Top 10%
1983	9.0	22.2	39.1	24.7
1993–94	9.2	22.3	39.7	25.4
2004–05	8.5	20.3	43.9	29.2
2009–10	8.2	19.9	44.8	30.1
2011–12	8.1	19.6	44.7	29.9

Source: Himanshu (2019).

Rising inequalities in India are well manifested in terms of consumption expenditure. Table 3 shows consumption expenditure of bottom 20 percent and bottom 40 per cent vis-à-vis top 10 per cent and top 20 per cent. It is worrisome to note that sharp income inequalities in India are equivalently sharp in case of consumption expenditure as well. Bottom 20 per cent tends to consume just around 8-9 per cent during 1983 to 2011-12 whereas the corresponding figure for top 20 per cent ranged from39-45 per cent. Not only this, consumption expenditure of bottom 20 per cent remained below even that of top 10 per cent which varied from 25-30 per cent. It indicates that bottom 20 per cent is consuming much less than half of what top 10 per cent are consuming in India and almost one-fourth of what top 20 per cent are consuming. Now if we focus on bottom 40 per cent versus top 20 per cent and top 10 per cent, then it is a big surprise that bottom 40 per cent is consuming less than top 20 and even top 10 per cent. The consumption of bottom 40 per cent is almost half of top 20 per cent. It is further surprising to note that the consumption share of bottom 20 per cent and 40 per cent has declined from 9 per cent and 22.2 per cent in 1983 respectively to 8.1 per cent and 19.6 per cent in 2011-12. Contrary to this, the share of consumption expenditure of top income groups (20 per cent and 10 per cent) has increased significantly during the period 1983 to 2011-12.

3.3. Wealth inequalities in India

Wealth inequalities in India have been continuously increasing and reached at alarming stage in the recent years. Table 4 provides evidence ondisquietingly high and worsening level of inter-personal disparities in India. In 1991, top 1 per cent population held nearly 17 per cent of total wealth in India and top 10 per cent accounted for more than half of the total wealth of the country. Between 1991 and 2012, the share of wealth accounted for by these top groups has remained continuously increasing. By 2012, the share of wealth with top 1 per cent and top 10 per cent increased to around 28 per cent and 63 per cent, respectively. Correspondingly, 90 per cent of the population in India was holding just around 37 per cent of total wealth. What attracts more attention is that the rate of wealth accumulation in the countryhas remained increasing over this time. Therefore, it indicates that benefits of growth are not trickling down to lower income groups but are getting concentrated at the top. Further, a strong jump was noticed in the rate of wealth accumulationof top income groups in the period after 2002. The change in wealth accumulation among the richest population in India was occurring at a rate of less than 1 per cent during 1991-2002 which suddenly jumped to above 10 percentage points after 2002. During the reference period, the rate of change in total wealth of these groups ranged between 10 to 12 per cent.

Table 4: Concentration of Wealth, 1991-2012

Year	Top 1%	Top 5%	Top 10%
1991	16.94	37.79	51.61
2002	16.95	38.27	52.46
2012	27.60	50	63.02
	Change in Total Wealth		
1991-2002	0.01	0.48	0.85
2002-2012	10.65	11.73	10.56
1991-2012	10.66	12.21	11.41

Source: Prepared based on Anand and Thampi (2016).

Note: Figures in parenthesis refer to population share.

To get further insights about the distribution of wealth, whole population is classified into 10 deciles starting from top 10 per cent to bottom 10 per cent. It is observed that bottom 90 per cent population in India has witnessed reduction their share in wealth during 1991 to 2012, however, reduction is sharper in case of lower deciles (Table, 5). The combine share of bottom 30 per cent population in total wealth was 2.8 per cent in 1991 which declined to 1.33 per cent in 2012, whereas, correspondingly, the share of top 10 per cent has increased from 51.6 per cent to 62.5 per cent. Concentration of wealth in fewer hands has been further supported by the fact that share of bottom 80 per cent population has been steadily declining after 1991. The share of bottom 80 per cent population in total private wealth has shrunk by almost 10 percentage points(from 32.1 per cent to 22.53 per cent) during 1991 to 2012. Trends are more worsening as population in the top second declie has also reported loss in their wealth share after 2000 (Table, 5). All these evidence points out that inter-personal divide in India have been on rise as richer are consistently adding wealth to their kitty richer whereas poorer are continuously getting marginalized.

Table 5: Decile-wise distribution of wealth

Wealth decile	Share of wealth (in %)			Change in wealth		
	1991	2002	2012	1991 to 2002	2002 to 2012	1991 to 2012
Bottom 10%	0.2	0.1	0.03	-0.1	-0.07	-0.17
2nd	0.9	0.6	0.4	-0.3	-0.2	-0.5
3rd	1.7	1.3	0.9	-0.4	-0.4	-0.8
4th	2.6	2.2	1.6	-0.4	-0.6	-1.0
5th	3.8	3.2	2.4	-0.6	-0.8	-1.4
6th	5.2	4.7	3.6	-0.5	-1.1	-1.6
7th	7.3	6.8	5.3	-0.5	--1.5	-2.0
8th	10.4	10.2	8.3	-0.2	-1.9	-2.1
9th	16.5	17.2	15.0	0.7	-2.2	-1.5
Top 10 %	51.6	53.9	62.5	2.3	8.6	10.9
Top 1 %	16.9	17.1	27.6	0.2	10.5	10.7

Source: Calculated based on Himanshu (2019).

3.4 Locational inequalities in India

As discussed earlier, spatial or regional inequalities in India are also remaining high. It is further elaborated by discussing asset inequality in rural India versus urban India as well as Gini coefficient of consumption expenditure and net worth assets in rural and urban India.

Table 6illustrates the extent of rural-urban disparities in the country. It appears that the extent of rural urban divide has widened over time in every aspect. First, if welook at the asset share and percentage of population accounting for that asset share in rural as well as urban areas, it reflects huge disparities. In 1991, 75.56 per cent of rural population owned 68.71 per cent of asset share and 24.44 per cent of the urban population owned 31.29 per cent of asset share. The corresponding figures in the year 2012 reveal that the extent of inequality has widened since 68.08 per cent of rural population accounted for 45.11 per cent of asset share as compared to 31.92 per cent of urban population accounting for as high as 54.89 per cent of assets in the country. It means urban population which is around one-third of total population accounts for more than half of nation's assets. Alternatively, per capita asset holding in rural areas has declined from 0.91 in 1991 to 0.66 in 2012, correspondingly, assets ownership of urban households has increased from 1.28 to 1.72.

Table 6: Assets Inequality in Rural and Urban India

	Asset Share in Rural India (%)	Asset Share in Urban India (%)	Gap in Mean Per Capita Net Worth in Rural & Urban India (Rs.)
1991	68.71 (75.56)	31.29 (24.44)	7412.9
2002	63.73 (74.58)	36.27 (25.42)	16495.9
2012	45.11 (68.08)	54.89 (31.92)	89354.6
Change during 1991 to 2012	-23.6 (-7.48)	23.6 (7.48)	81941.7
	CAGR		
1991-2002	-0.12 (-0.68)	0.36 (1.35)	7.54
2002-2012	-0.91 (-3.40)	2.30 (4.23)	18.41
1991-2012	-0.50 (-1.98)	1.28 (2.71)	12.59

Source: Same as Table 2.

Summarily, the change between 1991 and 2012indicates that there was a decline of 7.48 per cent in the proportion of population residing in the rural areas but decline in this population's asset share was to the tune of 23.6 per cent. Correspondingly, urbanization increased by 7.48 per cent but asset share of urban population increased by 23.6 per cent between 1991 and 2012.

Secondly, CAGR of asset share in rural and urban areas has been calculated to indicate the extent of increase in the disparities. It may be noted that asset share of rural population has continuously declined between 1991 and 2012 whereas continuous increase is noticed in case of urban population. During the 1991-2002 period, asset share of rural population declined at a rate of 0.12 per cent and correspondingly asset share of urban population increased at a rate of 0.36 per cent. The respective CAGR during the period 2002-2012 remained -0.91 per cent in case of rural population and 2.30 per cent in case of urban population. Although it can be maintained that urban population was increasing and rural population was declining during the reference yet the rates of change were such that the divergencebetween rural and urban asset share per capita remained increasing both in terms of mean per capita net worth as well as CAGR of mean per capita net worth. This is shown in the last column of the table 6. Gap between rural and urban average per capita net worth stood at Rs. 7412.9 in 1991 and it increased manifolds (more than 11 times) over time and reachedto a whopping Rs. 84354.6 in 2012. In terms of CAGR, this gap was increasing at a rate of 7.54 per cent during 1991-2002 which increased to 18.41 per cent during 2002-2012.

Table 7: Gini Coefficient of Consumption Expenditure and Net worth Assets

		Rural	Urban
Consumption	1987-88	0.30	0.35
	1993-94	0.29	0.34
	2004-05	0.30	0.38
	2011-12	0.31	0.39
Net Worth	1991	0.62	0.74
	2002	0.63	0.72
	2012	0.68	0.78

Source: Prepared Based on Himanshu (2019), Dev (2016) and Anand and Trampi (2016).

To analyze the trends in inequality, Gini coefficient of consumption expenditure and assets is presented in table 7. Analysis reveals that the extent of inequality has increased both in terms of consumption expenditure and net worth assets. But it is interesting to note that consumption inequalities have always remained lower than asset inequalities i.e. almost half of asset inequalities. In all the years, Gini coefficient of consumption expenditure has fluctuated around 0.3 in case of rural and around 0.35 in urban areas. As compared to this, Gini coefficient of net worth assets varied between 0.62 and 0.68 in rural areas during 1991 to 2012 and between 0.74 and 0.78 in urban areas. One reason behind lower Gini coefficient values of consumption expenditure may be that, central as well as various state governments run a number of consumption augmenting welfare schemes and programmes which are aimed at ensuring a minimum level of consumption to poor. For instance, Public Distribution System (PDS) at centre level and state-level schemes viz. atta-dal scheme in Punjab, amma canteens in Tamil Nadu etc. To the extent these welfare schemes neutralize the effect of lower incomes they also result in under-estimation of inequalities existing otherwise. Therefore, Gini coefficient values of consumption expenditure may not report the true level of inequality. This claim is further supported by high level of inequalities in assets. Since assets represent a stock, asset disparities enable further accumulation over time. In case of India asset disparities remained high and increasing over time (Table, 7) which is an evidence of worsening situation. High asset disparities cause concentration of wealth in the hands of few. Two points can be concluded. First, the inequality between rural and urban areas, in consumption and assets, has been persisting and widening over the years. Second, as compared to rural areas, the disparities in urban areas remained higher both in terms of consumption expenditure and net worth assets. The low inequality in rural areas vis-a-vis urban areas is mainly because of the nature of occupation.

Table 8 reports structural changes in employment and output in India during 1990-91 to 2018-19. It shows how importance of different sectors has changed during the last three decades. The share of primary sector in GDP and employment has declined over time whereas that of secondary and tertiary sector has observed upward trend. The services sector has observed a steep rise in its contribution to GDP from 41 per cent in 1990-91 to above 50 per cent in 2018-19. Since secondary sector has not observed much change in terms of GDP contribution, it is clear that the gain in the share of services sector is composed of decline in the share of primary sector. The fall in the share of primary sector in GDP composition is huge; the contribution of the sector was around 32 per cent in 1990-91 and stood at around 17 per cent in 2018-19. It is interesting to note that corresponding share of primary and services sector in employment do not reflect this structural change in GDP composition.

Table 8: Sector-wise trends of GDP and Employment in India

Years	Primary	Secondary	Tertiary
GDP Composition at constant prices			
1990-91	31.99	26.77	41.24
2000-01	24.49	26.47	49.04
2004-05	21.28	27.15	51.57
2011-12	21.7	29.3	49.00
2015-16	18.43	28.53	53.04
2018-19(Q)*	17.32	28.38	54.30
Employment			
1993-94	64.67	14.83	20.50
1999-00	60.41	16.85	22.74
2005-06	58.00	18.80	23.2
2011-12	49.44	23.72	26.84
2017-18**	44.10	24.80	31.00

Source: (1) Employment and Unemployment reports of National Sample Survey Organization.
(2)** Punjab Economic Survey 2019-20, Department of Planning, Government of Punjab.
Note: Q-Quick estimates.

The primary sector still continues to be the largest employer accounting for around half of the population in the country whereas services sector, largest contributor to GDP, has not reported any significant increase in terms of its employment share as the sector accounted for around 20.50 per cent of total employment in India in 1993-94 which increased to around 31 per cent in 2017-18, which lags far behind the change in sector's GDP contribution. This structural mismatch in terms of GDP composition and employment share has severe implications for the level of inequalities in the country. More than 44 per cent workforce inIndia engaged in primary sector is contributing just 17 per cent of the GDP of India whereas 31 per cent of the population engaged in the services sector is holding nearly above 54 per cent of the GDP. It is a direct cause of rising economics inequalities.

The mismatchin structural composition of the economy could have significant contributedto locational inequality in India. It is well acknowledged that earnings of rural population, fully or partially, are associated with the growth and development of agriculture sector. Since the contribution of primary sector including agriculture sector in GDP has been continuously dwindling, the earnings of rural households particularly farmers and agricultural labourers would have been automatically declined overtime. Contrarily, the earnings of urban population engaged in industrial or service sectors might have improved overtime, which is generally urban based, owing to the expansion of these sectors. Thus, it is utmost critical to make rural sector including agriculture remunerative, else this divide would further increase

V. Main Conclusions

The broad objective of the article is to analyse the trends in inequality in India. Specifically, the paper focuses onanalysing inequality in terms of income growth, wealth holding, consumption expenditure, occupational earnings, etc. Following are the main findings emerged from empirical analysis.

First, in general, cross countries comparison suggests that cumulative real income growth per adult is quite high in case of upper income groups. The gap between the bottom 50 per cent and the top 1 is extremely high in case of India. During 1980 to 2016, the growth of income of bottom 50 per cent was 107 per cent in India whereas it was 469 per cent in case of top 10 per cent. Second, inequalities are not only confined between upper and lower income quintiles, rather huge variation is observed in top income quintile (top 10 per cent). Third, analysis based on income share of top 1 per cent and bottom 50 per cent reveals that income share of top 1 per cent witnessed a continuous decline till early 1980s whereas it started rising since the mid-1980s. Since the early 2000s, the income share of top 1 per centpopulation in India has reached abovethe income share of bottom 50 per cent. Fourth, it was also reported that the wealth is getting concentrated in fewer hands. It is evident as the combine share of bottom 30 per cent population in total private wealth was 2.8 per cent in 1991 which declined to 1.33 per cent in 2012, whereas, correspondingly, the share of top 10 per cent has increased from 51.6 per cent to 62.5 per cent. During 1991 to 2012, the share of bottom 80 per cent population in total private wealth reduced from 32.1 per cent to 22.53 per cent. Fifth, economic inequalities in India are not only limited to income and assets holding, but also very sharp in terms of consumption expenditure. It is evident as bottom 20 per cent population accounts for just around 8-9 per cent of total consumption expenditure during 1983 to 2011-12 whereas the corresponding figure for top 20 per cent ranged from 39-45 per cent.

On the basis of empirical analysis, it appears that economic inequality in India has drastically increased in the post reform period. It means that benefits of rapid economic growth have not trickled down to poor population as was believed by the advocates of liberalization. These trends call for an urgent attention of the policymakers but contrastingly there does not seem to be much effort going on into this direction. Recently, India ranked poorly on Commitment to Reducing Inequality Index (2020) which considers various policy actions taken by government to reduce inequalities. Out of 158 countries, India ranked dismally at 129th place owing to poor spending on welfare measures, poor implementation of progressive tax in practice and a huge gender wage gap.

The growing degree of economic inequalities has far reaching implications for the society and country as a whole. Thus, there is an urgent need for policy intervention to deal with the worsening scenario which may hurt the pace and sustainability of country's economic growth.For durable and sustainable growth, equality of incomes and opportunities is of utmost importance.

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