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STUDYING ABOUT THE GROWTH AND INEQUALITY IN INDIAN CONTEXT

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ABSTRACT

As economies of the world are getting more and more interdependent, hence, a large segment of economic literature investigated the impact of globalisation on income inequality. However, the empirical investigations on the impacts of globalisation on income distribution are still inconclusive. In the past few years, most countries have experienced the effects of economic globalization which has resulted in increasing economic growth. However, the degree of economic globalization and its consequences is heterogeneous across countries and regions with varying levels of development. The rise of economic globalization has benefited economic growth at the cost of income inequality within countries. Widening income inequality is the most defining challenge of our time as the benefits of rising income are not shared equally across all the segments of the population. The problems posed by income inequality have resulted in a debate about its implications within, and between countries.

Keywords: - Economics, Rapid, Population, Benefits, Countries.

I. INTRODUCTION

It is generally accepted that development planning includes the aims of narrowing income gaps and eliminating poverty with the pursuit of rapid economic expansion. The understanding that economic inequality and poverty are still major problems, particularly in emerging nations, has led to this shift in development priorities. Indeed, there are many examples—the United States, China, India, etc.—where economic development has coincided with a growing of socioeconomic gaps. Most citizens haven't benefited much from these nations' uneven and irregular development. Increases in both employment demand and pay have a multiplier effect on poverty and income inequality, decreasing both. Similarly, improved wages as a consequence of less poverty and a more equitable distribution of money boost productivity and development However, the degree to which income inequality narrows and poverty is alleviated as a consequence of economic expansion is conditional on how incomes are redistributed as the economy expands. If there is a rise in income disparity, rising prosperity does nothing to alleviate poverty. Although many emerging nations, like Mexico, Panama, etc., have had periods of rapid economic expansion, rising income inequality has prevented poverty from being alleviated to any substantial degree during these times. Many underdeveloped nations made the decision to pursue economic development based on the myth that "growth trickles down and spreads." This viewpoint meant that initiatives to combat poverty, increase economic opportunity, and lessen income disparity were not prioritized. However, the failure of 'trickle down' dispelled the optimism that economic expansion would solve these issues. Most of the poor in emerging nations have not benefited from

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uneven and irregular development (ADB, 1984). After more than a decade of strong development in developing nations, only about a third of the population benefited, as noted by Chenery (1974). Even though the average per capita income of the developing world has increased by 50 percent since 1960, this growth has been very unevenly distributed across countries, regions within countries, and socio-economic groups, according to World Bank president Robert S. Mcnamara (1973). Many people have found this to be a profoundly discouraging experience, and as a consequence, the idea of aggregate development as a societal goal is being questioned more and more often.

Kuznets's notion of income mobility is the foundation for the assumption that economic development has a dynamic effect on inequality. More jobs and higher wages become available when the economy is growing rapidly. The need for low-skilled workers likewise increases in tandem with the economy's expansion. A dynamic economy creates and eliminates productive job possibilities when the mix of industries changes due to rapid technological progress or the decline of once-thriving sectors. Some persons experience a decrease in their standard of living as a result of the expansion process (downward income mobility), while others experience an increase in their standard of living (upward income mobility). Opportunities for upward mobility, it is often claimed, significantly outnumber those for downward mobility in the fast development process. Therefore, rapid economic expansion is net beneficial for the poor. Kuznets, who correlates the change in the Gini coefficient with the median income level in an economy, argues that growth may have a positive effect on poverty if it creates chances for upward mobility. The GDP per person is the independent variable, whereas inequality is the dependent variable in his analysis. Inequality is said to be mild in the early phases of development, according to Kuznets, while per capita income is still low. However, for capital formation to be feasible via savings in the subsequent stages, inequality must grow. Kuznets alludes to the Keynesian premise that persons with higher earnings have a larger marginal propensity to save. Inequality would increase at this juncture because of the shift from the main to secondary economy. Kuznets hypothesized that the agricultural sector had lower average income and smaller income dispersion (variability) than the industrial sector because of its lower productivity. Thus, the growth of the manufacturing sector leads to a rise in economic inequality. Several factors, including legislation (such as the introduction of capital, inheritance, or capital revenue taxes) and the dynamic nature of a growing economy that favors the career of young entrepreneurs, work together to reduce inequality once a certain income threshold has been reached (Kuznets 1955). Kuznets utilized time-series data for the United Kingdom, France, and the United States to postulate a non-linear connection between inequality and per capita GDP, in the shape of an inverted "U." For this reason, "Growth is Good for the Poor" (2002) is the title of a study by economists Thomas Dollar and John K. Kraay, who argue that rising prosperity may help narrow income gaps. It is noteworthy that most empirical work on this issue attempts to estimate a linear function, while Kuznets posits a quadratic type link between inequality and growth.

II. GROWTH AND INEQUALITY IN INDIAN CONTEXT

One of the most pressing issues facing modern society is rising inequality. During its recent era of fast expansion, South Asia has seen significant rises in income/consumption disparity within the Asian continent. India, the region's most populous country and greatest economy, is a prime example of this. There are disparities in India between the states, rural and urban regions, and various socioeconomic groups, as well as in terms of income, health, education, and other elements of human development. Inequalities in India are influenced by both economic and social factors. India's economy has worked tirelessly since its independence to quicken its rate of economic growth.

Following a slow first three decades after independence (dubbed the "Hindu rate of growth"), the economy expanded by 6% annually between 1980 and 2002 and by 7.5 % annually between 2002 and 2005, making it one of the world's top performing economies. The elimination of poverty, illiteracy, and opportunity inequity was the primary goal of our development plans immediately after independence. Since gaining independence, there has been a gradual shift in policy emphasis in this direction. But sadly, even after 68 years of independence, roughly a third of our whole population still suffers from abject poverty, and a substantial part of those in poverty are caught in the poverty trap and experience chronic poor. Both rural and urban areas of our economy have experienced high rates of poverty and inequality, though to varying degrees. This is because the government has changed its approach to achieving its goal of reducing poverty and inequality over the course of the plan period in response to the unpredictable behavior of our macroeconomic scenario. Up until the early 1970s, we relied on the "Trickle Down Hypothesis" to justify a strategy of growth-mediated development policies, which held that improvements in the economy would trickle down to people of all backgrounds and socioeconomic statuses. Surprisingly, however, the percentage of individuals living below the poverty line remained far over 50% until the mid-1970s, after which it began a gradual but steady decline. Our government has changed its approach to combating poverty in light of the dismal results of the trickle-down theory, pursuing a number of workfare and welfare programs like the Individual Resettlement and Development Program (IRDP), the State Jointly Implemented Social Year (SJGSY), and the National Rural Employment Guarantee Act (MGNREGA), among others. The 1980s saw a continuation of these measures.Obviously, this has resulted in a slowing of poverty both within and across states. In fact, national poverty rates fell by as much as 39%. Poverty rates have been falling in the majority of states, however their magnitudes vary widely. We began our agenda of economic reforms later in the 1990s, roughly about 1991. Reforms in the areas of trade, investment, and finance are ongoing, and they have resulted in an ever-increasing dependence on market fundamentalism and a diminishing role for the public sector. It is interesting to note that the 12th five year plan (2012-2017) has as its primary objective faster sustainable inclusive growth, a policy that the government has been pursuing since the 1990s under the banner of growth cum public action -led development strategy with a major focus on the participatory developmental process vis-à-vis the inclusive growth. As a result of this shift in policy, poverty rates have fallen across the board (29.8% nationally in 2009-10, according to the Planning Commission) and within individual states, although at varied rates and magnitudes. However, the Planning Commission estimates that in 2009–10, roughly 354.6 million of our total population still lives in extreme poverty, with 278.2 million of those people residing in rural regions and 76.5 million residing in urban areas.

III. SCHEMATIC ARRANGEMENT OF THE STUDY

There are a total of seven sections in this research, not including the introduction. The relevance and empirical data on the relationship of income inequality and economic growth are highlighted in the second chapter's literature review. There are now two distinct parts to it. It is important to understand and compare the trends of growth and income inequality over the period of the last 68 years of independence, so we have reviewed some international research studies in section I and some investigations which have been carried out in many states of India and also at national level in section II. Inequality and economic development are given theoretical and conceptual attention in Chapter 3. In order to comprehend the many theoretical and methodological concerns addressed in this investigation, a comprehensive conceptual framework and historical link between these two concepts have been provided and analyzed. The fourth chapter examines the growth and income distribution among Indian states and union territories based on secondary data sources. The relationship between economic development and inequality is explained using a selection of measures of inequality, which are discussed in detail in Chapter 5. This chapter is broken up into four parts: parts I and II discuss the theoretical foundations of inequality, parts III and IV estimate income inequality in specific northern states using micro-level unit data from the NSSO's 68th Consumption Expenditure Round, and parts I and II summarize and draw conclusions. In the sixth section, we analyzed a convergence test that included many states. Section I explains concepts and approaches related to convergence, Section II discusses tests of convergence across states and union territories, and Section III applies these tests to a selection of northern states. There is a conclusion and suggestions for policy in the last chapter.

IV. CONCLUSION

In conclusion, we may state that increasing income and wealth concentration contributed to the rapid expansion of the Indian economy. The elimination of poverty, illiteracy, and opportunity disparity were all publicly stated goals of our social planners in the years after economic independence. Both rural and urban parts of our economy have experienced high rates of poverty, although to varying degrees, and this has been reflected in the social, geographical, occupational, ethnic, and other characteristics of poverty. Up until the early 1970s, we relied on the "Trickle Down Hypothesis" to justify a strategy of growth-mediated development policies, which held that improvements in the economy would trickle down to people of all backgrounds and socioeconomic statuses. Surprisingly, however, the percentage of individuals living below the poverty line remained far over 50% until the mid-1970s, after which it began a gradual but steady decline. India has implemented economic changes since 1991 in response to the country's disillusionment with the trickle-down concept. Reforms in the areas of trade, investment, and finance are ongoing, and they have resulted in an ever-increasing dependence on market fundamentalism and a diminishing role for the public sector. While self-employment grew rapidly from 1993–1994 to 2004–2005, wage employment remained relatively unchanged over the post–reform era. Intriguingly, the government has been pursuing the policy of growth cum public action -led development strategy with its primary focus on the participatory development process vis-à-vis the inclusive growth ever since the 1990s, and this emphasis has been carried forward to the 12th five year plan (2012-2017) as its principal objective of faster sustainable inclusive growth.

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