

Poverty and Inequality in Post Liberalization India: the Road Map for Inclusive Growth

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Contemporary India's growth performance is remarkable. India is now world's fastest growing economy next only to China. India adopted neoliberal economic policy in 1991. The average growth rate over the reform years has been 6.5 per cent per annum. Even it shot up to 9 per cent during 2002 to 2009. But have this spectacular growth benefitted the common man? This paper seeks to find whether this post reform growth has been successful in reducing poverty at a faster rate. Has inequality increased during reform period? What is road map for inclusive growth?

From Hindu rate of growth of 3.5 per cent that persisted during the period from 50s to mid 80s, Indian economy has come a long way to post almost a double digit growth. It's GDP at \$ 1.95 trillion has made India world's tenth richest country, has placed India in to the rank of 'middle income' country, lifting it up from its earlier status as 'low income country' in world classification. So many remarkable developments in Indian economy since reform catches notice of the outside world: GDP growth, export, balance of payment, significant accumulation of foreign exchange, IT revolution, stock market, telecommunications and banking reforms. Despite these manifest positive gains, Contemporary India is the home to the largest number of poor on this planet. About 42 per cent of India's 1.2 billion population lives under global poverty line of \$ 1.25 per day. In many social indicators, some of India's leading states are lagging behind Sub-Saharan African nations. The bulk of India's growth is occurring through disproportionate rise in income of high-end rich class. Household consumption survey does not capture the huge income of the neo-rich class in the Indian society swelled by the neoliberal policy of the government. The rank of the affluent people has been growing at in India. Mass penury persists side by side with visible affluence in India's expanding urban locations. One study in 1999-2000 reveals that the gap in per capita income between the 99th and 99.5th percentile was almost four times as large as the gap between the median person and the 95th percentile. Income of the super rich at the 99.99th percentile grew by over 285 per cent between 1987-88 and 1999-2000. Wealth inequalities have been widening in contemporary India. Wealth holdings of Indian billionaires are estimated to have gone up from 0.8 per cent of GDP in 1996 to 23 per cent of GDP in 2008.

India, in present time, is witnessing widening inequalities between classes, among regions and between rural and urban areas within the same region. India's society is historically hierarchical embedded in long past of social division on the basis of caste, class and gender, reinforced by 'class divide'. So the task for inclusive growth is far more challenging for India. Poverty eradication programmes initiated after independence has focussed more on subsidies and 'political sops'.

Dependence culture of poor on successive governments continued. Economic empowerment of the masses took a back seat. Economic Growth in the beginning of the planning era was expected to remove poverty through 'trickle down mechanism'.

So persistence of mass poverty and widespread inequality poses serious challenge for India as world's largest democracy. Inclusive growth strategy of any nation must focus on the understanding of causation of inequality in the country context. Inclusive growth can be achieved through providing opportunities for development of all citizens. India's public expenditure on health, for example, is just 1.3 per cent of GDP as compared to Nepal's 2.6 per cent as per WHO report. India is spending 3.8 per cent of GDP on Education which is significantly less than comparable countries like Brazil and South Africa. Economic growth in India coupled with increasing inequality despite some reduction of headcount poverty measured through per capita consumption is set to turn this growth unsustainable. The historically entrenched 'caste divide' in Indian society is now supplemented by 'linguistic divide' and 'digital divide'. Another type of divide in contemporary India is also an issue of concern and that is 'education divide'. This divide is created by the ongoing 'Dual delivery system' of education. This paper argues that this 'dual' education system largely contributes to contemporary India's rising inequality.

India is now more unequal nation than China. India's income Gini of 0.53 is higher than China's income Gini of 0.47. India's rising income inequality to large extent is caused by the enormous difference in learning outcomes after completion of education. Enrolment and attendance in primary and secondary education has gone up significantly in recent years but school completers are learning very little. Evaluation study on learning outcome in primary education reveals that a significant number of primary school completers cannot read, write and do any arithmetic (PRATHAM). They are not attaining skill needed for evolving job opportunities entailing specialized skill in agriculture, manufacturing and service sector. Job opportunities in primary and manufacturing sectors have been shrinking in the wake of economic liberalization. Service sector is growing over the years as manifest in the share of service sector in India's GDP that stands at almost 59 per cent as per Government's recent Economic Survey. But service sector employment is comparatively low at only 26 per cent. One main reason of low employment participation is lack of needed skill in emerging areas of employment. NASSCOM recently reported that only 10 per cent of engineering graduates in IT education are only employable in India's flourishing IT sector which is key driver of India's service sector growth. India must try to achieve sustainable inclusive growth by incorporating four points in public policy: opportunity, capability, access and security. Public investment on universal quality education and universal quality health care hold the key to inclusive growth in India. Most important of all is strengthening the public institutions that deliver health and education. The system of accountability, check and balance in the delivery system must be incorporated to pave the way for equal opportunities and shared prosperity for Indians irrespective of caste, class, gender and regions.

