

Review Article

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Widening economic & social disparities: Implications for India

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India is often characterized as an emerging economic super power. The huge demographic dividend, the high quality engineering and management talent, the powerful Indian diaspora and the emerging Indian transnational - knelling the optimism. In contrast, there is another profile of India which is rather gloomy. This is the country with the largest number of the poor, illiterates and unemployed in the world. High infant mortality, morbidity and widespread anaemia among women and children continue.

India suffers from acute economic and social disparities. This article addresses four dimensions of such disparities, viz. regional, rural-urban, social, and gender. There is empirical evidence to indicate that during the last two decades all these disparities have been increasing.

As a result of economic reforms, the southern and western States experienced accelerated economic and social development as compared to northern and eastern States. This has led to widening gap in income, poverty and other indicators of development between the two regions. Rural-urban divide also widened in the wake of reforms. While large and medium cities experience unprecedented economic prosperity, the rural areas experience economic stagnation. As a result, there is widespread agrarian distress which results in farmers' suicide and rural unrest.

Socially backward sections, especially scheduled castes and tribes (SCs and STs) have gained little from the new prosperity which rewards disproportionately those with assets, skills and higher education. STs have often been victims of development as a result of displacement. The gender gap in social and economic status, traditionally more in India as compared to other societies; has further widened by the economic reforms and globalization.

The approach paper to the Eleventh Plan stresses the importance of more inclusive economic growth. It emphasizes the need for bridging the divides discussed in this article. Unless these are achieved in a time-bound manner, there could be serious adverse implications for the Indian economy, society and polity.

Key words Economic disparities - economic reforms - gender gap - poverty - social disparities

Introduction

India is often characterized as an emerging economic super power. In fact, it is the only large potential market awaiting to be conquered by the multi-national corporations. The process of integration of India into the global market is progressing fast. Almost all economic indicators are showing healthy trend and India is one of the fastest growing major economies of the world.

India has several strengths which can be fully exploited in the coming decades. The relatively young population which is still growing at about 2 per cent per annum in a world inhabited by nations with ageing populations can be considered an important asset. This asset can generate huge demographic dividend in the coming decades. India can become the principal supplier of skilled workers to developed countries with ageing societies experiencing acute labour shortage. The powerful Indian Diaspora can work as a potential facilitator for the smooth transition of India into a world economic power. The high quality engineering and management talent of India is universally acclaimed. Home grown Indian companies have been entering international arena to set new trends of mergers and acquisitions.

There is an altogether different profile of India, a country with the largest number of poor and destitutes in the world. India also accounts for the largest number of illiterates; and the largest number of unemployed. It has the largest number of anaemic women and children, and huge infant/child and maternal mortality.

Indians constitute about 17 per cent of world population. But we account for about 35 per cent of the poor and 40 per cent of the illiterates in the world¹. There are more poor and illiterates today than at the time of independence sixty years ago. Our infant mortality is still about 60 per 1000 live births, which is one of the highest in the world. More than 50 per cent of Indian women and children are anaemic due to acute nutritional deficiency². India also experiences a high incidence of morbidity and mortality on account of various waterborne diseases, tuberculosis, diabetes, *etc.*

These are not normal characteristics of a modern nation which is aspiring to be a world economic power. A decent society cannot be built on the ruins of hunger, malnutrition, illhealth and illiteracy. Children who are the bridge between our inherited past and the aspirations for the future are neglected beyond limit. As a result

huge damage is done to their physical and mental health. If the trend continues, our chances of gaining from globalization on the strength of our human resources are slim.

Economic development and social development are mutually reinforcing. Disparities in economic development and social development are also mutually reinforcing. Socially excluded are economically marginalized. Economically marginalized remain socially excluded. The gains of economic development accrue disproportionately to the socially developed groups. The economic gains will help them to further hone up their social skills which in turn will enable them to gain even more from the economic opportunities. On the other hand, socially backward may gain only marginally from economic development which may not be sufficient for them to improve their social skills to enable them to earn more. This vicious circle transcends from generation to generation. There exist several dimensions of economic and social disparities of development in the country. This paper deals with four of such disparities, *viz.* regional, rural-urban, social and gender.

Regional disparities

At the time of independence, considerable difference in economic and social development of different regions of the country existed. One of the main objectives of the planning process initiated in the early 1950s was to reduce these regional differences and to achieve, regionally balanced development³. Various policy instruments including direct public investment by the Centre in infrastructure, guided private investment and building up of capacity enhancing institutions have been tried to achieve this objective. These policies were continued during the first three decades of planning. Though these measures were not highly successful, they ensured that disparities were not getting aggravated during this period. With the initiation of economic reforms in the early 1980s which culminated in full-fledged deregulation, liberalization and globalization in the early 1990s, the role of the government in investment decisions has diminished. Private investment became the principal engine of economic development. Private investments flowed to those regions where conditions are favourable to achieve maximum return on investment. As a result, States with better physical and social infrastructure, adequate forward and backward linkages and other conducive environment attracted the lion's share of private

investment over the last two decades. The year wise and state wise private investment proposals since August 1991 regularly published by the Department of Industrial Policy & Promotion clearly indicate that the major share was accounted for by Maharashtra, Gujarat, Tamil Nadu, Andhra Pradesh and Karnataka. Only recently some of the backward States like Chhattisgarh, Jharkhand and Orissa started attracting large private investment proposals mainly in mining and industries based on mineral extraction⁴.

On the other hand, States which did not have the above characteristics were, by and large, by-passed by private investment. The only chance for these States to attract private investment is to create conducive environment including adequate physical and social infrastructure, better law and order situation and improved administrative efficiency. However, these can be achieved only through sizeable public investment either by the Centre or the respective State governments. The dilemma is that the fiscal resources of neither the Centre nor the States have been adequate enough to carry out such investments. Only recently, as a result of higher economic growth and better tax compliance resulting from tax reforms, there have been some improvement in the finances of the Centre and the States^{5,6}. However, the fiscal responsibility enactments of the various States following the 12th Finance Commission recommendation⁷ imposes constraint on borrowings and expenditures. Currently most States have revenue balances, while expenditures are severely curtailed. This includes some of the most backward States where sectors like education, health, drinking water, sanitation, road connectivity, *etc.*, are crying for investment.

Differential economic performance of the last two decades has increased the regional disparities in the country. Broadly speaking, while the western and southern States have experienced faster economic growth, the northern and eastern States lagged behind. On the other hand, population growth continues to be significantly higher in the lagging regions as compared to the forward regions. As a result, the per capita income differentials have been widening even further. Thus, while the economic centre of gravity has been shifting in the south-westerly direction, the demographic centre of gravity has been moving in the opposite direction. Another dimension of the same problem is that while more and more employment opportunities are created in the developed regions of the country, the labour force growth is much higher in the backward regions. This

will necessarily imply that large scale migration in search of employment will take place from the backward regions to the developed regions. This will have adverse implications socially as well as economically. Apart from the social and cultural dislocation of the migrant, the response of the recipient community also may have adverse social impact on the migrant. While the remittances of the migrant may add to the purchasing power back at home, a larger economic issue is that often migration depletes the availability of skills in the home market which will impede the development of the region.

The period which had experienced divergent economic growth has also seen divergent trend in poverty reduction. During the period 1983 to 2004-2005 the share of the poor in the population at the national level came down from 45 to 28 per cent. However, in terms of absolute numbers the decline was only marginal from 324 million to 315 millions⁸. While all the major States experienced reduction in the percentage of the poor to varying degrees, five major States experienced increase in the number of poor during this period. These are Bihar (from 46.4 to 50.5 million), Madhya Pradesh (from 27.3 to 33.0 million), Maharashtra (from 28.5 to 31.7 million), Orissa (from 16.2 to 18.4 million) and Uttar Pradesh (from 55.2 to 63.9 million).

In terms of social development also the regional divide has aggravated during this period. Traditionally, the levels of literacy and health indicators, and other social amenities have been better in the economically progressive States. They have been also known for better social cohesion and more inclusive sharing of the benefits of development. The first National Human Development Report⁹ and the first Social Development Report¹⁰ indicate that these States continue their lead over the other States. On the scale of Human Development Index (HDI) as well as Social Development Index (SDI) these States retain their higher ranks over the others. Public expenditure on socially relevant programmes continues to be significantly higher in these States. Again, compared to the rest of the country these States have better public expenditure efficiency on account of better governance and law and order situation.

Accelerated private investments also generate their multiplier effects on social development. Better quality educational and health facilities have been financed by the private sector which reduced the pressure on public facilities. The boom in professional education,

especially in engineering which started in Maharashtra and Karnataka in the early 1980s spread to other States in the region and still continues unabated. More than 70 per cent of the engineering graduates are coming out from the colleges of just four States, viz. Andhra Pradesh, Karnataka, Maharashtra and Tamil Nadu. The case of Maharashtra is somewhat puzzling. Though it has been one of the most prosperous State, the level of poverty remains above the national average both in rural and urban Maharashtra. Though urban Maharashtra was in the forefront of reform led economic growth, there was a significant increase in the number of urban poor in the State which accounts for the entire growth in the number of poor in the State. The IT boom in these States can be explained, to a large extent, by the explosion of engineering education in these States.

There are several other positive spin-offs from the explosion of higher education. Each engineering college creates a number of employment opportunities, both direct and indirect. Since a good number of seats are filled by students from other States, considerable amount of fund flow takes place to the recipient State¹¹. A similar phenomenon has been taking place in the health sector also. High quality private health care facilities have been coming up in the cities in the south and the west which have been attracting patients, not only from other parts of the country but also from abroad.

Another interesting aspect of the contrast between the forward and backward regions is the divergent trends in the social and political dynamics. While regional parties in the backward States have been, by and large, engaged in identity politics based on castes and communal considerations, the regional parties in the forward regions have been taking up development issues which are more inclusive in nature. One reason for this could be the fact that various social movements in the south and west during earlier periods had weakened the caste-based exclusions and hence the benefits of development could be more equitably shared in these regions.

Rural urban divide

There always existed a rural-urban divide in terms of economic and social development. But this divide has also been widening in the recent past. Ratio of urban income to rural income which was just about 1.6 in 1951 and continued to remain within reasonable limit during the first three decades of development planning to reach 2.1 in 1980-1981, worsened during the last two

decades to record a level close to 4.5. While large and medium cities are experiencing unprecedented economic prosperity, the rural areas have been experiencing economic stagnation. While the share of agriculture in the national income declined from about 30 per cent to almost half, the share of population dependent on agriculture remains almost the same over the last two decades¹². With the withdrawal of the State from critical support services for agriculture, global competition and higher risk of commercial cultivation, farmers especially those with small holdings, have been experiencing unmitigated misery. The reports of rampant farmers' suicide from various States, is only one of the symptoms of the current rural distress.

A manifestation of the increasing rural distress is the growing influence of Naxalites in different parts of the country especially in the backward regions. More than one-fourth of the districts in the country have been declared as 'naxalite-affected' by the Ministry of Home Affairs¹³. Naxalism is not just a law and order problem; it is basically a development problem. Oppressive and exploitative behaviour on the part of the rural power-elite and the un-helpful government machinery drive the powerless, especially the tribals and the *dalits* to the naxalite camp. An effective land reform could be the most powerful antidote against naxalism.

Another trend worth mentioning is the increasing inequities within the urban areas. While metros and mini-metros, in the developed parts of the country are growing faster, several industrial centers and small towns in backward regions of the country have been experiencing stagnation and even retrogression. Further, even within the fast-growing cities and towns most of the emerging jobs are in the informal sector with low levels of wages and hardly any social security. Another aspect of the economic disparities within the urban areas is that majority of the slum dwellers in big cities are migrants from rural areas who are eking out a living in the informal urban sector.

Several studies in the recent past indicate that wealth and incomes have been getting concentrated in the hands of the rich in a fast globalizing world¹⁴. This is true whether it is USA, UK, China or India. While corporate profits in the national incomes have been soaring, the wage share has been declining. Even within the total wages the share of the top management and high skilled professionals has been increasing at the cost of others. Most of the returns to capital are accruing to the urban rich. Similarly the rapid increase in the

salaries of the English-speaking graduates in India in the recent past has bolstered the prosperity of the urban middle class. According to the Asian Development Bank (ADB) study widening differentials in earnings of the college educated vis-à-vis less educated individuals appear to be the single most important observable factor accounting for increasing inequality in India.

The ADB study further indicates that both relative and absolute inequality have increased in most parts of developing Asia. This picture is somewhat at odds with the earlier East Asian experience when countries like Japan, South Korea, Taiwan and Thailand experienced fast growth which was much more inclusive in nature. The reason attributed to such equitable sharing of the benefits of growth was the universal human development in terms of better education and skills as well as better health achieved by these countries before embarking on the fast growth path. The extremely non-inclusive nature of the recent economic growth in India can be attributed to the very poor human development, especially in the rural areas.

Social discrimination

Indian society has been traditionally highly hierarchical in nature. The caste system practiced by the Hindu society did not allow social mobility across the classes. Though other religions are supposed to be casteless, in the Indian context all religious groups covertly practice caste-based discrimination. *Dalits* who are outcastes are the worst victims of caste discrimination followed by the *adivasis* who are outside the caste hierarchy. Our Constitution has special provisions to protect the interests of these groups who are characterized as scheduled castes (SCs) and scheduled tribes (STs). All the affirmative action in favour of them so far has helped only a small proportion of them.

The SCs who account for over 16 per cent of the population, remain backward in economic and social development. Mostly landless and assetless being largely agricultural labour in rural areas, their living conditions and access to basic amenities of life are pathetic. As a result, the incidence of poverty, illiteracy and ill health among the SCs is significantly higher compared to the rest of the population. Though untouchability has been abolished by the Constitution more than 50 yr ago, still they continue to be victims of various forms of discrimination.

According to the National Crime Records Bureau of the Ministry of Home Affairs the incidence of crime

against the SCs has been on the increase in recent years. Three States *viz.* Uttar Pradesh, Rajasthan and Madhya Pradesh together account for almost two-third of such reported cases^{15,16}. A sad aspect of such crimes and civil rights violations is the fact that they are often perpetrated by other backward castes and communities who themselves are victims of various forms of discrimination by higher castes.

Scheduled tribes account for about 8 per cent of the population of the country¹⁷. But their share among the poor and illiterates is more than double their population share. The STs are concentrated in the central and north - eastern parts of the country. Unlike SCs, landlessness is not a major problem for the STs. But most of the land owned by them is of inferior quality and less productive. Another important problem is their isolation from the mainstream on account of geographical location. This is especially true of the north-east where STs are in a majority in several small States.

Most of the mineral wealth of the country is in the tribal belt. Mining and other developmental activities like power and irrigation projects often lead to large scale displacement of tribals from their habitats. Often they are not properly rehabilitated economically, socially and culturally. Indeed, they have been often victims of the development process.

There is a qualitative difference between the development experience of STs in the north-east and in the central regions. In the north-east where they are in a majority and have the freedom to shape their destiny the outcome in terms of economic, social and human development has been better. In other parts of the country where tribals are dominated by others, their living conditions have not significantly improved. Often they become victims of exploitation by non-tribals in various ways. They are often alienated from their own land and made to work as bonded agricultural labour by usurious money lenders. The fate of the tribals has not really improved even in the two newly created tribal States of Chhattisgarh and Jharkand. In both States the real economic and political power is wielded by the non-tribal majority.

Gender disparity

The fourth major divide in terms of economic and social development is between the genders. Varying levels of male domination exists in most societies. Indian society is highly patriarchal. Indeed, the superiority of men was legitimized by the code of Manu

in the 8th century and there was never a looking back. Despite the Directive Principles in the Constitution¹⁸, we continue to practice gender discrimination in all spheres of life. Indeed, the UNDP Human Development Report¹⁹ had come up with comparative figures to establish that gender discrimination in South Asian Countries including India is more acute than even in Arab countries.

Gender discrimination is evident even in the demographic indicators of the country. While most of the major countries have a sex ratio favourable to women, our sex ratio continues to remain favourable to men. Not only that, child sex-ratio has been moving inexorably against the girl child in the recent decades. Of course, this is not a biological phenomenon. It is the result of sex-selective abortions and the blatant violation of PNDT Act, 1994²⁰. The 2001 census figures indicate that illegal sex-selection is more prevalent in some of the most prosperous parts of the country, like Punjab, Haryana and Delhi. Studies based on hospital statistics in South Delhi indicate that sex-ratio at birth is as low as 500 females per 1000 males²¹. This truly reflects the frightening gender discrimination of the middle class and elites in Delhi.

Though the gender gap in literacy has been declining over the decades, still there exists considerable difference. According to 2001 census¹⁷ while male literacy is 76 per cent, female literacy is as low as 54 per cent at the national level. In States like Bihar, UP, Rajasthan, MP and Orissa, the gender gap in literacy is even more. Indeed, this gap could be taken as an indicator of the level of gender discrimination in these societies. Low level of female literacy is often associated with poor access to health and family planning facilities, poor awareness of proper child care and other hygienic practices which adversely affect the welfare of the whole family.

Lower literacy and educational attainments result in lower earning capacity. The ratio of estimated female to male earned income in India at 31 per cent is one of the lowest in the World¹. Though women constitute a third of the labour force in India, they account for less than one-fifth of the employees in the organized sector. Further, often they are engaged in activities of a repetitive nature which can be characterized as drudgery. With globalization there is a trend of feminization of certain activities especially in textile and garment industries, electronics and agro-processing industries. These are often repetitive in nature and low-paying.

Women earners often have to bear the double burden of work in the sense that they are expected to carry on their traditional role as home makers also. Many of their socially highly valued activities like caring the children are not assigned any economic value in national income accounting.

Gender – empowerment has become a catch word without much achievement. However, the reservation of one-third of elected posts for women in the local bodies on the basis of 73rd and 74th amendments to the Constitution²² has made a difference. Participation in the functioning of the *Panchayats* and Municipalities as elected representatives and office bearers has contributed significantly to empowerment of women over the last decade. The reluctance of the male politicians to allow similar representation for women in Parliament and State Assemblies is a clear indication of the sense of male insecurity.

Conclusion

It is clear that various dimensions of economic and social disparity- regional, rural-urban, social class or gender have aggravated in the recent period. That too during a period when India has been achieving accelerated economic growth and has been emerging as a global player. This trend, if not arrested and reversed fast, will have serious adverse implications for the Indian economy, society and polity. As of today, a majority of Indians have been bypassed by the process of economic development either are able to contribute to the growth process or receive any tangible benefits.

How can we make the economic growth in India inclusive covering the backward regions, the rural areas, the marginalized social classes and the women? Indeed, this is the principal theme being addressed in the 11th Five Year Plan with an appropriately titled approach paper “Towards Faster and more Inclusive Growth”. The entire Chapter 4 of this Plan document being finalized deals with “Strategic Initiatives for Inclusive Development”. Three areas are dealt in great details, viz. child care, empowerment through education, and comprehensive strategy for better health. Chapter 5 “Bridging Divides: Including the Excluded” deals with the various strategies to correct the imbalances and disparities. These significant policy initiatives backed by resource allocations may achieve these objectives.

Education and skill formation are principal vehicles for improving the earning capacity. A recent report of the “National Commission for Enterprises in the

Unorganized Sector” brings out the criticality of these factors in promoting the well-being of the vast majority of the people of the country²³. The various structural gaps which constrain the young people in the backward regions, rural areas and socially marginalized communities to receive quality education need to be removed without delay. This will positively impact on the economic growth by enlarging the pool of knowledge workers significantly. Currently only 7 per cent of the young Indians in the age group of 18-23 yr attend University or other higher educational institutions. Once opportunities are created for those currently left out some 20 per cent of young Indians can join the global workforce as knowledge workers helping reduce social and economic disparities in the country.

Finally, those who believe in trickle down theory argue that poverty is coming down and no one is worse off as a result of high growth. Then why worry about increasing disparities? But in a vibrant democracy, even illiterate people are aware of the highly iniquitous sharing of the benefits of development. They expressed their resentment against the India Shining Propaganda 3 yr ago²⁴. Unless things improve significantly they will express their resentment again through the ballot box.

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