Rising Inequalities in Income in India
Key Role of Socio-Political Factors

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ABSTRACT

Market-oriented reforms introduced in several countries in the wake of the demise of socialism in the erstwhile communist countries and the global ascendance of neoliberal ideology led to undermining the ideology and policies for equitable development, resulting in the rise in inequalities in income and wealth. In India, the prevailing inequitable socioeconomic structure and the influence exerted by the socio-economically privileged sections on economic policy-making as well as implementation, and not globalisation *per se*, are responsible for the rise in income inequalities. The experience of several countries which embarked upon globalisation by simultaneously pursuing policies to reduce inequalities shows that the rise in income inequalities is avoidable. The political and economic drivers of declining income inequality include deepening of democracy, new social movements, expansion of education and social safety nets, and an increase in government transfers to the poor. While some of the most atrocious social inequalities have been reduced in India, the idea of equality continues to encounter serious difficulties. Forging unity between the like-minded political parties around the demands for social justice and protection of environment is critical to achieving inclusive development.

1. Rising Inequalities in Income

According to a study by Lucas Chancel and Thomas Piketty, the average annual real per adult income growth in India accelerated from 1.7% during 1951-1980 to 3.3% during 1980-2015. However, for bottom 50% income group it decelerated from 2.2% to 1.9% over the same period, as against acceleration from 1.2% to 5.1% for the top 10% income group, and from 0.2% to 6.6% for the top1% income group (Chancel and Piketty 2017). In China too income inequalities have increased in the post-liberalisation period, despite the levels of economic and social infrastructure being higher and more broad-based than in India in the pre-liberalisation period. Even so, income inequalities in China in 2015 were lower than in India: whereas the bottom 50% incomegroup in China accounted for nearly the same share (14.8%) as the bottom 50% in India (14.7%), the middle 40% income group in China accounted fora significantly larger share (43.7%) than by the similar group in India (29.2%); and the share of the top 1% income group in China(13.9%) was significantly lower than the share of top 1% income group in India (21.3%) (Piketty, Yang, Zucman 2017; Chancel and Piketty 2017). These growing income inequalitiesin India and China are part of a wider picture of rising income inequalities in several parts of the world: According to the World Social Report 2020 by the United Nations, two thirds of the world's population today lives in countries where income inequality has grown. Moreover, "the ratio between the incomesof the richest and the poorest 10% of global population is 25% larger than itwould be in a world without global warming", as, among other factors, "atsimilar levels of exposure, people in poverty are more susceptible to damage from climate change than those who are better off" (United Nations 2020).

2. Is the Rise in Income Inequality Unavoidable in the wake of Globalisation?

Globalisation and internal liberalisation of the economy within an inequitable social structure, such as in India, result in accentuating the existing inequalities in income, unless serious efforts are made simultaneously to remove social barriers to equal opportunity and equip the youth, especially from the disadvantaged sections of society, with necessary education and skills. That the rise in income inequalities in the wake of globalisation is not inevitable and indeed avoidable is borne out by the experience of several countries which embarked upon globalisation by simultaneously pursuing policies to reduce inequalities. A review of inequality trends in the main developed and developing countries for the period 1980-2000 characterised by rapid internal and external liberalisation and privatisation showed that although inequality rose in almost 70% of the countries, this trend reversed during the subsequent decade, when Latin America and parts of sub-Saharan Africa and Southeast Asia recorded a decline in inequality (Cornia 2020). The study concludes that "while globalisation and technical change may indeed increase inequality, domestic factors and policies were often behind the inequality increases of the last three decades". The political and economic drivers of declining inequality include the role of democratisation, rise of new social movements, expansion of education and social safety nets and favourable commodity prices (Simson and Mike Savage 2019).

The experience of Latin American countries is particularly striking in respect of a significant decline in inequality as well as the diversity of conditions under which such a decline has taken place. In general, there was an electoral turn to the left and a revival of social mobilisation from below. However, equity gains occurred under diverse ideological profiles of governing parties e.g. Right, Left, Centrist, Centre-Right, and Centre-Left, over the period 2000-2010, following diverse set of policy initiatives. Of the 19 cases of decline in inequality measured by Gini Index, 4 occurred under governments with Rightist, 4 with Leftist, 3 with Centre-Right, 3 with Centre-Left, and 5 with Centrist ideological profile. Of the 7 cases showing a rise in inequality, 2 belonged to the Right, 2 to the Centrist, 2 to the Centre-Right, and 1 to the Centre-Left ideology (Roberts 2012).This diversity of conditions notwithstanding, there seems to be a common thread running through this experience: New Century's Left regimes have reduced inequality in Latin America more than non-Left regimes, and that within the Left regimes, social democratic regimes have done better breaking with the past, reducing inequality to historic lows (Birdsall *et al* 2010). In general, two leading factors accounted for the decline in inequality: a decrease in the earning gap between skilled and low-skilled workers as a result of the expansion of basic education during the last couple of decades; and an increase in government transfers to the poor with the implementation of large-scale conditional cash transfer programmes, linked mainly to the schooling of children (Lopez-Calva and Lustig 2010). Rise in government expenditure on such social development programmes necessitated an increase in tax revenues in Latin America. There was an increase of about 5.5% in tax-GDP ratio, the average regional level of taxation rising from 12.8% of GDP in 1990 to 18.4% in 2008 (Roberts 2012).

3. Growth-Inequality Nexus

It would be simplistic to posit an inherent causal relationship between acceleration in GDP growth rates and rise in income inequality in the post-globalisation period, from the seemingly positive association among them. The prevailing inequitable socioeconomic structure within the country and the influence exerted by the socio-economically privileged sections on economic policy-making as well as implementation, and not globalisation *per se,* may be responsible for the rise in inequalities. In China, for example, despite the radical socioeconomic transformation brought about in the early 1950s, globalisation since the 1980s has led to high inequalities. A study at the International Monetary Fund (2007) attributed this to unequal access to quality education in China in the post-globalisation period. Also, authoritarian political set-up prevailing there could have resulted in special privileges being enjoyed by the limited groups of people having political clout.

Recent OECD evidence, based on a sample of 15 countries over the period 2002-12, showed a negative correlation between income inequality within a region and region's growth, basically on account of underinvestment in human capital by the lower income groups, suggesting that policies should avoid the "grow first, distribute later" assumption that has characterised the economic paradigm until recently, and instead consider from the outset the way in which the benefits of growth will be distributed to different income groups (OECD 2017). Another study on income inequality in post-reform

China points to the negative effects of inequality on growth, arising from the stronger negative influence of income inequality on physical investment than its positive impact on human capital (Wan *et al* 2006).

4. Relevance of Socio-political Factors

Policy analyses highlight rising income inequalities as the foremost concern today in major developed and developing countries. Further, these studies come out broadly with similar findings on factors driving inequalities as well as on the agenda for action to reduce inequalities, prominent among such agenda being public provision of education, health care and necessary skills. But many of these studies do not ask why countries in general failed to implement such agenda effectively, even though these measures have been advocated for over two decades – a period during which inequalities have in fact reached unacceptable proportions. There is thus a major gap in understanding with respect to the relevance of socio-political factors beyond the oft-repeated economic policy agenda.

Rising inequalities in income and wealth lead to unequal access to power, status and influence. Democracies may be less prone to such state capture than dictatorships but even democracies have proved to be vulnerable to pressures from the powerful private interests, particularly when the prevailing social structure is inequitable. It is now widely recognised in social science research that much of the variation in poverty and inequality across rich democracies is due to politics and institutions. For example, there is convincing evidence of a strong relationship between Unionisation and higher earnings, and lower inequality and poverty, the indirect effect of Unionisation through liberal welfare policies of states becoming more prominent. The proportional representation system of democracy, where multiparty competition becomes effective at different stages, explains why countries in Europe with the system of proportional representation have much less poverty and inequality than the countries with majoritarian system like the United States. (Brady, David *et al* 2017). There is evidence that congressional shifts to the Republican Party, diminishing Union membership, lower tax rates, and financial asset bubbles played a strong role in the rise of super-rich in the United States

(Volscho and Kelly 2012). One of the emerging concerns with the dramatically rising inequality in countries like U.S. is that it results in an unbalanced distribution of political power which reinforces inequalities and may by itself have a corrosive effect on democracy (Brady and Leicht 2008).

A major casualty of rising income inequality and the increasing role of money power in policy-making is that those adversely affected start losing interest in the prevailing democratic system. This is confirmed by a study which, based on individual survey data from twenty-four democratic countries, demonstrates that increasing income inequality strongly depresses political engagement by people who feel left out (Solt 2004). The decline in voter participation and apathy are attributable to the decline in the government expenditure on social development and welfare measures as a proportion of G.D.P. since the late 1980s, which had steadily increased earlier in such economies for over two decades on account of Unionisation and political pressures (Brady and Lee 2014).

5. Decline in the Quality of Democratic Governance: Failure to Create Opportunities for Inclusive Development

The preeminent development in the twentieth century is the rise of democracy (Sen 1999). The number of countries under the democratic system of governance now is greater than ever before in human history. In all likelihood, this rising trend towards democratic governance may continue. The surveys on the peoples' perceptions on governance indicate that the number of people in the world who believe in the legitimacy of any form of authoritarianism is rapidly diminishing. Democracy is still highly valued by the people globally, which creates significant opportunities for democratic growth (Diamond 2015).

In general, democracy has been regarded as a major political instrument for achieving inclusive development. In the OECD countries in the 20th century, income tax levels were relatively high, social expenditure as a proportion to GDP was high helping these countries sustain productivity, increase output and generate wealth that reduced poverty and built a strong middle class (Garfinkel *et al* 2010). In the late-20th century, small social democratic states such as Denmark, the Netherlands, Norway and Sweden achieved the lowest levels of inequality and the highest rankings on the Human Development Index (HDI). In some of these countries, high rates of Unionisation gave wide scope for collective bargaining between workers and business owners (Cox 2017).

But, of late, quality of the functioning of democracy has been diminishing in a large number of countries. Inequalities have been rising even in mature democracies which had experienced democratic revolutions long ago and have undergone radical social transformation, as in much of Europe. In China, feudalism was abolished in the late 1940s. However, her authoritarian political system with enormous powers for political mobilisation and will for action, while successful in bringing about high growth, resulted in highly uneven sharing of gains from growth. India, on the other hand, succeeded in sustaining democracy so far in a society that is ancient, slow-moving and ridden with various kinds of inequities with respect to classes, castes, gender, etc. But instead of democracy bringing about radical social change in India, the long-entrenched and powerful social groups are able to influence even the popularly elected governments for appropriating disproportionately large benefits from growth.

There seem to be two sources for the failure of democracies in this respect. In the first place, democracies were expected to give rise to large middle class that would espouse the cause of liberty and equality, but experience has shown that the upper sections of the middle class are more interested in reaching the top 10% or 1% of the income ladder than joining the forces working for wider sharing of benefits from growth. Another major source for distortion of democratic framework is ‘money power’ (Stiglitz 2012). It ranges from the very wealthy employing the highly paid consultants and lawyers for ‘tax planning’ to financing interest lobbies for winning over the law-makers, as often observed in the United States and in other democracies in Europe.

Towards the end of the 20th century, tax and regulatory competition among states working to attract highly mobile global capital led to the erosion of progressive tax systems and other key social welfare institutions necessary to effectively tackle inequality (Cerny 1995; Rodrik 2012). There is an increasing concern on the gap between the formal political equality and the factual social inequality- a gap that is especially pronounced in developing democracies. The subordinate groups find themselves increasingly disempowered politically. A key challenge in countries across both the developing and the developed world, therefore, is how to harness collective action for reducing inequalities (Menocal 2017).

6. Achieving Inclusive Development in India: Major Areas of Concern

The acceptance of the idea of Inclusive Growth by the policy makers in India, notably after 2004, owes to the experience of the post-reform period when poverty reduction was slower than expected and economic inequalities increased significantly with various deprivations e.g. lack of adequate health care and education and under-nutrition coming to the fore. But there is little clarity among many on the concept of inclusive growth. Very often it is identified with the existence of welfare schemes like Employment Guarantee and Public Distribution of foodgrains, which are not sufficient, by themselves, to ensure inclusive growth. After all, several such schemes have been there in India throughout the planning era to mitigate the distress caused to the weaker sections of society. There is need for a cogent framework of Inclusive Growth where equity and social justice are built into the *growth process* itself as distinct from measures for social welfare many of which constitute a necessary policy response in the event of failure to achieve inclusive growth.

The 12th Five Year Plan spelt out such a framework by defining Inclusive Growth as the *growth process* that is broad-based in which wider sections of population, especially those hitherto excluded, participate. This implies stepping up GDP growth rate in the less developed regions through the development of necessary infrastructure; adequate priority to agriculture which contributes to food security and provides employment to the large sections of population; and high priority to labour-intensive sectors like manufacturing and construction for generating greater employment opportunities and for securing rise in wages. Marginalised groups should be given access to land and capital, education and skills for setting up enterprises and for securing jobs without being subjected to various forms of discrimination (Thorat and Newman 2009). The major areas of concern in this context are discussed below.

6.1 Inter-state (Regional) Disparities in Development

Growing inter-state disparities in per capita gross state domestic product (GSDP) - a significant source of growing income inequalities at the aggregate national level – have been an important factor in the post-economic reform period, driven by the rising regional inequalities in income from the secondary and tertiary sectors since the early 1990s when compared to the 1980s (Rao 2006).These inter-state disparities in per capita GSDP accentuated further since 2004-05:The weighted CV (Coefficient of Variation) of per capita GSDP increased from 40% in 1993-94 to 51% in 2014-15(Radhakrishna 2020).This rise in inequalities continues to be driven by income inequalities originating from the industry and services sectors. Certain developed states in the Western and Southern regions e.g. Gujarat, Maharashtra, Haryana, Tamil Nadu and Kerala benefited most from economic reforms, whereas economically weaker states from the eastern region, e.g. Bihar, Uttar Pradesh, Madhya Pradesh, Odisha, Assam and Jharkhand remained at the bottom with respect to their per capita GSDP (Radhakrishna and Mishra 2020).

These regional disparities are attributable basically to historical factors dating from the colonial period. Historically, the developed states were, in general, characterized by progressive land tenures like the *Ryotwari* and the *Mahalwari* systems, whereas most of the less developed states were under the exploitative tenures like the *Zamindari* and the *Jagirdari* systems with several layers of intermediaries between the state and the actual tillers of the soil. Many of these areas were under the princely states for a long period. The social structure evolved under progressive land tenures has been conducive to the growth of enterprise and generated incentives for work, whereas the social structure perpetuated by the exploitative land tenures has been inimical to enterprise and bred apathy (Rao 2006; Radhakrishna 2020).

For over a century and half before independence, the rate of taxation was very high in the eastern zone, because of which the extraction of surplus was much higher than in many other parts of the country. There has been a significant drain of this surplus from the country in the colonial period. But there was also a significant transfer of this surplus for investment in other regions within the country. After independence, the per capita transfer of resources through the Finance Commissions as well as the Planning Commission was lower for many of the less developed states for at least two decades. The transfer of resources, especially through the Finance Commissions, has become progressive since the 1980s (Rao 2006). But the discretionary schemes of the central government, including subsidies on inputs like fertilisers, benefit richer states more than the poorer states (Ghani 2010).

6.2 Rural-Urban Disparities in Income

Rising rural-urban disparity in income is another significant source for the rise in income inequalities in the country. The emergence of rural non-farm sector as an important source of output and employment holds the prospects of spatially broad-based and environment-friendly growth conducive to the well-being of the rural poor. Spatially broad-based growth would reduce the costs and hardships associated with migration and urban congestion, and can ensure larger volume of employment for a given rate of investment than when growth is limited to high wage pockets.

Rural non-farm wage income is less variable than income from farming which is subject to weather-induced fluctuations. Small, marginal, and semi-medium farmers may be receiving a larger proportion of their income as wage income and remittances from non-farm sources when compared to the medium and large farmers (Ranganathan *et al* 2016). As the rural non-farm sector grows, this stable source of their income may predominate, thus drought-proofing their incomes.

Agro-processing which has strong linkages with agriculture and has a large potential for sustained growth of output and employment in rural non-farm sector has yet to make its due impact in India. Sustained growth of agriculture through the rise in Total Factor Productivity is indispensable for the growth of rural non-farm sector because of its strong backward and forward linkages. This requires strong policy measures to raise agricultural productivity and improve infrastructure for agricultural marketing. Growth of rural non-farm sector requires broad-based development of physical and social infrastructure in rural areas such as roads, electricity, water, schools and health care facilities.

6.3 Inadequate Public Expenditure on Education and Health Care

Despite the avowed objective of spending 6% of GDP by the governments at the Centre and states together on education sector–also proposed by the National Education Policy (NEP) 2020 - their expenditure was only around 4% of GDP in 2018-19, Centre's share being just one-fourth of this expenditure. The increase in this expenditure over the post-reform period of nearly 30 years between 1990-91 and 2018-19 is a mere 1% of GDP (Motkuri and Revathi 2020). There has been a rapid expansion in the privatisation of higher education in India, rendering it unaffordable to the poorer sections. Lower public expenditure on education and its increasing privatisation in India has adversely affected all the three major goals of education, viz., access, equity and quality (Radhakrishna 2020; Tilak and Choudhury 2018). In this respect India ranks much below several countries, including China (Radhakrishna 2020). As between countries, the correlation of education and skills with overall inclusive growth index is found to be strongest, the correlation being 0.91(Aggarwal *et al* 2019; World Economic Forum 2017, 2018).

Public expenditure on health in India is quite low – around 1% of its GDP. This accounts for only 30% of total health spending, while more than 60% is accounted by out- of- pocket expense. The predominance of high cost private health care pushes millions of people towards poverty every year (Aggarwal *et al* 2019).The commitment of National health Policy, 2017, to increase public funding of health to 2.5% of GDP by 2025 is not reflected in the annual increases in the budgets on health (Reddy 2019).

Admitting that low priority was accorded to public education and health care in India's development policy and hinting at the need for long-term solution, the former Prime Minister P.V. Narasimha Rao had pointed out at the time of launching economic reforms in the country in the early 1990s, that "it is regrettably true that in Plan after Plan, the outlays on education and health, the key areas of human resource development, have received inadequate attention…They need to get pride of place in our programmes"(His Presidential Address at the AICC Plenary Session at Tirupati in April 1992, in Baru 2016).

6.4 Slow Pace of Social Inclusion of Marginalised Sections, e.g. Scheduled Castes, Scheduled Tribes and Muslims

The incidence of poverty or the proportion of people below the poverty line has been highest for Scheduled Tribes (Adivasis) among all social groups, Scheduled castes (Dalits) showing the next highest incidence of poverty. Between 1993-94 and 2011-12, the pace of decline in the incidence of poverty for these two groups was slower than the decline in the average incidence for the total population. The decline in the incidence of poverty among these marginal groups has been even slower in the developed states with a better resource position like Gujarat, Maharashtra, Punjab and Haryana, among others. Thus, with growth and reduction in the incidence of poverty in the country, poverty is getting concentrated among SCs and STs (Radhakrishna 2020).

Excess mortality among tribal children continues to be a serious problem. There are several laws and programmes in place to address the special disadvantages of STs, but implementation is poor. The low participation of tribals in decision-making and their alienation from land and forests are central to the explanation for their continued alienation from progress and development (The World Bank 2011).

Insufficient political clout and low bargaining power of Adivasis is attributable to their concentration in remote areas, unlike the Dalits who live in mixed villages alongside other castes and communities. With 10 to 20% of vote, Dalits can have a decisive impact in elections even in constituencies not reserved for them. Adivasi vote may matter only in 50 or 60 constituencies whereas Dalit vote matters in as many as 300 constituencies (Guha 2016). Because of insufficient awareness and low bargaining power of Adivasis, Governors have been conferred with significant powers for Schedule V areas in 10 states in matters affecting the livelihood and empowerment of Adivasis. But, surprisingly, the interventions by the institution of Governor in such matters have been very few.

Despite some catching-up in education among SCs, they still lag behind non-SC/STs. In the labour market, SCs (mostly landless) largely participate as casual labour in rural areas. Even in urban areas, SCs have less chance of exiting casual labour and moving into regular salaried jobs, if they have post-primary education. Wage differentials between SCs and others indicate continued disadvantage faced by them in the labour market. However, in addition to new economic opportunities, Dalit Solidarity movements and affirmative action policies have helped Dalits claim political space more successfully than other excluded groups (The World Bank 2011).

There is a hope, as, according to the Human Development Report 2011(Institute of Applied Manpower Research 2011), between 2004-05 and 2009-10, all the three groups, that is, SCs, STs, and Muslims, have been converging towards the national average in terms of literacy rate. Health indicators for these marginalised groups are also converging with the national average, although in absolute terms, the overall situation continues to be worrisome. Over the same period, the unemployment rate among the workers belonging to these three groups declined in both rural and urban areas. Poverty has declined for these groups at an accelerated rate over this period, which is higher than the overall or average annual rate of decline. Among the several policy measures taken in the social sector in this period, two major ones are Mahatma Gandhi National Rural Employment Guarantee

Programme (MGNREGA), and the Programme for the Welfare of Minorities. On all accounts, these two programmes had a distinctly better impact.

Even so, public expenditure (Combined Revenue and Capital Expenditure by the Centre and states together) on Social Development (Social Security and Welfare, Housing, Labour & Employment, and Mahatma Gandhi National Rural Employment Guarantee Scheme) increased over the post-reform period of 26 years by a mere 1.2% of GDP -from 0.9% of GDP in 1990-91 to 2.1% of GDP in 2016-17 (Government of India 2018).

6.5 Slow Pace of Empowerment of Women

The major avenues for empowerment of women are: improvement in their education, employment, representation at all levels of governance (e.g. Gram Panchayats, Nagar Palikas, State Legislatures, and Parliament), and strengthening their voice through their own organisations.

Discrimination against the girl child persists in India, as female neo-natal mortality under the age of one is significantly higher than for boys. Because biologically the mortality rate for girls is lower than for boys, girls' survival chances improve if the mother is educated and has access to resources and decision-making power. While efforts to curtail sex-selective abortions with widespread advocacy, education and monitoring seem to have worked in curbing the decline in child sex ratio in some states, child sex ratio in the country, as a whole, continues to show a declining trend signaling the enhanced risk to the very survival of girls beyond the age of five. Across India, over half of all women (53%) are undernourished and anaemic showing only a marginal improvement over a decade (Rao and Pervez 2019).

Gender disparities in education at all levels have narrowed considerably overtime. There is no difference in the proportion of boys and girls in school enrolment, attendance, and drop-out. The gender parity index (GPI) for all levels of school education (primary through higher secondary) is one or slightly above that. However, significant differences emerge at disaggregate levels- rural/urban and socio-economic categories - for the indicators of literacy rate, school attendance and average years of schooling. No significant gender disparities are found in respect of gross enrolment ratio in higher education for the country. In states like UP, Haryana, Himachal Pradesh, Jammu and Kashmir and Punjab women's participation rate is higher than that of men. However, women belonging to the ST category rank the lowest among all social groups in higher education enrolment (Tilak and Choudhury 2018). Access to higher education in terms of Gross Attendance Ratios showed gender inequalities especially by location of household and economic status. Such gender inequalities have been rising over time.

Labour force participation rate (LFPR) which is a measure of the economy's active workforce (employed plus actively seeking work) has been falling overtime in the country. India has become one of the 10 countries with low LFPR. The LFPR for women is lower than for men and the male-female gap has been rising over time: LFPR for men in India fell from the peak during 1993-94 to 2018-19 by around 17%, but the fall is higher for women at 33% (National Statistical Office; PLFS 2018-19).

The trend of women's employment shows they are more engaged in agriculture than men. While 55% of women workers (15 years plus aged) are engaged in agriculture only 38% of men are agriculture workers (National Statistical Office; PLFS 2018-19). This pattern varies across the states. Poorer statesin general are characterised by higher participation of workers in agriculture. Non-farm employment is low for women. The share of non-farm employment for female workers is 45% while it is high for male workers at 62 percent.

The male-female wage gap is still high. Calculations based on 61st round of NSS 2004-05 show that women's nominal wages are, on average, 71% of men's wages in regular salaried work and 56% of men's wages in casual work. Based on the NSS data from 1999-2000 it was found that only 27.5% of the difference in casual wages between male and female workers could be explained by factors like human capital and location, while the rest was attributed to unobserved factors. Some of these unobserved factors may well involve discrimination (The World Bank 2011).

The idea that inclusive governance is necessary for achieving inclusive development started taking a practical shape when the 73rd Constitutional Amendment Act mandated 33.3% reservation for women in Panchayat Raj institutions across the country. Also, the constitutional amendment stating that one-third of total seats in local self-government institutions have been statutorily reserved for women was enacted in 1992. Article 243D of the Constitution (introduced through 73rd CAA) provides that one third of all seats and offices of the Chairpersons are reserved for women and such reservations to seats and offices are also within the reservation of SC and STs in all the three tiers of the PRIs. Although the 73rd amendment provided for one-third reservation for women, subsequently 20 states have raised the reservation of seats and offices for women to 50%, as providing reservation in local bodies is under the jurisdiction of states. Approximately 46% of elected representatives of local bodies are women in the country (Sinha 2018). The constitutional amendment bill 2009 was introduced in Lok Sabha to provide 50% reservation in urban local bodies, but the decision on this is still pending. However, some states have reserved 50% seats in the urban local bodies too.

In principle, all the political parties seem to be in favour of reserving at least one-third of seats for women in the elections to the Lok Sabha and State Assemblies, even though some parties want further quota within this one-third. It would be interesting to see how women have been faring in the elections to the Lok Sabha and state assemblies. The share of women elected has steadily increased from 4.45% of all elected for the 2nd Lok Sabha (1957) to 14.39% for the 17th Lok Sabha (2019), while the number of women contesting as proportion to the total number of candidates contesting was lower at 3% and 9% respectively, indicating that the number of women contesting or winning is still way below 33% (Election Commission of India 2020). At this pace of change, it may take around 100 years for women to reach the 33% representation visualised.

It was open for each of the political parties in favour of reservation of one-third seats for women to aim at realising this objective by fielding adequate number of women candidates and ensuring their election. Such a practice could have facilitated the passing of the Women's Reservation Bill by bringing about a consensus. For the 2nd Lok Sabha (1957), the total number of women candidates fielded by all the national parties constituted only 4% of the total number of contestants fielded by them, the women candidates fielded by the Indian National Congress (INC) and Communist Party of India constituting 6% and 4% respectively. For the 17th Lok Sabha (2019), the number of women candidates fielded by the national parties increased to 12%, those by the All India Trinamool Congress being 37%, CPI(M) 15%, BJP and INC 13% each, CPI 8%, and BSP 6%. Trinamool Congress alone stands out prominently in respect of the number of women candidates fielded in this election (Election Commission of India).

For all the state Assemblies together, the number of women elected to the total number elected increased from 3.5% during the General Elections held between 1974 -1978 to 14.4% during the General Elections held between 2016-2020. The pace of increase in the representation of women in state assemblies seems to be almost the same as their representation in the Lok Sabha. States showing higher than 10% representation for women in Assemblies during 2016-2020 are: Andhra Pradesh, Bihar, Chhattisgarh, Delhi, Jharkhand, Rajasthan, Uttar Pradesh and West Bengal. It is significant to note that many of these states are poorer in terms of their average per capita income. It is equally significant that some of the richer states like Gujarat, Karnataka, Maharashtra, Punjab and Tamil Nadu show poorer representation (less than 10%) for women. Even the state of Kerala has a representation of a mere 5%.Though women fielded constituted 8.3% and 9.1% of the total number fielded in the states of Karnataka and Kerala respectively (higher than country average), those elected was 3% and 5.7% only (Election Commission of India 2020). The causes for such inter-state variation in the representation of women in the state Assemblies need investigation.

There are several outstanding examples of women's agency and empowerment in the country to improve their living conditions such as by ensuring the payment of minimum wages in public works, getting adequate access to credit for financing self-employment or education, and joint ventures through Self-Help Groups. Mazdoor Kisan Shakti Sangathan, led by Aruna Roy, for example, succeeded in Rajasthan over the years in ensuring payment of minimum wages for men and women, together with their greater participation in public works programmes, including the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA). Kerala's Kutumbashree Programme, like other Self-Help-Group models in Andhra Pradesh and other states, promotes women's empowerment through savings, credit, and microenterprises linked to banks under the bank-linkage program promoted by the National Bank for Agriculture and Rural Development(NABARD).There are several other high profile examples of welfare activities along with advocacy such as Gujarat's Self-Employed Women's Association, or Maharashtra's Annapurna Mahila Mahamandal (The World Bank 2011).

6.6 Inadequate Access to Institutional Credit for Weaker Sections

Following the introduction of economic reforms in the early 1990s, there was a retrogression on several indices of financial inclusion reflecting a severe setback to the objectives with which major commercial banks were nationalised in the late 1960s (Rao 2006; Shetty 2009).This experience has prompted renewed policy attention to the issues of financial inclusion in India in recent years (Government of India 2007).

Financial inclusion should be measured not only by the number of bank accounts held by the weaker sections, but also by the amounts borrowed by them, which show a more dismal picture. For example, the share of direct accounts with a credit limit of less than Rs.25,000 in total direct accounts declined from 97% in 1990 to 67% in 2005, while their share in outstanding direct credit declined from 67% to 23% in the same period (Government of India 2007). The share of small-scale industries in total bank credit declined from 12.5% in 1991 to 5% in 2003; the small and marginal farmers account for only about one third of institutional credit for agriculture, the remaining two-thirds going to the farmers above 2 hectares (Shetty 2009).

The share of institutional credit for agriculture for small and marginal farmers continues to be much lower than their share in cultivated area, the bulk of such subsidised credit at 4%-7% rate of interest being allocated to large farmers or diverted to companies in agri-business including dealers and sellers of fertilisers, pesticides, seeds and agricultural implements. In 2017, for example, 53% of agricultural credit that the National Bank for Agriculture and Rural Development (NABARD) provided to Maharashtra was allocated to Mumbai city and suburbs, where there are no agriculturists, but only agri-business. Part of such subsidized credit is being refinanced to small farmers, and in the open market, at a rate of interest up to 36% (Mittal 2021).

The regional distribution of agricultural credit in India in 2018-19 shows that its distribution is highly skewed. It is low in North Eastern, Hilly and Eastern states, the share of North Eastern States being less than 1% in total agricultural credit disbursed. Since the small and marginal holdings constitute more than 85% of total operational holdings in the eastern, north-eastern, and central regions, these regions warrant greater distribution of agricultural credit (Government of India 2019).

One of the reasons for women's low representation in non-farm employment is the poor access of women to credit markets and financial products. Data from the Reserve Bank of India showed that only 12% of all individual bank loan accounts belonged to women in 2006, and for every Rs.100 of bank credit given to a man, a woman received only Rs. 15. Further, while 29% of women belonging to higher castes (non-SC/ST/OBC) have their names on bank accounts, only 16% of OBC women, 13% of Dalit women, 10% of Adivasi women, and 13% of Muslim women have their names on individual or joint bank accounts (The World Bank 2011).

However, as far as financial inclusion of women defined as having a bank or saving account that they themselves use is concerned, significant progress has been made in the recent period. At the All India level, the proportion of women having such accounts has increased from 15.5% in 2005-06 to 53% in 2015-16 (Government of India, 2019). This could well be explained by the increasing practice of making payments directly to their accounts, from the government and other agencies as wages due to them for employment or payments due under welfare schemes of the government.

Financial inclusion could be inhibited by the higher transaction costs of dealing with a large number of small accounts rather than a small number of large accounts. But such costs can be reduced through organisational innovations or, where necessary, met through explicit subsidies to the banks and other institutions. Subsidies can also be extended to make up the losses on account of lower rates of interest charged to the weaker sections. In practice, however, extension of bank credit to such sections is inhibited not by higher transaction costs or risks but by the financial sector and banking sector reforms implemented in the 1990s which have, among other things, resulted in the emergence of an inequitable interest rate structure. For instance, paradoxically, a small farmer was made to pay an interest rate of 12% while a highly rated corporate entity could raise money from banks at 6%.

Therefore, the basic cause for financial exclusion, often missed, is a mindset lacking in social concerns. This has to be faced squarely if appropriate institutional arrangements are to be made for checking the prevailing distortions in bank lending. The experience with the linkages of Banks with Micro Finance Institutions and Self-Help Groups (SHG.s) clearly demonstrates that the poor are bankable: Even when margins are low, high volumes can make the business profitable (Joshi 2008). Innovative institutions and methods for the delivery of credit are called for, such as Group-Lending to small and marginal farmers, and using NGOs, Farmer Clubs, SHGs, etc. for credit delivery.

6.7 Slow rise in Tax Revenues

Slow increase in tax revenues, especially from direct taxes, accounts for the sluggish growth in public expenditure on social development e.g. on health, education, and the minimum needs including social insurance for the poor. Over the 40 years of pre-reform period from 1950-51 to 1990-91, annual revenues from direct taxes remained below 2.5% of GDP as against a rise in indirect tax revenues from around 4% to around 13% of GDP over the same period. The maximum marginal rates of income tax were brought down at different stages from the unduly high or 'confiscatory' rates of around 98% in 1974-75 to 40% in the reform-oriented budget of 1992-93 presented by the then Finance Minister Manmohan Singh. Within a period of another 5 years in 1997-98, the Finance Minister P. Chidambaram brought down the marginal rates of taxation further to 30% – one of the lowest rates in the developing economies – by substantially reducing the rates at different slabs. As a consequence, the growth in direct tax revenues over the post-reform period of 25 years was sluggish from 2.5% of GDP in the early nineties to around 5.5% of GDP in 2015-16, constituting less than half the revenues from indirect taxes which amounted to 11.5% of GDP(Government of India 2018). Wealth tax was abolished altogether by the Finance Minister Arun Jaitley with effect from 2016-17, precisely at a time when rising inequalities in wealth are becoming a significant source for rising income inequalities.

There has been a rise in the taxable capacity of the country on account of a significant rise in average per capita income as well as a steep rise in the income share of top income groups in the post-reform period. This argues for greater mobilisation of government revenues by raising rates of direct taxes and reducing exemptions. This would enable larger transfer of resources to the poorer states both through the Finance Commission and the Central Ministries as well as a significant increase in public expenditure on social development including education and health care.

6.8 Slow Pace of Decentralising Development through Devolution of Functions and Resources to the Local Elected Institutions

Experience has amply demonstrated that participatory or inclusive governance is indispensable for achieving inclusive growth. This is woefully lacking at the grass roots level where the formulation of schemes is not quite in keeping with the local needs and circumstances, and administration is not directly accountable to the local people. It is precisely to cope with such challenges that Panchayat Raj was visualised by the late Prime Minister Rajiv Gandhi.

Thanks to the 73rd and 74th amendments to the Constitution, elected Panchayats have been in place. But they are deprived of necessary functions, finances and functionaries. No serious effort has been made so far to devolve such powers, not to speak of any effort to build up local capabilities by training the elected functionaries. On the other hand, certain state governments have been active in pursuing top-down development and governance by floating numerous schemes and parallel implementation structures which cut at the very root of Panchayati Raj institutions (PRIs). This is explained solely by the resistance from the entrenched interests to part with their powers.

Every year since 2008-09, the Minstry of Panchayati Raj (MoPR) has been conducting a study to assess the extent of devolution to PRIs by States and Union Territories through an independent agency. The index of devolution in practice for the year 2014-15 allows an analysis of actual devolution in the field. The indicators chosen reflect the actual control of Panchayats over the functions and functionaries transferrred to them, financial autonomy, utilisation of development funds, status of infrastructure and administrative system in place.

In the latest round of Devolution Index, Kerala, Sikkim, Karnataka and Maharashtra in that order have done better in the devolution of funds, functionaries and finances to the PRIs whereas low performing states on this count are Bihar, Jharkhand, Andhra Pradesh, Uttar Pradesh, Telangana and Jammu & Kashmir (Government of India 2015; Reddy, forthcoming). The reasons accounting for better performance of the PRIs in the above mentioned states are: strong political will from the respective state governments; allocation of substantial amount of grants (mostly untied) to the local bodies; and continuous capacity building of the PRI staff. A dedicated PRI cadre and Panchayat window in the budget document (as in case of Kerala) have paved way for the decentralisation process to take deep roots in the better performing states.

Resistance to decentralised planning by devolving functions, finances and functionaries from the state to local levels was conspicuous in the former integrated state of Andhra Pradesh. A devolution index constructed by the National Council of Applied Economic Research had shown this to be a mere 50% for the then Andhra Pradesh state as against 75% for Kerala, 70% for Karnataka and 67% for Tamil Nadu. After the bifurcation of the state, in Andhra Pradesh and Telangana, parallel institutions such as 'Janmabhoomi Committees' and 'Gram Jyothi' programmes have been given importance. These Committees, not being democratically elected bodies, are not directly accountable to village communities. In these two states PESA has not been strengthened depriving genuine tribal governance. The institutions of Gram Sabhas have not been strengthened. Even though 50% reservation to women for elections to Panchayats has been accomplished, the women members have not been sufficiently trained in the governance allowing for their proxies to have larger say in the decision making process of the PRIs. The higher level political executives such as MPs and MLAs seem to have a greater say in the governance of PRIs, as compared to the PRI representatives in the planning and execution of developmental programmes at the grassroots level.

NITI Aayog as a think tank at the national level can be effective in a large country like India with enormous regional diversity, only if decentralised planning below the state level is taken up seriously by strengthening the state Planning Boards as think tanks with necessary competence and autonomy. But this issue was not even raised in the course of the debate when the NITI Aayog was constituted. Except in a few cases, state governments and their planning departments have always been lukewarm to the idea of strengthening state Planning Boards with necessary autonomy.

7. COVID-19 Epidemic: Lessons for Policy

The death-toll from the spread of COVID- 19 epidemic and the loss of output and employment on account of lockdowns introduced to prevent its spread are unprecedented. Vulnerable sections of population, especially migrant labour, have been severely affected in terms of losses in income and livelihoods, particularly because of India's low average per capita income and nearly half the population being close to subsistence standards of living (Acharya 2020; Venkateswarlu 2020). There is greater clarity on the socioeconomic and humanitarian consequences of this epidemic than on its causes, although it may take some time before definitive estimates of loss in output, income and employment, and rise in income inequalities can be made.

Deficiencies in the system of public health care in India have been exposed glaringly from the spread of COVID-19 epidemic. States in India with higher per capita income often showed higher death rates from COVID-19 because of lower public health expenditure as a share of state domestic product than the poorer states. According to an estimate, approximately 72% of deaths occurring from this epidemic till the first week of November, 2020, could have been avoided if public expenditure on health across the country were the same as that of the state with median level of public health expenditure. Further, across the eight countries in South Asia, where richer countries generally spend proportionately more on public health, there is a particularly marked negative relationship between public expenditure on health and death rate from COVID-19 (Balakrishnan and Namboodhiry 2020).

Three immediate policy lessons emerge from the consequences of COVID-19 epidemic in India: First, public health system needs to be thoroughly revamped by substantially increasing public health expenditure; Second, as suggested by Rangarajan and Mahendra Dev, substantial relief needs to be provided to the poorer and vulnerable sections in rural as well as urban areas by giving cash transfers of minimum Rs.4000 annually to all women above the age of 20 years, by extending the present MGNREGA to urban areas, and by increasing the number of days provided for employment under this scheme to 150 in rural as well as urban areas. The proposal has the merit of easy identification of beneficiaries and minimising the leakages (Rangarajan and Mahendra Dev 2020). Third, because of a large number of jobs lost, especially in the unorganised and informal sectors, employment generation needs to be given high priority in the post-COVID recovery phase by providing incentives to the growth of labour-intensive sectors like construction, which has strong backward and forward linkages with the rest of economy, and manufacturing. The need to give high priority to employment generation is underlined by the fact that the rates of unemployment and underemployment in the economy were quite high and rising even before the onset of COVID-19 (Kapoor 2020).

8. The Way Forward

It would be wrong to attribute the failures to achieve equitable development in India to the present democratic system *as such.* Rather, they can be traced to the way the functioning of democracy has been twisted and moulded by the pulls and pressures from the vested interests. Unlike in mature western democracies where democratic institutions evolved in the course of radical social transformation over a long period, in India institutions of democracy were adopted after achieving independence in 1947, even as the traditional iniquitous social structure remained largely intact.

In the course of long-drawn struggle for independence in India, the post-independence agenda for economic development and social justice through Development Planning was widely articulated under the leadership of Jawaharlal Nehru. Because of active participation of all sections of population in the movement for freedom and democracy, it was believed that after achieving independence the objectives of economic development and social justice could be achieved through peaceful and democratic means. It was thus envisaged that democracy would become a potent instrument for bringing about social transformation. This approach of the Indian National Congress (INC) well before achieving independence drew inspiration from the Soviet Union as well as Western democracies, from the former for the objective of achieving socialism and from the latter for adopting peaceful and democratic means.

Nehruvian Model of Development, so conceived, was nearest to the Social Democratic Model followed by the Scandinavian countries in Europe, as both the public and private sectors had a significant role there striving for growth and social justice through the democratic process. But the experience in

India over the last 70 years has raised certain major questions regarding the path to be followed for making the social democratic model feasible in India. First, unlike in India, the Scandinavian countries had to undergo intense class conflicts before settling down to their Social Democratic Model of Development. Second, the struggle between the organised working class and capitalists there culminated in a 'social contract' or tacit understanding for ensuring an orderly growth of the economy as well as for sharing the benefits of growth with the working classes. Third, the working class could succeed in its struggle because it had forged a broad-based alliance with the farmers and middle income groups (Walton 2013).

It would be appropriate, in this context, to refer to the question raised by B.R.Ambedkar, the principal architect of the Indian Constitution, during the Constituent Assembly debates:

"On 26 January 1950, we are going to enter into a life of contradictions. In Politics we will have equality and in social and economic life we will have inequality. In politics we will be recognizing the principle of one man, one vote and one vote, one value. In our social and economic life, we shall, by reason of our social and economic structure, continue to deny the principle of one man, one value. How long shall we continue to live this life of contradictions? How long shall we continue to deny equality in our social and economic life? If we continue to deny it for long, we shall do so only by putting our political democracy in peril. We must remove this contradiction at the earliest possible moment or else those who suffer from inequality will blow up the structure of political democracy which this assembly has so laboriously built up" (Mungekar 2017).

India's democratic record shows the necessity to separate the electoral and liberal aspects of democracy. Electorally, India is on stronger ground than it is with regard to classic liberal freedoms. While some of the most atrocious inequalities, especially those with respect to caste, have been reduced, the idea of equality continues to encounter difficulties. Despite liberal gaps, "the electoral process is now deeply institutionalised, but India's democratic battles are only half won"(Varshney 2015).

As mentioned earlier, a highly inequitable social structure inherited from the pre-independence period has proved to be the foremost hurdle to achieving social equity in India. Failure to implement radical land reforms, inability to universalise public provision of education and health care and failure to adequately empower the local elected institutions for ensuring accountability in performance can be cited as some major consequences in this respect.

These failures notwithstanding, the objective of achieving socialism through democratic means continued to be articulated at the national level after Nehru until the 1980s under the leadership of Indira Gandhi. Her initiatives for ensuring equitable access to institutional credit through the nationalisation of leading commercial banks, launching of various poverty alleviation and social development programmes including Scheduled Caste Component Plan (SCP) and Integrated Tribal Development Projects (ITDP), and institutional measures for the protection of environment together with the clearance of development projects from the environmental angle being made mandatory, kept alive the national agenda of pro-poor and sustainable development, even though these initiatives were not adequately backed by the organized movements of the potential beneficiaries.

Economic reforms introduced in India in the early 1990s did pave the way for accelerated growth of GDP. But such market oriented reforms introduced in several countries in the wake of the demise of socialism in the erstwhile communist countries and the global ascendance of neoliberal ideology, led to undermining the ideology and policies for equitable development resulting in the rise in inequalities in income and wealth in several parts of the world (Piketty, 2020). In India, the prevailing inequitable social structure and the interests of the wealthy and the upper sections of the rising middle classes who benefited most from economic reforms have been conducive to the spread of neoliberal ideology. These social groups regard the increase in public spending for social development as 'populist' and wasteful, and restrictions on the unsustainable use of natural resources as inimical to the growth of the economy. Rising income inequalities in India are thus attributable to the influence that the governing elites representing such interests are able to exercise in decision-making as well as implementation of policies.

The government of the United Progressive Alliance (UPA) elected in 2004, in the wake of mass discontent after 15 years of economic reforms, constituted National Advisory Council, headed by Sonia Gandhi, which recommended a series of measures for achieving inclusive growth e.g. Employment Guarantee Act, Right to Information Act, Forest Rights Act, Right to Education Act, Food Security Act, and Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act.

However, the processes of social change the world over demonstrate that such changes have been possible only through protracted struggles involving the broadest possible coalitions of social groups seeking to improve their lot from these changes. Unlike in the developed Western democracies where the traditional class-based cleavages are disappearing in the recent period giving place increasingly to the cleavages based on education and nativity, in India the classist cleavages are prominent (Piketty 2020): High caste groups with better wealth position and status have a conflict of interest with the large majority of population comprising lower and middle castes and low income groups, e.g. Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs), and the poor among high caste groups as well as religious minorities. According to an analysis of voter behavior in the elections for Lok Sabha until 2014 the upper caste voters increasingly shifted their preference towards the parties of the 'Right' whereasvoters from the lower castes, lower income groups and religious minorities are more likely to have voted for the 'Left' and 'Centre-Left' parties (Piketty 2020).

The hierarchical caste structure in India, even though largely overlapping with the wealth and income hierarchy, poses problems in forging unity between socio-economically deprived groups. As it is, a very small proportion of wage labour in India is formal and organised. Even in the developed countries, due to the changes in the economic structure and in the composition of work force, the Trade Union membership as a proportion of total number of workers has fallen significantly. For example, a study on Unions, Strikes, and Labour's Share of income in the United States for the period 1949-1992 revealed an important role of the Unions in redistributing income from the capitalists to workers during the post-war period until the 1970s, but after 1980 the weakened position of organised labour prevented Unions having any redistributional impact (Michael *et al* 1999).Rates of Unionisation are low and declining in many developing countries (The World Bank 2019). In the post-reform period in India, the bargaining power of employers has increased more than that of workers, as indicated by the steep rise in the man-days lost due to lockouts in relation to those lost on account of strikes (Rao 2014).

There are, nevertheless, a number of successful cases of movements from the deprived sections in India, where such sections constitute large numbers or those from smaller sections are able to come together rallying around the common goal. For instance, the movement for the reservation of jobs for Backward Classes in the late 1980s was successful because BCs constitute at least half the total population, and the movement had the support of SCs, STs, and the religious minorities who enjoy the benefits of reservation. Further, given determined leadership, even smaller groups of people facing grave injustices such as displacement from forests or severely affected by the location of polluting industries are able to fight back successfully.

Forging unity between the like-minded political parties around the demands for social justice and protection of environment is critical to achieving inclusive development. Indeed, very often the number of seats won by a multi-party alliance in elections is larger than the sum of seats won by individual parties fighting without such alliance. This requires that electoral alliances between the like-minded political parties are basically programmatic rather than determined purely by the exigencies of seat sharing between the individual parties. Such programmatic alliances are feasible only if there are prior pressures from the people concerned. This is possible, in turn, only if there are sustained movements on peoples' issues built through programmatic alliances.

Grassroots movements led by Non-Government Organisations (NGOs) on issues affecting the people result in the creation of necessary awareness among the people, and provide much needed support for the political parties espousing such causes. According to S.L. Sheth, the number of grassroots movements in the country may be in the range of 20-30,000. The key concept they work with is democratising development through empowerment of people. All types of grassroots groups today articulate basic issues of development in the framework of rights. The activists of these movements view them as a long-term struggle for political and social transformation by raising people's consciousness, building their own organisations, creating a culture of participative democracy, and addressing the problem of making institutions of governance at all levels more accountable, transparent, and participative (Sheth, forthcoming).

Such grassroots movements on livelihood issues serve to wean away people from the divisive politics of those who seek to exploit religion, ethnicity and nativity for political purposes. Indeed, the failure of mainstream political parties to place the rights-based livelihood issues top on the national agenda has often provided a fertile ground for those seeking to exploit emotive issues for political purposes (Rao 2018). Barring a few notable exceptions, the grassroots movements in India have been confined to the micro levels taking up local-level issues. Their presence at the national level can significantly strengthen the peoples' movements on issues of social equity led by the mainstream political parties. However, these parties need to define and articulate their ideologies unambiguously, and democratise their organisational structures by opening the doors for the entry of the poor and the deprived at different levels of membership and leadership (Sarangi 2020).

9. Conclusion

The discussion in this paper shows that formulating a good policy agenda for achieving inclusive growth is not enough. There is need for a debate on how the existing framework of democracy can be made more effective by placing the issues of inclusive development top on the national agenda. This is a formidable challenge at the political level. But intellectuals can contribute to this effort through their investigations and thinking. This requires individual as well as joint effort from political scientists, sociologists, historians, economists and others. Also, this calls for greater sharing of information with, and interaction between, Social Scientists and Civil Society comprising social and political activists and social movements working, through peaceful and democratic means, for pro-poor, sustainable and participatory development in the country.

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