IMPACT: International Journal of Research in
Humanities, Arts and Literature (IMPACT: IJRHAL)
ISSN (P): 2347-4564; ISSN (E): 2321-8878
Vol. 5, Issue 9, Sep 2017, 81-102

DOES INEQUALITY LEAD TO GREATER INEQUALITY IN INDIA?

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ABSTRACT

People in India live amidst sharp inequalities. This inequality has multiple dimensions and is ever growing. The British rule influenced the Indian society in many respects. The western ideology which is still considered to be superior, took over, bringing about riches to a few and exclusion for the rest.The elite class created under the British rule has taken up the leadership task in the post-independence period. The leaders in the post-independence period have borrowed a western model of growth and the western influence continues to exclude the already marginalised from the growth process.

KEYWORDS: Leadership, Post-Independence, British Rule

INTRODUCTION

According to the World Bank data on India, in the year 1994 the income share held by highest 10% was 25.98 while that held by the lowest 10% was 3.95, for the year 2010 these shares are 28.79 and 3.69 respectively. Inequality in India, for the period 2000-10 in terms of the income gini coefficient was 36.8. The proportion of population having dietary energy consumption below the 2100/2400 Kcal norm in India continues to rise since 1993-94[1]. The figures point out that the leadership and the policies post-independence have been ineffective. The neo-liberal approach to growth has concentrated on the growth of GNP, however this pattern of growth has been exclusionary. The so called trickle-down effect has been negligible in India. The fact that inequality leads to greater inequality is fairly evident in the Indian society

Theoretical Background

To understand how inequality leads to greater inequality, analysis of the existing theoretical models will be helpful. The role of one way globalisationand marketization is worth a mention when it comes to exacerbation of existing inequalities. The colonial rule in India brought with it One-way Globalisation. The western ideology since then has been influencing every aspect of life in India. Since 1991, marketization and consumerism have crept into all the economic and social processes. Advertising and strong demonstration effect sharpens the feeling of exclusion among the marginalised (Kumar, 2013, Ch.8). Baran discussed how Marketization, which is seen as a rational and efficient approach,leads to waste[2]. The waste eats up into the surplus which could have been channelized into productive uses (Baran, 1973).

The famous Lewis model discussed the expansion of the capitalist sector through continued investments. The model is based on the concept of trickle down. The capitalist sector would develop by bringing about a contraction in

[1]Please refer to SAARC Development Goals; India Country Report 2013, Ministry of Statistics and Programme Implementation, Government of India.

[2] It distorts the distinction between essential and non-essential consumption, productive and unproductive labour and actual and potential surplus as pointed out by Baran.

the subsistence sector; employment expands in the capitalist sector as capital formation speeds up (Lewis, 1954). However, this model of development applied to developing economies like India has resulted in technological backwardness, lack of investible funds and low profitability in the subsistence sector. Exclusive concentration on the capitalist sector in India has generated the problem of jobless growth leading to backwardness in agriculture and economy-wide inequality (Kumar, 2013, p.193 &194).Even Kuznets U hypothesis shares its foundations with that of the Lewis model (Mazumdar and Sarkar, 2008, p.5 & 6)[3].

Ranis and Stewart argued for a modernising segment within the urban informal sector, which is characterised by firms that employ better technology and produces goods that compete with those produced by the formal sector. The paper, shows that this sector can provide gainful employment in developing countries and overtime as the urban formal sector expands and becomes more competitive, it would absorb the urban informal modern sector and eventually the urban informal traditional sector[4]. Sadly, such a pattern of development has not been seen in India(Ranis and Stewart, 1994)[5].

Foellmi and Zweimuller, explore the relation between underemployment in the less developed nations and income inequality. The high inequality divides the formal sector into mass producers and exclusive producers[6]. In the case of high inequality, there is a tendency to shift towards exclusive production so that high mark ups can be set to exploit the rich. This would lead to greater unemployment since the exclusive producers generate less employment.An egalitarian distribution of income can deal with the problem of underemployment (Foellmi and Zweimuller, 2011).

Patnaik highlights the fact that a mere increase in the growth of output does not bring about alleviation of unemployment and poverty. In economies like India, the technology is largely determined by the technological progress in the west. This technology does not affect the overall capital to output ratio much however it tends to lower the labour to output ratio. To bring about growth in an effective sense, economy should be selective in adopting advanced technology (Patnaik, 2003).

The presence of black economy leads to failure of macroeconomic policies, rise in unproductive investment and waste. It lowers the rate of investment, while raising the savings propensity. So the multiplier falls, the output and the rate of growth remain below the potential level. Correct estimates of the people below the poverty line and the unemployed cannot be made, which makes the entire policy exercise futile (Kumar, 2005).

India has followed a top down approach of growth, where it has tried to imitate the approach of the west to solve its problems, for instance trickle-down effect. In the developing nations a better suited option is to follow a bottom up path[7] (Pham, 2011).

In India, the income taxes despite having a progressive structure are regressive in nature[8]. There has been a heavy

[3]As the labour migrates from the traditional to the capitalist sector, the real wages might be low to start with and there is a rise in inequality but over time the wages rise and overcompensate for any biases arising out of labour saving technology.
[4]However, this depends on the rate of growth of the formal sector, reduction in inequality, favourable production and consumption patterns and technological progress and accumulation in the modern urban informal sector.
[5] In India the informal sector largely stays traditional, government policies, inequality, unfavourable patterns of consumption and monopolising tendencies within the formal sector have delayed such a transition.
[6] Mass producers set low prices and cater to a wide consumer base and exclusive producers set high prices and cater only to the rich.
[7] It recognizes the real problems affecting the people at the lowest strata.
[8]This is due to the concessions offered to propertied classes and a small proportion of people in the ambit of direct taxes.

dependence on the indirect taxes to collect revenue. As kalecki argues, Indirect taxes are stagflationary. Indirect taxes offer no stimulus to the system for an expansion in the output, the prices of the commodities rise and the purchasing power shifts away from the people who consume those commodities, primarily the workers. Direct taxes on the other hand, expand output, profits of the capitalists and employment rises (Kalecki, 1971)[9].

An analysis of theories and models gives a clear understanding that egalitarian conditions would give rise to a sustained economic growth and redistribution of income would not necessarily hurt growth.

INEQUALITY LEADS TO GREATER INEQUALITY IN INDIA

Poverty and inequality have become firmly entrenched within the Indian society. Inequality breeds inequality in India. Colonial rule over India, contributed a great deal to creating divisions in the society. The emergence of colonial rule transformed globalisation in to a one way process[10]. It took over the Indian society by shattering its social and economic structure, implanting advanced technologyand instilling a belief that the western methods were superior in every sense. The British impacted various aspects of the Indian society, which created inequality. Education was largely used as an instrument to establish the superiority of western ideas. The indigenous methods and way of living were considered backward. This form of education resulted in the impoverishment of the mind. The Indian elite class created, served the British interests and treated the rest as inferiors.The plunder of indigenous industrial base, resulted in heavy dependence of the population on agriculture for a living. The British took control of the entire market and infrastructure like railways and ports deepened the penetration. Whatever surplus resulted, was hardly reinvested in agriculture or industrial development. Landlords and property holders were used by the British against the marginal farmers to extract rents. Drain of wealth resulted in a backward agriculture and industrial sector in India.Illiteracy, poor health conditions, poor infrastructure characterised the Indian society in the colonial era. A gap was created between the elite propertied class and the ones at the bottom. The capital intensive technology from the west exacerbated the problem of unemployment and innovation and research in the economy stagnated (Kumar, 2013, Ch. 2)[11].

Independent India's leadership has had a major role to play in shaping India's current status. The elite class created under the colonial rule took on the task of leadership. This class was mesmerized by western modernity. The western path of development and top down approach was followed to put India on the road to development[12]. Villages were considered to be permanently backward and were largely left out of the policy ambit; this led to poor conditions in the rural regions even after independence. Self-interest dominated the thinking of leaders. Failure of leadership can be seen in the marginalised sectors as well. The leaders representing the claim of the marginalised groups suffer from lack of spirit to work for the rights of the people they represent. They are happy with the benefits accruing out of the relative political power that they have been able to grab. Leadership has also neglected the long term issues like Education, Health,

[9] Kalecki also talks of capital taxation, wherein the profits and the employment rises. Also, the after tax income of the capitalists rises since the inducement to invest stays strong. According to him capital taxation is the best tool to stimulate the economy without raising government's debt. However, a shift to capital tax is difficult since it would invite strong objections from the politically and economically powerful.

[10] Globalisation is not necessarily damaging till the time it's a two way process, since it involves a flow of goods, people, ideas and culture across borders.

[11] The backwardness generated in the colonial era continues to torment the Indian society even in the post-independence period.

[12]The fact that such a copied model could not be applied to India given its different conditions was overlooked.

Environment and Foreign policy (Kumar, 2013, Ch. 4).

Central Planning was introduced in the 1950s. Setting up of public sector and heavy industrialisation was the development strategy. So investment went into large projects rather than small scale projects[13]. Agriculture became a marginal sector. Reservation and protection was provided to small scale industries, licensing checked the monopolistic tendencies in the private sector, however, big businessmen used power to make their way. Indigenous firms were also protected against foreign competition. The public sector was viewed inefficient due to widespread corruption and slow decision making process. The severe droughts in 1965 and 1967 and the two wars caused a major rupture in the planning process[14]. Green Revolution was brought in agriculture to achieve self-sufficiency in food[15]. However, the benefits went to the already prosperous. The oil shocks in 1970s caused disruption[16]. India experienced balance of payment pressure in 1980s, there was emergence of a debt trap. The success of the South East Asian countries and IMF conditionalities accepted in 1980s, made India, open up. Consumerism crept in; there were increased imports, borrowings rose[17].Resultantly, there was an economic crisis in 1989-90. This forced India to seek assistance from external agencies like IMF and World Bank and it had to accept their conditionalities, mainly opening up the economy (Kumar, 2013, Ch. 3 & 4).

1991 saw the launch of New Economic policy, which was an approach favouring the markets. 1991 onwards, globalisation in India has taken the form of marketization. Consumerism is being spread through advertisements. The rich are quick to buy these products and a strong demonstration effect instils a desire in the middle and the poor classes to emulate the standards of rich. It is the possession of luxuries and goods that define an individual’s position in the society and this causes distress among poor. In the markets, it is the dollar vote that works. So a person with low purchasing power will automatically get excluded and will barely be able achieve the essentials[18]. Influx of goods and advertisements promote the idea of “More is better”, which accelerates waste. Increased spending on non-essentials is a waste. Costs increase due to unproductive activities like advertising. All this eats into the surplus which could be used for more productive activities. If the consumption patterns of the elite are rationalised there would not be any shortage of resources for development (Kumar, 2013, Ch. 5 & 7).

The consumption disparities have been on a rise in India. Considering four basic food items: cereals, pulses and products, meat egg and fish and vegetables, there has been no decline in disparities between the rural rich and poor over the period 1994-95 to 2006-07. When it comes to the non-food items, difference in the consumption of clothing and footwear between these classes, has shown a decline. However, the difference in consumption of durable goods, education, medical services both institutional and non-institutional has shown rising disparity between the rural rich and poor. Privatisation of education and health facilities has added to these disparities[19]. For the urban areas disparities between the

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[13]This could have helped people at the bottom. The large scale projects also caused displacement.
[14]There was a plan holiday between 1966 and 1969.
[15]This technology required capital, inputs, fertilizers, pesticides, irrigation and it could have been successful only in the states that had all these requisites in place.
[16]There was growing dependence on imported energy.
[17]Elite wanted to shift to markets. It was felt that imports would help in technological advancement and resultantly the exports would rise.
[18]The regional inequalities within India and international inequalities can also be viewed in this light.
[19]Privatization opens up a range of options for the rich, however, the poor lose out on the little aid that they get from the government.

rich and poor have declined in terms of food, clothing and footwear. The disparities show a rising trend in case of durable goods, education and medical facilities. It has been seen in the rural and urban areas that the consumption is shifting from cereals to egg, meat and fish. The new food basket is expensive for the poor and cannot provide them with adequate nutritional requirements (Roy in Alternate Economic Survey India – 2011)[20].

Fiscal policies have a definite role in stimulating growth in the economy. The neo-liberal approach argues for retreat of the state, it is argued that the public sector is characterised by corruption and inefficiency. However, it needs to be recalled that in an economy with unemployed resources, increased government spending can stimulate economic activity and output thereby raising savings. It can also crowd in private investment. (Dharan and Chattopadhyay in Alternate Economic Survey, India: Two Decades of Neoliberalism, 2010, Ch. 13).

Right after independence, public sector took up the task of developing the country. Public sector suffered from its own inefficiencies, black economy also impacted the policies. Policies based on the trickle down, were not successful, which led to the new economic policy regime. Under this regime, demand side policies were replaced by supply side policies, in the sense that tax concessions and other benefits were given to big capitalists[21]. Public sector was to be privatised which meant shift in the income distribution in favour of the business class. In India, post-independence, indirect taxes have assumed great importance and since indirect taxes are stagflationary, this has lowered the growth and heightened inflation[22]. This was mainly because direct taxes have produced meagre amount of revenue[23]. The widening net of indirect taxes has imposed burden on the poor, the large amount of expenditure on subsidies is also a result of the inflation caused by the indirect taxes[24]. Agriculture suffers at the hands of fiscal policy also. The subsidies provided in terms of water, electricity and fertilisers are not adequate. Subsidies on fertilisers largely go to manufacturers. Centre-state relations are also important to be discussed[25]. There has been an increased concentration of expenditure in urban areas, this creates dichotomy between urban and rural areas. Concessions are being given to the international capital; models like VAT are being borrowed overlooking the fact that it is difficult to implement such models given a large informal sector. There is inadequate expenditure on the social sectors (Kumar, 2013, Ch. 5)[26].

The financial sector also helps in the concentration of resources in a few hands. The financial sector acts as an intermediary between the savers and the businesses who usually invest. The return from investments is usually higher than what the savers receive. Those who own large financial resources, get a greater access to funds, while the small scale industries, farmers, traders, face great difficulties in borrowing and producing. Due to the black economy that Indian financial sector stays divided in a formal and an informal part[27]. At the time of Independence, a large portion of the banking sector was under the private control. This meant heavy dependence of farmers on the money lenders and zamindars, thereby causing backwardness in agriculture. At the time of green revolution, a large number of banks were

[20]Roy, "*Disparities in Consumption Expenditure and Reversal of the 'Tunnel Effect'*" in Alternate Economic Survey India – 2011; Economic Growth and Development in India: Deepening Divergence, 2011

[21] Please refer to Table No. 1.

[22]Please refer to Table No. 2 & 3.

[23]A very small proportion of the population falls under the tax bracket, there is tax evasion and black economy.

[24]Subsidies are given for exports and consumption.

[25]Resources are transferred from states to centre, it is argued that states in India are given major responsibilities of expenditure but the corresponding revenue share is not adequate

[26]Please refer to Table No. 4.

[27]The presence of black economy makes it difficult for the monetary policy to achieve the desired results.

nationalised and the rural and semi-rural areas were covered, priority sector lending, administered interest rates and concessions werebrought in. However, inefficiencies within the banking system failed to throw money lenders out of their position of control. Black economy and speculation are persistent in the financial sector as well. People have chosen to divert their funds in the real estate market and gold. Massive inflow of FII and FDI took place and a lot of black funds that went out of the country, came in (Kumar, 2013, Ch. 5). Deregulation of the financial sector also led to rise in speculation in the stock markets, and this includes commodities as well. Increased speculation in the multi commodity futures exchange has pushed up the prices of essential foods, cereals and pulses, thereby hitting the poor hard (Sen in Alternate Economic Survey, India: Two Decades of Neoliberalism, 2010, Ch. 11).

The Indian economy has shown important structural changes since the time of independence. There are various divisions in the Indian economy which have produced challenging levels of inequities[28]. Beginning with agriculture, Indian agriculture was in a backward state at the time of independence and the present status also does not look very promising. The contribution of agriculture and allied activities to GDP was 14.45% in 2010-11 while the percentage of people employed was 52.9[29]. Changes in the agriculture sector have had adverse impacts. Contribution of food grains to agricultural produce has declined while there is an increase in the share of fruits, floriculture and vegetables. Shift towards commercial crops imposes threat on food security. Trade liberalisation, lifting of Quantitative restrictions will expose the farmers to the vagaries of the global market. The gross capital formation in agriculture has shown a declining trend[30]. Declining public sector investment is a cause of concern, because it is critical for raising the total factor productivity as well as crowding in private investment. The employment absorption in agriculture has fallen and so has the productivity. Technological change is responsible for low employment generation. Though the flow of institutional credit to agriculture has risen in the post reform period, there is still dependence on informal sources also it is the large farmers who benefit from the institutional credit. There is a gap in knowledge in the agricultural sector (Singh in Alternate Economic Survey, India: Two Decades of Neoliberalism, 2010, Ch. 3).

The manufacturing sector in India was also largely stunted due to low investment and backward technology at the time of independence[31]. Since independence a large amount of investment, research and development has taken place in the organised sector and large scale industries however, the small scale sector and the unorganised segment have hardly shown any improvement. Post 1991 imports and exports were encouraged; Licensing, MRTP and FERA were eliminated. However, this only brought in consumerism, private and foreign players in critical segments like infrastructure. There was adverse impact on the small scale sector and employment generation as imports were liberalised. The small scale and unorganised segments of the economy have low level of capital; they produce largely for the poor and employ the poor. So this sector is trapped in a cycle, while the large scale manufacturing grows at its expense. It is the growth of the service sector that dominates the GDP growth now[32].India in its race to copy the western technology entered a phase where production got concentrated in the modern sector which raised demand for services. Growth of the service sector was also

[28]There is a divide between Urban and rural areas, Modern and traditional sectors, rich and poor states, formal and informal sectors and so on.
[29]Planning Commission estimates.
[30] Please refer to Table No. 5.
[31]At the time of independence, public sector enterprises emerged in the modern sector, protection was also given to private players. There was increase in imports of technology, licensing policy was used by the big capitalists for their benefits. The small scale production did not receive much attention, though it had reservations and concessions.
[32]Please refer to Table No. 6.

required to build capacity in terms of education, health, and infrastructure. Rise in luxury consumption also added fuel to the growth of this sector. Rapid expansion of urbanisation, has also given it a flip. The terms of trade are shifting against the agriculture and non-agriculture sectors due to rapid use of services (Kumar, 2013, Ch. 6)[33].

After independence, India adopted a closed economic regime[34]. Opening up of the economy changed the approach towards growth. For a developing country dependence on exports means, competing in low and intermediate technology products and maintaining highly competitive prices. Demand for exports also depends upon the global economic conditions. Imports on the other hand outcompete the indigenous goods. Under the liberalised regime, foreign investment picked up. FII rose sharply from 1993-94 and FDI rose only after 1994-95. The foreign investment has largely been in the non-manufacturing sectors. A significant proportion of FDI in the manufacturing sector is through acquisitions and it only displaces indigenous manufacturers. The flow of foreign funds is also considered to be unstable; they have linked the Indian economy with the global economic conditions (Rao and Dhar in Alternate Economic Survey India – 2011)[35]. The composition of exports and imports of India has changed[36]. The labour intensive categories of exports have fallen indicating low employment generation[37]. Increased dependence on imported energy has political and economic instability attached with it. Large imports of capital goods are on account of industrialisation and modernity. So the current trade policy continues to thrive at the expense of marginal sectors (Kumar, 2013, Ch. 7).

The presence of black economy in any society causes massive disruption. Black economy stands at about 50% of GDP in the current times. It affects several aspects of the society. The production in various sectors of the economy is understated. Estimates related to health, education, transportation, finance are flawed. Employment and wages are overestimated, while profits are not fully declared. Presence of black economy raises the savings propensity which reduces the multiplier effect. Investment falls as the funds are channelled into unproductive pursuits. The incremental capital output ratio rises, lowering the growth rate. Hence the economy misses its potential growth rate. Policy formulation becomes difficult. Black incomes are largely concentrated in the tertiary sector, so a rapid expansion of the tertiary sector itself generates inequalities. It also means degradation of the services. Concentration of black incomes in few hands has further extended disparities. Black economy leads to a waste of the economy's resources. Expansion of employment in criminal activities takes place; expenditure is incurred on expansion of law and order. Unproductive employment is being generated in the organised sector as well, unnecessary activities are outsourced to agencies. Prices of critical commodities are high due to high costs declared, subsidies do not reach the poor, expenditure on health and education is overstated. Standards are not maintained in provision of roads, drinking water, toilets. Health and education facilities also remain abysmal in quality. Savings out of black incomes are usually channelized to the tax havens. Overtime big capitalists and business men have found several routes to hide the black incomes (Kumar, 2013, Ch. 8).

Disparity between urban and rural areas is also on a rise. The policy of the government to stimulate

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[33]The poor suffer due to rising prices, low absorption in agriculture and secondary sector and ever increasing, environmental degradation and strong presence of black economy in all the sectors.
[34]There was export pessimism, import substitution was chosen as a path to develop home market.
[35]Rao and Dhar, "*Formulating India's FDI Policy: Waiting For Godot*" in Alternate Economic Survey India – 2011; Economic Growth and Development in India: Deepening Divergence, 2011
[36]The share of primary goods in exports has been declining, while the export of petroleum products has been rising. In the case of manufactures, metals and chemicals have done well, while share of leather, textiles and handicrafts has fallen. Software industry has also done well in exports. In case of imports, energy has the largest share, followed by capital goods.
[37]Please refer to Table No. 7 & 8.

industrialisation, gave a boost to urbanisation as well. India has witnessed the phenomenon of concentrated urbanisation. Within the urban areas it can be seen that the elite enjoy an enviable standard of living while poor have to live in the slums. It is argued that concentrated urbanisation occurs because of scale economies and utilities can be provided at a low cost, however once the capacity is reached costs of provision rise. The well to do often evade taxes and don't pay for the provision of services. Setting up of SEZs, encroachment of land to set up malls, real estate development has led to displacement of tribal communities[38]. As the investment in urban areas rise little is left for the rural areas. People from rural areas migrate to urban centres in search of jobs and a better life, but end up becoming a part of the informal sector[39]. Case for public private partnership is being argued for under pressures of external agencies. This would only raise the distress of the poor and would heighten corruption and criminalisation (Kumar, 2013, Ch. 9).

After independence, the public sector took on the task of building the physical and social infrastructure of the country. Under the neo-liberal approach the inefficiencies of the public sector are highlighted even in this sector and public-private partnership in infrastructure has been argued for. However, the private sector has always been interested in making profits rather than building physical and social capacities of the nation[40]. Talking of highways, the inter-state disparities in terms of density of national highways rose after 1990s,the disparities in terms of state highways have also remained high post 1991. There has been an expansion of the road network and air transport has largely benefitted the rich. Urban transportation has expanded however the rural transportation has largely been neglected. Within the urban areas rich enjoy the privilege of better transportation. There is a rising disparity between states in terms of per capita consumption of electricity (Das in Alternate Economic Survey, India: Two Decades of Neoliberalism, 2010, Ch. 9).Communication technology has rapidly spread in the Indian economy post 1991. Internet has also rapidly spread across the country; however there exists a rural urban differentiation[41]. Rural infrastructure has been neglected as the essentials like sanitation; drinking water and electrification are missing (Kumar, 2013, Ch.9).

Healthcare can be seen as a merit good and it is characterised by information asymmetry. Hence intermediation of the state is required in this sector. Though the state has set up a vast health infrastructure, rural urban disparity and differentiation within the urban sector itself are evident. Spread of consumerism has brought with it lifestyle diseases which have affected the well to do. Health problems are also related to environment pollution. The status of health care in India is poor[42]. The public hospitals which cater to the poor suffer from lack of medical infrastructure, poor conditions of the hospitals, shortage of medical personnel and so on. Post 1991, private players have also emerged in the health sector. There has been a decline of public health institutions, with privatisation. This has burdened the poor since they can't afford expensive private health services (Kumar, 2013, Ch. 9).

Education is a capacity building tool for any nation. Post 1991; privatisation can be seen at all levels of education. To universalize primary education, District Primary Education Programme was introduced in 1991 and it was largely

[38]An argument extended in favour of SEZs is that they would help generate employment, investment and output, however it also leads to displacement of communities, labour, previous investment and ruins traditional activities.
[39]Please refer to Table No. 9 & 10.
[40]Projects involving private sector have had problems, there are doubts if the required amount is being invested by the private players, time and cost overruns have also been seen in certain cases.
[41]Since, the access to computers is limited, electricity is not available in various remote and rural areas, also illiteracy and low quality of education makes the use of internet difficult.
[42]Please refer to Table No. 11.

externally funded. So, even the education policies at the primary level were dictated by the west. Low salaries paid to the teachers have largely kept them disinterested. In 2001, Sarva Shiksha Abhiyan was launched with the aim of spreading literacy[43]. It seems that the scheme which largely caters to the children from disadvantaged backgrounds, has been dependent on para teachers. Many schools don't have teachers; there is a lack of infrastructure. The dropout rates among the children of the poor is high, they suffer from low levels of attention and learning disabilities and require a special learning environment. There is a vast difference between the private schools for the elite and central schools for the poor in terms of quality of teachers, schooling infrastructure, pupil-teacher ratio. English is the medium of instruction in schools which only widens disparities. Education also needs to be supplemented with coaching and tuitions which increases the costs for poor. Even the quality of higher education is poor. Restricting higher education only to those who can afford it puts a halt on the production of new talent. Reservations have been made for marginalised categories; however, the children from these groups who have received inadequate learning and training find it difficult to cope with higher education. In the case of technology, India has been suffering from disadvantage of late start. The existence of old technology makes it difficult to absorb the new technology. Post-independence efforts were made to stimulate research and development, however, the lack of knowledge generation, poorly trained scientific and technological personnel, lack of innovation has made technological advancement difficult (Kumar, 2013, Ch.11).

The growing consumerism has increased the pace of environmental degradation. Private sector in the attempt of maximising its profits has over exploited resources and has led to environmental degradation. Post 1991, environmental regulations have largely been diluted to help large capitalists. Poor have to work in inappropriate conditions and consume goods of abysmal quality. The poor undoubtedly have their own contribution in pollution, however, it's the consumption by well-off that generates a large amount of pollution. This damages health, especially of the poor. The increased dependence on energy and imported technology has also led to environmental pollution. The planners and the elite work on the line of Kuznets curve that the growth would trickle down and overtime levels of pollution would fall. Till that time poor can bear the burden of pollution (Kumar, 2013, Ch. 10).

It is easy to see that concentration of political and economic power in the hands of few has led to substantial inequalities and marginalisation of the poor.

VIEWS ON INEQUALITY IN INDIA

Jha highlights the fact that the inequality that resulted after the adoption of reforms is modest as compared to the transition economies. According to his study, in the 1990s the rural inequality grew at a modest pace, however the urban inequality grew invariably. Slow pace of growth in agricultural wages, high prices and reduction in food and fertilizer subsidies has added to the burden. The rise in inequality has been a result of three factors primarily. These are a shift in the earnings from labour to capital income, Rapid growth of the services sector and a drop in the rate of labour absorption in the post reform period. Regional inequality is a concern. Inequality is inhibiting growth since the states with high inequalities show a poor growth performance and convergence is still a distant goal (Jha, 2000).

Deaton and Dreze examined the evidence for inequality in India for the period between 1993-94 and 1999-2000. They found that inequality increased in India in varied forms. Widening disparities were found between the per-capita

[43]Please refer to Table No. 12.

expenditure across states, with well-off states performing better than the poor ones. Rural- Urban disparities in terms of per capita expenditure have also risen and inequality has risen in the urban areas for most of the states. There exists social inequality as well. There are disparities among the states in terms of education and literacy rates. The slackening of growth in real agricultural wages, slowdown of the decline in the infant mortality rate, fall in the female-male ratio among children due to misuse of technology are also disturbing trends (Deaton and Dreze, 2002).

Pal and Ghosh found that the inter-state inequalities have grown post 1990. Also during the 1990s, employment generation was weak both in the rural and urban areas[44]. Casual employment also grew as many small farmers became landless. As far as the health services are concerned, urban areas have shown a better performance, however, there are inter-state disparities[45]. Reduction in the capital expenditure by the Central government, decline in the current expenditure on the rural development, reduced financial transfers to the states, reduction in subsidies for food, fertilizers and exports, downsizing of employment in public sector, privatization of basic services like electricity and transport are some of the key factors that have led to rise in the already existing inequalities. The change in the priority sector lending and capital adequacy norms have constrained the flow of credit to the marginalised. The flow of Foreign Direct Investment has also gone to the handful of states, with skilled labour and better infrastructure (Pal and Ghosh, 2007).

Mazumdar and Sarkar, discuss the employment problem in India. They highlight the fact that service sector growth in India has been fuelled by productivity rise and it does not create enough employment (Mazumdar and Sarkar, 2007).

Jayadev, Motiram and Vakulabharnam analyse the growing wealth disparities in India for the period 1991 and 2002. Post liberalisation there has been a rise in the accumulation of household wealth across the country. However, there has been an increased concentration of this wealth (Jayadev, Motiram and Vakulabharnam, 2007).

Joe, Mishra and Navaneetham argue that the health inequalities are linked with income inequalities. People from poor and marginalised groups experience poor health conditions. High levels of inequality translate into high levels of health inequality (Joe, Mishra and Navaneetham, 2008).

Mooij argues, that primary education inIndia reproduces inequalities (Mooij, 2011)[46]. Borooah finds that relative to Hindus, SC/ST persons are more likely to be ill, less educated, more likely to hold and cultivate marginal lands and to live in an unhealthy environment. Inequality breeds inequality and marginal are further marginalised (Borooah, 2005).

Boyce in his paper wrote about the relation between inequality and environmental degradation. The extent of environmental degradation depends on the power equation between those who reap benefits out of it and the ones who lose. If the ones who benefit are more powerful, there will be more environmental degradation. Inequality raises the value attached to the benefits reaped by the powerful winners relative to the losses imposed on poor losers. Also, inequality involves over exploitation of the environmental resources. Poor exploit because they are impoverished and the rich exploit out of their greed and political insecurity. The brunt of the environmental degradation is borne disproportionately by the poor (Boyce, 1994).

[44]The low rate of employment generation can be attributed to the fact that employment elasticity of output growth fell. Agriculture saw slackening of real wages and stagnation of employment.
[45]There are wide variations in terms of infant mortality rate, life expectancy and Human Development Index by state.
[46]The interaction between the students and teachers is quite mechanical, which ruins the scope of intellectual development.

CONCLUSIONS

Growth at any cost has changed the priorities, which the development path aimed to achieve. The inequities in the Indian economy are a result of multiple factors. The colonial rule set the stage for inequalities to germinate. Policies adopted in the planning process, black economy, neo liberal regime, shift from agriculture to tertiary sector, backward infrastructure are the factors that have led to ever rising inequalities. To address the problems of poverty, inequality, unemployment, government has come up with multitude of programmes. However, a framework for effective implementation of these programmes is also needed. The tax structure which is largely stagflationary needs to be rationalised. Concessions and benefits need to diverted away from the economically and politically powerful.

Growth also needs to generate enough purchasing power. So an appropriate product mix should be chosen which can employ people and provide them with the goods for consumption. So production of mass consumption should be favoured over the production of luxuries (Roy in Alternate Economic Survey India – 2011)[47]. Also the economy should be selective in importing technology, so as to avoid causing mass displacement of labour.

To tackle the black economy, the close association between the politicians, businessmen and executive class needs to be broken, political parties should work for the people, electoral process needs to be overhauled so that genuine representatives are given a chance, a strong and transparent judicial system needs to be put in place, tax structure needs to be simplified and proper implementation of laws needs to be ensured (Kumar, 2013, Ch.8).

The rural infrastructure has been neglected so far, it should be recognised that building the capacity of the villages will strengthen the whole nation. Also large scale privatisation especially in the case of physical and social infrastructure cannot really help in the upliftment of the marginalised; the state needs to play an active role. Lot of problems have been emanating out of one way globalisation and the spread of western style of living. Environmental regulations need to be imposed and it needs to be ensured that the standards are strictly followed. The need of the hour is to stop emulating the west irrationally.

It needs to be recognised that marketization is not a solution to all the social problems and the state is not necessarily inefficient. A combination of the two is needed for sustainable growth. The state can help in provision of education and health services, if framework for effective implementation is put in place. Most importantly the social mind-set needs to be changed and the disruption in the ideology needs to be treated. People need to be sensitive to the need of building a unified nation, only then policies and regulations can work effectively (Kumar, 2013, Ch.12).

Rationalisation of Policies, overhaul of the system and a change in the mind-set is necessary to bring down the levels of inequities in the Indian Economy.

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ANNEXURE

Table 1: Revenue Forgone as a Percentage of Revenue Collected

Revenue Forgone	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Personal Income Tax	26.9	27.1	42.8	37.1	35.4	36.9	12.3	12.2	12.7
Corporate Income Tax	70	34.2	31.2	32.2	31.4	29.8	59.9	49.4	44.7
Excise duty	10.2	32.2	30.5	31.6	32.5	19	22.4	15.7	21.9
Customs duty	99.2	138.5	100.8	93.5	181.6	234.4	127.2	158.6	154.1
Total	42.3	39.9	53	53.3	45	46.3	41.1	42.3	39.9

Source: Rao, R Kavita, "Revenue Foregone Estimates some Analytical Issues", Economic and Political Weekly, March 30, 2013.

Table 1 gives information about the percentage of tax revenue foregone. The revenue foregone under personal income tax and excise duty has declined, while it has increased for corporate tax and customs duty.

Table 2: Taxes as a Proportion of GDP

Tax-GDP Ratio 1950-51-2012-13			
Year	Total Tax Revenue (All India)		
	Direct	Indirect	Total
1950-51	2.29	3.93	6.22
1951-52	2.28	4.62	6.89
1952-53	2.39	4.05	6.44
1953-54	2.11	3.75	5.87
1954-55	2.22	4.43	6.65
1955-56	2.35	4.61	6.96
1956-57	2.19	4.58	6.77
1957-58	2.42	5.3	7.72
1958-59	2.28	4.94	7.22
1959-60	2.38	5.27	7.65
1960-61	2.31	5.45	7.76
1961-62	2.43	5.93	8.37
1962-63	2.82	6.58	9.41
1963-64	3.04	7.17	10.21
1964-65	2.8	6.99	9.78
1965-66	2.62	7.81	10.43
1966-67	2.42	7.86	10.28
1967-68	2.1	7.21	9.31
1968-69	2.14	7.42	9.56
1969-70	2.22	7.48	9.7
1970-71	2.18	8.09	10.27

Table 2: Condt..			
1971-72	2.36	8.89	11.26
1972-73	2.47	9.32	11.79
1973-74	2.34	8.79	11.12
1974-75	2.34	9.42	11.76
1975-76	2.96	10.32	13.28
1976-77	2.85	10.74	13.59
1977-78	2.61	10.27	12.88
1978-79	2.56	11.38	13.94
1979-80	2.53	11.94	14.48
1980-81	2.25	11.4	13.65
1981-82	2.42	11.71	14.13
1982-83	2.35	11.91	14.26
1983-84	2.21	11.96	14.17
1984-85	2.14	12.23	14.37
1985-86	2.22	13.16	15.38
1986-87	2.19	13.55	15.74
1987-88	2.09	13.83	15.92
1988-89	2.3	13.47	15.76
1989-90	2.29	13.64	15.93
1990-91	2.15	13.25	15.4
1991-92	2.54	13.22	15.76
1992-93	2.58	12.59	15.17
1993-94	2.51	11.58	14.09
1994-95	2.84	11.71	14.56
1995-96	3	11.7	14.71
1996-97	2.98	11.61	14.58
1997-98	3.31	11.14	14.45
1998-99	2.8	10.5	13.31
1999-2000	3.12	10.95	14.07
2000-01	3.41	11.11	14.52
2001-02	3.11	10.28	13.39
2002-03	3.45	10.63	14.08
2003-04	3.86	10.73	14.59
2004-05	4.23	11.02	15.25
2005-06	4.54	11.37	15.91
2006-07	5.39	11.77	17.15
2007-08	6.39	11.06	17.45
2008-09	5.83	10.43	16.26
2009-10	5.82	9.63	15.45
2010-11	5.78	10.53	16.31
2011-12 (R.E.)	5.66	10.78	16.43
2012-13 (B.E.)	5.69	11.54	17.24

Source: Indian Public Finance Statistics, 2012-13

Table 3: Direct Taxes and Indirect Taxes as a Proportion of Total Taxes (All India)

Year	Total Tax Revenue (All India)	
	Direct Taxes/ Total Tax	Indirect Taxes/Total taxes
1950-51	36.84	63.16
1951-52	33.02	66.98
1952-53	37.17	62.83
1953-54	36.01	63.99
1954-55	33.33	66.67
1955-56	33.72	66.28
1956-57	32.36	67.64
1957-58	31.29	68.71
1958-59	31.59	68.41
1959-60	31.09	68.91
1960-61	29.78	70.22
1961-62	29.10	70.90
1962-63	30.03	69.97
1963-64	29.81	70.19
1964-65	28.59	71.41
1965-66	25.12	74.88
1966-67	23.52	76.48
1967-68	22.57	77.43
1968-69	22.35	77.65
1969-70	22.93	77.07
1970-71	21.23	78.77
1971-72	21.00	79.00
1972-73	20.91	79.09
1973-74	21.00	79.00
1974-75	19.89	80.11
1975-76	22.29	77.71
1976-77	20.96	79.04
1977-78	20.25	79.75
1978-79	18.36	81.64
1979-80	17.51	82.49
1980-81	16.47	83.53
1981-82	17.12	82.88
1982-83	16.49	83.51
1983-84	15.57	84.43
1984-85	14.88	85.12
1985-86	14.45	85.55
1986-87	13.91	86.09
1987-88	13.13	86.87
1988-89	14.58	85.42
1989-90	14.37	85.63
1990-91	13.98	86.02
1991-92	16.14	83.86
1992-93	16.98	83.02
1993-94	17.80	82.20
1994-95	19.53	80.47
1995-96	20.41	79.59
1996-97	20.42	79.58
1997-98	22.90	77.10
1998-99	21.08	78.92
1999-2000	22.17	77.83
2000-01	23.50	76.50
2001-02	23.24	76.76

Table 3: Condt..		
2002-03	24.52	75.48
2003-04	26.46	73.54
2004-05	27.73	72.27
2005-06	28.52	71.48
2006-07	31.41	68.59
2007-08	36.63	63.37
2008-09	35.83	64.17
2009-10	37.67	62.33
2010-11	35.45	64.55
2011-12(R.E.)	34.43	65.57
2012-13(B.E.)	33.03	66.97

Source: Indian Public Finance Statistics, 2012-13

Table 2 and 3 highlight the fact that in India there has been an increasing dependence on indirect taxes to raise tax revenues.

Table 4: Trend in Social Sector Spending (Centre and States Combined) as a Proportion of GDP

Year	Expenditure on Social Services	Education	Health	Others
2003-04	5.57	2.74	1.24	1.59
2004-05	5.49	2.67	1.19	1.62
2005-06	5.65	2.69	1.27	1.7
2006-07	5.8	2.78	1.26	1.76
2007-08	5.91	2.59	1.27	2.05
2008-09	6.76	2.88	1.32	2.56
2009-10	6.89	3.04	1.36	2.49
2010-11	6.79	3.13	1.29	2.37
2011-12 (R.E.)	6.89	3.25	1.29	2.35
2012-13 (B.E.)	7.09	3.31	1.36	2.42

Source: Economic Survey of India, various issues.

Table 4 highlights the abysmally low levels of spending on social sectors and its components.

Table 5: Gross Capital Formation in Agriculture and Allied Sectors as %Age of GDP in Agriculture Sectors From 1993-94 to 2012-13

Year	At Constant 2004-05 Prices			At Current Prices		
	Public	Private	Total	Public	Private	Total
1993-94	10.96	27.99	20.69	6.15	12.34	9.77
1994-95	9.56	19.01	15.05	5.83	10.79	8.57
1995-96	9.1	12.34	11.27	6.32	7.87	7.31
1996-97	8.34	14.7	12.45	6.63	8.63	7.97
1997-98	6.71	12.47	10.73	6.01	9.13	8.18
1998-99	6.07	13.28	11.06	5.81	9.57	8.44
1999-2000	5.62	16.06	13.01	6.25	13.91	11.72
2000-01	5.21	15.22	12.17	5.6	12.81	10.69
2001-02	5.74	16.95	13.72	6.46	14.26	12.15
2002-03	5.35	14.21	11.87	5.69	13.39	11.23
2003-04	5.76	11.15	9.74	6.4	10.75	9.56
2004-05	6.73	7.77	7.53	7.22	8.47	8.17
2005-06	6.8	7.16	7.07	7.64	8.15	8.03
2006-07	6.45	6.09	6.17	7.54	7.52	7.52

Table 5: Condt..						
2007-08	5.26	5.89	5.74	6.89	7.71	7.51
2008-09	3.87	7.63	6.59	5.55	9.97	8.8
2009-10	3.83	6.73	5.96	6.11	10.01	8.98
2010-11	3.29	5.31	4.83	5.7	8.51	7.82
2011-12			4.99			8.52

Source: Planning Commission, Government of India, Data Table

Table 5: confirms the fact that gross capital formation in agriculture and allied sectors has been following a declining trend.

Table 6: Important Trends Shown by Various Sectors of the Economy

Sector	Employment Elasticity		Share In Employment		Share In GVA	
	1999-00 To 2004-05	2004-05 To 2009-10	1999-00 To 2004-05	2004-05 To 2009-10	1999-00 To 2004-05	2004-05 To 2009-10
Agriculture	0.84	-0.42	59.9	52.9	23.8	19
Manufacturing	0.76	-0.31	11.1	10.5	15.5	15.3
Non-Manufacturing	0.92	1.63	5.3	12.2	11.8	12.7
Services	0.45	-0.01	23.7	24.4	48.9	53

Source: Planning Commission, Government of India, Data Table

Table 6 throws light on important trends in various sectors of the Indian Economy. The employment elasticity is positive only for the non-manufacturing sector.

Table 7: Exports of Various Categories as a Proportion of Total Exports

Commodity / Year	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
I. Primary Products	21.96	20.86	17.72	15.99	16.35	16.51	15.51	16.22	15.89	15.58	16.91	13.86	14.81	13.09	15.01	15.37
A. Agriculture and Allied Products	18.93	18.17	15.23	13.40	13.46	12.73	11.80	10.14	9.91	10.04	11.31	9.59	9.95	9.65	12.25	13.52
B. Ores and Minerals	3.03	2.69	2.49	2.59	2.88	3.79	3.71	6.08	5.98	5.54	5.60	4.27	4.86	3.44	2.76	1.85
II. Manufactured Goods	75.83	77.64	80.70	77.05	76.14	76.34	75.96	72.70	70.39	67.20	63.21	67.37	64.63	62.98	60.62	61.13
A. Leather and Manufactures	4.73	5.00	4.32	4.36	4.36	3.51	3.39	2.90	2.62	2.39	2.15	1.95	1.89	1.56	1.57	1.62
B. Chemicals and Related Products	12.56	12.07	12.78	13.21	13.81	14.14	14.80	14.90	14.33	13.72	13.01	12.42	12.85	11.51	12.13	13.29
C. Engineering Goods	15.24	13.44	13.99	15.30	15.88	17.13	19.43	20.77	21.07	23.40	22.94	25.87	21.47	23.18	22.17	21.72
D. Textile and Textile Products	25.85	26.69	26.67	25.33	23.29	22.04	20.04	16.23	15.91	13.75	11.92	10.95	11.14	9.66	9.16	9.10
E. Gems and Jewellery	15.27	17.85	20.37	16.57	16.67	17.13	16.56	16.47	15.06	12.64	12.08	15.29	16.27	16.14	14.66	14.46
F. Handicrafts (excluding Handmade Carpets)	1.50	1.91	1.82	1.48	1.25	1.49	0.78	0.45	0.45	0.35	0.31	0.16	0.13	0.10	0.09	0.07
G. Other Manufactured Goods	0.67	0.69	0.74	0.80	0.89	0.90	0.96	0.98	0.95	0.96	0.80	0.73	0.88	0.84	0.83	0.87
III. Petroleum Products	1.01	0.27	0.11	4.20	4.84	4.89	5.59	8.37	11.29	14.78	17.41	14.68	15.72	16.52	18.28	20.04
IV. Others	1.20	1.23	1.48	2.76	2.68	2.26	2.95	2.71	2.44	2.43	2.46	4.10	4.84	7.40	6.10	3.46

Source: Handbook of statistics on Indian Economy, Reserve Bank of India.

Table 8: Imports of Various Categories as a Proportion of Total Imports

Commodity / Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
I. Bulk Imports	40.95	45.46	44.84	45.65	43.47	40.88	43.93	46.70
A. Petroleum, Crude and Products	29.47	30.76	31.68	30.56	30.19	28.65	31.68	34.43
B. Bulk Consumption Goods	1.85	2.31	1.83	1.66	3.14	2.40	2.38	2.89
C. Other Bulk Items	9.62	12.38	11.33	13.43	10.15	9.84	9.87	9.37
II. Non-Bulk Imports	59.05	54.54	55.16	54.35	56.53	59.12	56.07	53.30
A. Capital Goods	25.25	25.34	27.88	24.04	22.91	21.26	20.27	18.61
B. Mainly Export Related Items	12.50	9.62	8.26	10.69	10.88	14.51	10.60	9.54
C. Others	21.30	19.58	19.02	19.62	22.74	23.35	25.19	25.15

Source: Handbook of statistics on Indian Economy, Reserve Bank of India.

Tables 7 and 8 give details about the changing composition of India's exports and Imports. The data confirms that there has been a decline in the exports of labour- intensive sectors.

Table 9: Trends in Urbanisation in India

Census Year	Urban Population (in million)	Urban Population as a percentage	Annua Exponential Urban Growth Rate
1961	78.94	17.97	
1971	109.11	19.91	3.23
1981	159.46	23.34	3.79
1991	217.18	25.72	3.09
2001	286.12	27.86	2.75
2011	377.1	31.16	2.76

Source: Bhagat, R.B., "Emerging Pattern of Urbanisation In India", Economic and Political Weekly, August 20, 2011.

Table 9 contains data that shows a trend in favour of urbanisation.

Table 10: Employment in Organized and Unorganized Sector (in millions)

Year	Organized	Unorganized	Total
1999-00	54.1 (13.6%)	342.6 (86.4%)	396.8 (100%)
2004-05	62.6 (13.7%)	394.9 (86.3%)	457.5 (100%)
2009-10	72.88 (15.8%)	387.34 (84.2%)	460.2 (100%)

Source: Joblessness and Informalization: Challenges to Inclusive growth in India, Institute of Applied Manpower Research, Planning Commission, Government of India, December 2012.

Table 10 confirms that there has been a heavy dependence of people on the unorganised sector, to earn a living.

Table 11: Health Indicators for India

Indicators	NFHS-1 (1992-93)	NFHS-2 (1998-99)	NFHS-3 (2005-06)
Total fertility rate (Children per woman)	3.4	2.9	2.7
Percentage of Currently married women using family planning:			
urban	51	58	64
rural	37	45	53
total	41	48	56
Percentage of children 12-23 months who have received specific			
All	35	42	44
None	30	14	5
BCG	62	72	78
Polio3	54	63	78
DPT3	52	55	55
Measels	42	51	59
Antenatal Care for women (%):			
Three or more visits	44	44	51
Visit during first trimester	25	33	43
Babies being delivered safely (%):			
In medical facility	26	34	41
assisted by a health professional	35	42	49
Children's nutritional status (percentage of children under 3 years):			
Stunting (low height for age)		51	45
Wasting (low weight for height)		20	23
Underweight (low weight for age)		43	40

Source: India National family Health Survey (NFHS-3), 2005-06, Key findings, Ministry of Health and Family Welfare, Government of India.

Table 11 indicates the health status of the country which has improved but by marginal magnitude.

Table 12: Enrolment and GER at Primary level: DISE, 2002-03 to 2009-10

Year	Enrolment in Primary grades (I-V) (in million)	GER (%)	NER (%)
2003-04	110.39	89.83	
2004-05	118.3	97.82	
2005-06	124.62	103.77	84.53
2006-07	131.85	110.86	92.75
2007-08	134.13	113.94	95.92
2008-09	134.38	115.31	98.59
2009-10	133.41	115.63	98.28

Source: Mehta, Arun C., "Elementary Education In India; Analytical Report 2009-10, National University of Educational Planning and Administration, Department of School Education and Literacy, Ministry of Human resource Development, Government of India.

As per the data shown in table 12, there has not been a drastic increase in the enrolment levels at primary level of education.

Table 13 Institutions of Higher Education and their Intake Capacity

Capacity Indicators	1950	1991	2004	2006	2009
No. of University level institutions	25	177	320	367	467
No. of Colleges	700	7346	16885	18064	25951
No. of Teachers (in thousands)	15	272	457	488	588
No. of Students enrolled (in million)	0.1	4.9	9.95	11.2	13.6

Source: Higher Education in India; Strategies And Schemes During Eleventh Plan Period (2007-12) For Universities And Colleges, University Grant Commission, January 2011.

Table 13 gives a snapshot of the condition of higher education in India overtime. Though institutional capacity has grown, the growth has not been adequate to meet the demand of the students.