

# A Study of Income, Consumption and Wealth Inequalities among different Caste groups in India.

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**Abstract:** Income, consumption and wealth inequalities are the major social issues that is concerned with power, status, and class. In the last few decades, the income gap between the different castes has increased radically creating a significant gap between the rich and the poor. As a result, inequality of income in India is the highest and it is close to Russia which top the list of unequal countries in the world. This paper evaluates the extent of income, consumption, and wealth inequalities with respect to different castes and religions in India and suggests some measures to reduce income inequality. For analysis, I have used publicly available secondary statistical databases available from the National Sample Survey Office (NSSO) and India Human Development Survey (IHDS). The study is based purely on secondary data. It will review journals and articles on theories regarding income inequality and development. Figures from international organization's and websites will also be reviewed as part of the study.

**Keywords:** Inequality, income, consumption, wealth, Caste, NSSO, IHDS.

## I. INTRODUCTION

Income inequality refers to the unequal dissemination of income and wealth amongst the top earners and the bottom earners in a particular country. It is the main barrier to economic and social welfare. In fact, income equality is considered as the biggest hurdle of the 21st century. For the past few decades, the gap between the rich and the poor has significantly increased and still perpetuating to increase to a greater extent. Approximately 80% of India's wealth is controlled by just 10 % of the population while the top 1 % of India's population holds nearly 60 % of its wealth. India is among the 10 richest countries in the world with a total individual wealth of \$5,600 billion, still the average Indian is quite poor.

## II. OBJECTIVE OF THE CURRENT STUDY

1. To understand the interconnection between Income, Consumption and Wealth
2. To evaluate the income, consumption, and wealth inequalities with respect to different castes and religions in India.
3. To suggests measures to reduce income inequality

## III.METHODOLOGY

The paper is descriptive in nature. The data collected for this paper consisted of secondary data collected through complete analysis of qualitative data concerned to the topics that have been published in various sources ie published reports, news articles, websites etc. of various Government and NGOs".

## IV CURRENT SCENARIO

According to the (World Inequality Report, 2018), 10% of neediest Indians possess only 0.2 % of national wealth. In 2000-01 the inequality between the wealthiest 1% and the poorest 10 % was 1,840 times. The figures reached to 2,430 times in 2010 and 2,450 in 2014. The percentage of the world's adults live in India is 15.5 whereas its share in the global wealth is just 1 %. At present there are 119 billionaires in India. Till 2022, India is projected to create 70 new millionaires every day. Over a decade millionaires' treasures has increased by almost 10 times and their total wealth is higher than the Union budget of India for the year 2018-19, which was at INR 24422 billion. ((Oxfam 2019)). However, the wellbeing of the population is connected not only with the economic growth but also on its apportionment values. For the last three decades inequality has been rising abruptly in India. The surging economic growth has enhanced the living conditions of its citizens, but these enhancements were not evenly distributed among India's varied population. Every year the income inequality trend is climbing in the upward direction which means the rich people are getting richer at much more expeditious rate than the poor. The growing income disparity has an adverse impact on the poor citizens' access to food, clothing, education, sanitation, and medical facilities creating difficulties for them to climb up the economic ladder and also undermining the sustainability of economic growth. The condition of the poor population has worsened, when compared not only to the rich but also to the average middle-income population. According to the Global Multidimensional Poverty Index (MPI), (Global MPI 2018) India has 364 million people living in poverty. It is more than 25% of 1.34 billion people living in 'multidimensional' poverty globally. Concerns about intensifying inequality have been highlighted by the International Monetary Fund (IMF), World Bank, and the Asian Development Bank The rising income inequality in India is also impeding the development and growth of the middle class. Besides economic growth, the other factors affecting income/wealth include population slopes, savings and investments, inheritance, economic reforms, and other government policies.

## V POPULATION SHARE BY RELIGION AND CASTE CATEGORIES

India has citizens from all religions. Hinduism Buddhism, Jainism and Sikhism have their ancestry in India whereas Christianity and Islam are imported religions to India. The below mentioned six religions make up nearly 99% of the Indian population. The majority of the population belongs to the Hindus religion. The population of our country is classified into four categories:

1. **Scheduled Castes:** Previously called untouchables, due to the nature of work (as semi-skilled and unskilled labourers) they do. They form nearly 19.7% of the country's population. SCs are among the disadvantaged caste in India.
2. **Scheduled Tribes:** Socially and economically relegated original ethnic groups in India that live in harsh conditions, mainly in forests and other hilly areas account for about 8.5% of the population. One important remark on Schedule Tribe (ST)

populations is that in pre independence era before the census started, they were documented separately from Hindus. However, after the enactment of population enumeration in census, they were bludgeoned under Hindus and are shown in the census under the Hindu religion.

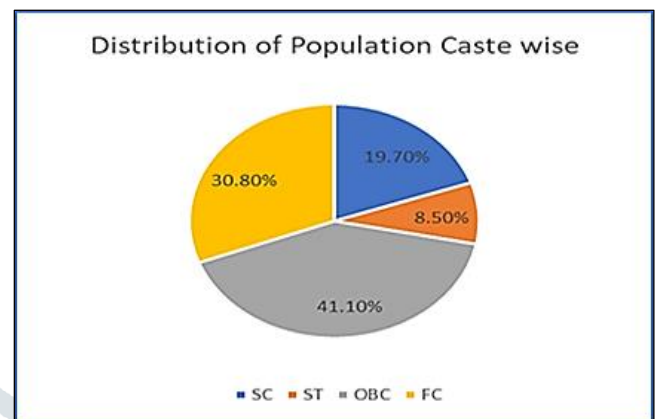
3. **Other Backward Castes:** On the basis access to socio-economic parameters like education, annual income, sanitation, number of crimes against the caste, they are classified as OBCs and they account for 41.1% of the population
4. **General Category (Forward caste):** The remaining 30.8% of the population belongs to the general category.

Table 1

Distribution of Population of each Religion by Caste Categories				
Religion/Caste ↕	SCs ↕	STs ↕	OBCs ↕	Forward Caste/Others ↕
Hinduism	22.2%	9%	42.8%	26%
Islam	0.8%	0.5%	39.2%	59.5%
Christianity	9.0%	32.8%	24.8%	33.3%
Sikhism	30.7%	0.9%	22.4%	46.1%
Jainism	0.0%	2.6%	3.0%	94.3%
Buddhism	89.5%	7.4%	0.4%	2.7%
Zoroastrianism	0.0%	15.9%	13.7%	70.4%
Others	2.6%	82.5%	6.25	8.7%
<b>Total</b>	<b>19.7%</b>	<b>8.5%</b>	<b>41.1%</b>	<b>30.8%</b>

Source: (Socio Economic and Caste Census 2011)

Pie chart 1



Of the total population of India in 2011, Nearly 30.8% of India is categorized as a general category, alternatively mentioned as an open category or forward castes. About 41.1 per cent of the population belonged to other backward class, scheduled caste and scheduled tribe accounted for 19.7 % and 8.5 % respectively of the total population. The growth rate of population of different religions in the last decade of 2001-2011 have reduced. As per the survey by the National Sample Survey Organisation (NSSO) the growth rate Hindu population comes down from 19.92% of the previous decade to 16.76 %. while Muslims witness a sharp fall in growth rate from 29.52 % (1991-2001) to 24.60% (2001-2011). The growth rate of Christian and Sikh Population was at 15.5% and 8.4% respectively. However, the growth rate of only 5.4% was observed in Jain community which is the most well-educated and well-off community. Considering the already decelerated growth rate it is projected that in the forthcoming census of 2021 the growth rate of Hindus, Muslims and Christian expected to fall more whereas the growth rate of Jain and Sikh community are projected to remain steady for the next two decenniums. Religious and Caste selves play a critical role in individual's access to basic services. Which further has an additional influence on the access to employment and livelihood. Religious differences additionally direct their omission from the democratic process in elections.

## VI INTERCONNECTION BETWEEN INCOME, CONSUMPTION AND WEALTH

Income and consumption both are linked to wealth through "saving". Household income during a period is either consumed or saved. Saving along with other flows (i.e. capital transfers, nominal holding gains and losses, life insurance and adjustment to pension, etc.). If income go beyond consumption during the period, then the level of wealth increases, whereas if consumption beats income, then the level of wealth reduces due to dissaving. Through savings, income is available for increasing wealth, Wealth is accessible through dissaving for spending on consumption. Wealth concedes individuals to smooth consumption over a time and safeguards them from unanticipated changes in income. Households that are "asset rich and income poor" can be expected to have a better standard of living than would be specified by their income alone.

## VII INCOME, CONSUMPTION AND WEALTH INEQUALITY

The narratives on inequality accentuations more on differences in terms of income, consumption or wealth, and less on the difference in terms of access to fundamental services such as food, clothing safe drinking water, education, health and sanitation. Income, consumption, and wealth disseminations and deviations apprise our opinions of inequality. The deviations in income, consumption and wealth within the income distribution give the vision into why it is indispensable to optically canvass income, consumption, and wealth collectively rather than independently. Wealth elevates with income, and engenders profoundly high wealth-to-income ratios at the highest calibers Consequently, consumption inequality is slighter than the income inequality, and income inequality is lesser than the wealth inequality. This suggests that households at the lower level of the income distribution appear reasonably better off utilizing consumption as a quantification of inequality at any point in time because consumption exceeds income (and wealth) in the lower ends and high-income households are better off utilizing wealth to quantify relative welfare than either income or consumption because accrued wealth can be used for future consumption.

Table 2

Income/Consumption inequality among Caste and Religion								
	SC	ST	OBC	FC	FC	Mus lim	Others	Overall
				(Brahmin)	(Non-Brahmin)			
Annual household income (in Rs.)	89356	75216	104099	167013	164633	105538	242708	113222
Per capita annual income (in Rs.)	19032	16401	21546	35303	36060	20046	56048	23798
Annual consumption of household (in Rs.)	87985	72732	108722	146037	143497	102797	181546	109216
Per capita annual consumption (in Rs.)	18740	15860	22503	30869	31430	19525	41924	22956
<b>Grand Total</b>	<b>215126</b>	<b>180219</b>	<b>256885</b>	<b>379240</b>	<b>375637.9</b>	<b>247919</b>	<b>522248</b>	<b>269207</b>

Source: (N K.Bharti, 2018)

Figure 1

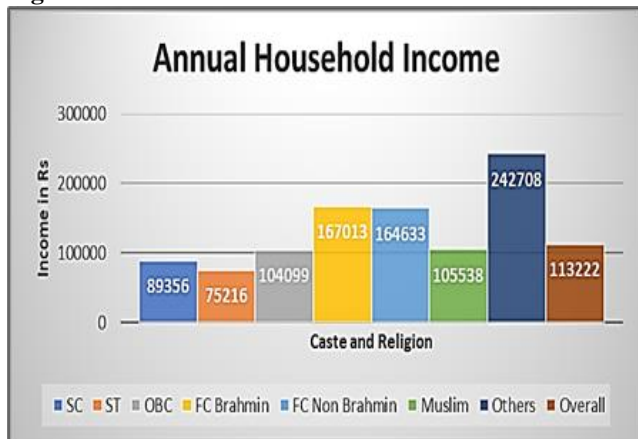
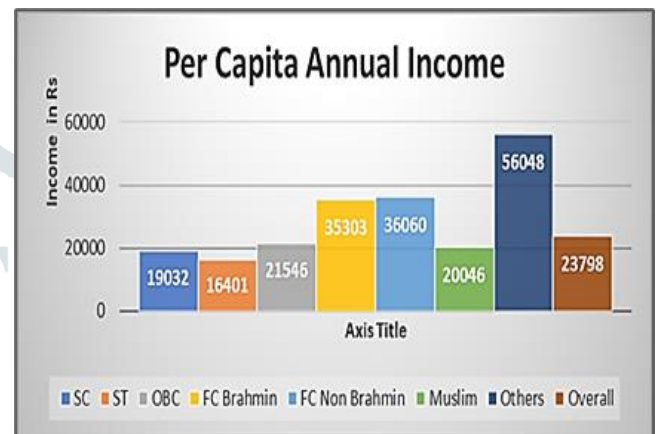


Figure 2



Source: Constructed from Table 2 datasheet

As per above the forward caste, the brahmins receive 48% extra than the national average and non-brahmin forward castes receive 45%, they earned Rs 242,708 annually their income was of twice the average annual household income in India. The earnings deprived castes such as the scheduled castes (SCs), scheduled tribes (STs) and other backward castes (OBCs) are much lesser than the national average. SC and ST and OBC households earn 21% 34%, and 8% respectively, less than the national average household income. OBC households earn 8% or Rs 9,123 less than the national average household income ‘(Wealth Inequality, Class and Caste in India, 1961-2012). In most of the socio-economic criteria, the SCs and STs lag abaft the other castes the OBCs are virtually at parity with other castes on several parameters. With an annual household income of only 7% less than the national average, Muslims, are progressing better than the SC, ST and OBC population. The affluent and potent are comparatively in a better position to access private services and thus they are least bothered about the operations of public amenities. The development in top incomes, shows that the consecutive regimes have failed in its obligation to mobilize income by taxing the affluent.

**VIII CONSUMPTION INEQUALITY**

Consumption discloses typical income and is more permanent than computed income which often changes from year to year. This permanency is because people tend to “smooth” their consumption over time as income changes by borrowing or saving. In India, consumer expenditure data based on all-India consumer household expenditure surveys by the NSSO (National Sample Survey Office) is generally used to estimate inequality. Predicated on these, the Gini of consumption expenditure as quantified by the National Sample Survey Office (NSSO) consumption expenditures surveys show a elevate in consumption inequality.

Table 3

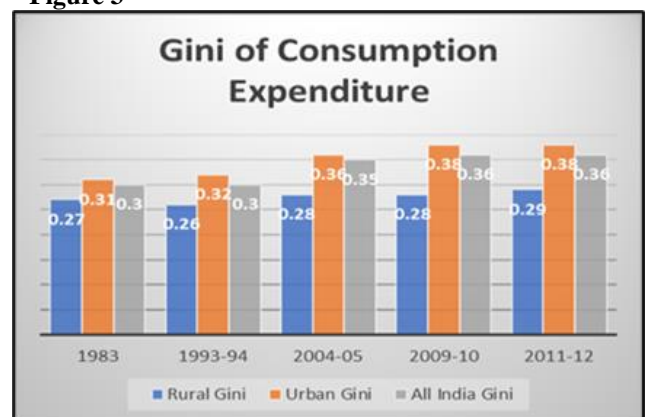
Gini of consumption expenditure					
	1983	1993-94	2004-05	2009-10	2011-12
Rural Gini	0.27	0.26	0.28	0.28	0.29
Urban Gini	0.31	0.32	0.36	0.38	0.38
All India Gini	0.3	0.3	0.35	0.36	0.36

Source: Computed by the author from NSSO unit level data.

Note: All estimates are based on Mixed Recall Period (MRP) estimates of consumption expenditure.

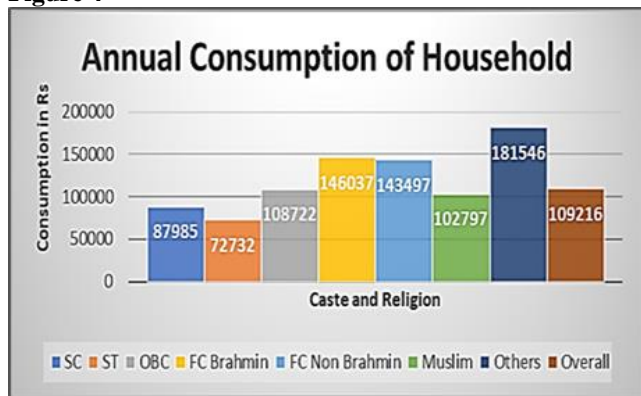
Source: (672 Himanshu, Inequality in India)

Figure 3



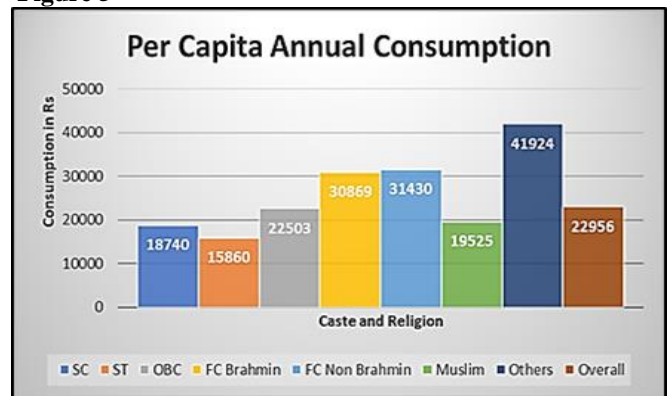
The figures in table 6 shows that the inequality in rural areas increased from 0.26 in 1993-94 to 0.28 in 2004-05 and rose marginally in 2011-12. On the other hand, inequality in urban areas has increased significantly from 0.32 in 1993-94 to 0.38 in 2011-12. Over the times the disparities between urban and rural has also increased. At the all-India level inequality shows a slight rise with the Gini coefficient rising from 0.35 in 2004 to 0.36 in 2011-12. Thus, the table shows that the average urban consumption has increased substantially and faster than rural consumption. The table also revealed that inequality in consumption increased in the post-reform period.

Figure 4



Source: Constructed from Table 2 datasheet

Figure 5

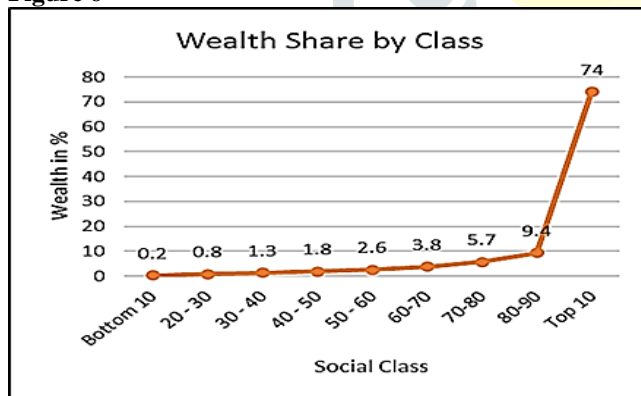


The consumption data shows similar pattern as income data SC and ST clusters continue to have smaller shares in income and consumption when compared to their population shares with From above figures it is clear that SC and ST group performs below average, both OBC and Muslims close to the all-India average, and both the forward caste performing better. Forward Caste is clustered more towards higher consumption values. OBC and Muslims are in the middle whereas SC and ST cluster towards the lower end. The economic ranking follows caste categorizing, making caste a compelling stratification in society. The forward castes have a larger share in consumption relative to their population shares. The OBC group has moderately higher shares in consumption but less than their population share. SC and ST are among the deprived castes followed by the OBC. Inequality on the basis of religion and caste is a critical feature in India. Caste plays a very important role at every stage of an Indian’s economic life. Caste and religious identities also play a crucial role in determining access to resources like education, income, wealth, and health.

**IX WEALTH INEQUALITY**

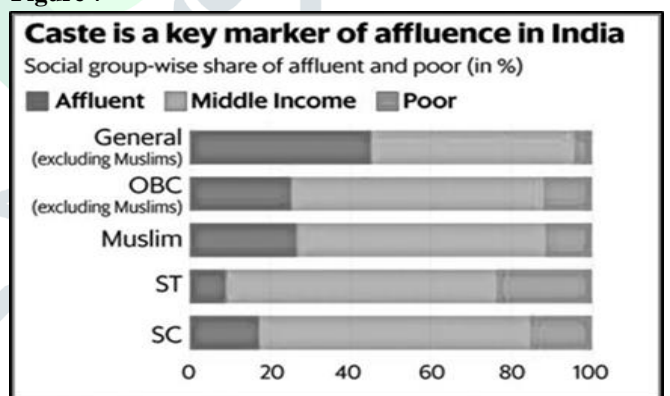
Wealth inequality refers to the unequal distribution of assets among the population of a country. the sum total of your assets minus liabilities. Wealth inequality is much harsher than income inequality tiny fraction of the population owns most of country’s wealth. The share of wealth held by the top 10% has increased from 24 % to 55%, (Paliath, 2019) Though national wealth has increased, significantly public wealth these days is negative or close to zero in rich countries.

Figure 6



Source: (Piketty T.) and (Tadit Kundu, 2018)

Figure 7



The data shows a huge caste-wise difference in wealth (Figure 6). India’s richest 10 % have been becoming richer since 2000, and now hold almost three-fourth of total wealth. The super-rich can avoid taxes by using new schemes to hide their wealth and influence the political system without thinking about the consequences. This obstructs the government’s capability to increase the revenues that can contribute to poverty reduction. It also negatively affects the public expenditure that is utilized to reduce social inequalities of education, health and employment. When compared to income the wealth distribution is more inequitable because changes in income can accrue overtimes to make even higher differences in wealth. Caste wise analysis of the data shows a huge difference in wealth (Figure7). Almost half of the individuals from general caste (Forward caste) (excluding Muslims) belong to the affluent category, the top 10% within these castes owned 60% of the wealth within the group in 2012 (World Inequality Report , 2018)and only 4% belong to the poor category. 16% of OBC and 17% of the Muslims are in the affluent category. Whereas only 9% of STs belong to the well-off category, and more than a quarter are poor. Only 10% of Scheduled castes belong to the wealthiest category and they account for the second-highest proportion of poor. Traditionally the marginalised groups were deprived of not only access to wealth but also in access to basic facilities, and consequently access to wealth but additionally in access to basic facilities i.e. food clothing, health and education. These disparities subsist in the income, consumption and wealth dimension but as well on human development outcomes. The issue of caste and religion derived inequity has been documented since long and thus, there have been efforts to rectify the inequity through reservation and other affirmative actions.

### X MEASURES TO REDUCE INCOME INEQUALITY

Income inequality can be curtailed directly by decrementing the incomes of the richest or by incrementing the incomes of the poorest. That is there should a progressive tax system created in such a way that the affluent pay a higher percent in income taxes. Indian women contribute only 17 per cent towards GDP, if their participation in the workforce is equated with men's, participation India could grow at 27 per cent. 65 % of the poor make a living through the agriculture. Thus, investments should increase in the agriculture sector i.e. the largest employer in India. by providing farmers with a package of services like access to seeds, fertilizers, modern equipment's and production practices could help them to increase not only the yield but also income. Besides this the non-agricultural sector needs to be developed with cooperative links, Policies focusing on reducing inequality should also include increasing employment or wages. The Government must strictly implement employment-related guidelines like full-employment schemes, stronger minimum-wage laws, and wage subsidies. When the job market is down and growth is below the capability, the government should apply fiscal and monetary policies aggressively to achieve full employment. Create new jobs through targeted employment programs. The government should also invest in human capital by providing free education and medical facilities especially to the marginalized section of the society. Privatization of critical services like Education and Health must stop. Redistribution can play a big part in removing these challenges. Otherwise, 'sabka sath sabka vikas' will remain a mere slogan.

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