ASSESSING THE IMPACT OF ECONOMIC GROWTH ON INEQUALITY IN INDIA

Furqan Ali	*PhD Scholar,Department of Economics,Aligarh Muslim University, Aligarh-202002 UP India*
Mohammad Asif	*Associate Professor,Department of Economics,Aligarh Muslim University, Aligarh-202002 UP India*

ABSTRACT

The rate of economic growth in India fluctuates with the world economic scenario. The developed countries being economically stable and highly advanced by technology, like U.S.A, France, Germany, Japan, and China faced the problem of economic crises. At the same time, the world comes to fluctuate their efficiency and empowerment to the leadership engagement in stabilizing the economy. In this paper, data taken from the Indian States as per capita income at the state level and compare it with all India average data. The Net State Domestic Product Per Capita Income (NSDPPCI), had taken on a current price for the short period 2011-2012 to 2016-2017. This paper compared the regional variation in state performance and compared the most riches states to inferior ones. The factors which affect economic performance are like stabilize the political stability in the state. We also focus comparison on the different political party announcements of the welfare scheme for the farmers and other poor people living in these states. Another factor like the level of education at states and center level, total population, and its growth rate, the public expenditure on the health sector. We measure income inequality, income distribution with the economic growth of India.

KEYWORDS: *Economic Growth; Inequality; Income Distribution; Political Stability.*

1.INTRODUCTION

The population of India is growing at a faster rate than the other nation. Despite this, we have lagged from many basic and routine services for the general masses. Initially, we were almost 0.23 billion at the time of India got independence, our first census that conducted in 1951 after free India. Now the situation has changed, and we reached one-sixth of the world's population in 2019, 1.37 billion out of 7.71 billion (Indian Express, 15 April 2019); this is because of the growth rate of the people is 1.2 percent annually between 2010 and 2019. At the same time, we still lack behind in life expectancy at birth of the world's 72 years. Life expectancy was 32 years in India in 1951, and it was 69 years in 2018. It is increasing faster as compared to the developed nation. The life expectancy becomes more than double in almost 70 years after that.

India scores much better in terms of access to health care during the birth of a child, and the rate of adolescent birth rate declined almost 86 percent between 2006 and 2017, and the world's achievement just 79 percent in the same period. The performance in maternal mortality ratio is 2015, which is 174 deaths per lakh live birth (earlier 448 in 1994 much higher) and world MMR is 216 deaths per lakh live birth in 2015. India's young adolescent women age (15-19) gave birth 28/1000 much better as compared to world 44/1000 (same age), for the period 2006 and 2017. India's rate of fertility on average per women is 2.3 lower than 2.5 per women of the world fertility rate, also better in global scenario (UNFPA, 2019)

Table 1: Demographic Overview at all India Level

Indicators	India's	Rest of the World's
The total population of millions, 2019:	1368.7	7715
The average annual rate of population change, percent, 2010-2019:	1.2	1.1
Population aged 10-24, percent, 2019:	27	24
Population aged 0-14, percent, 2019:	27	26
Population aged 15-64, percent, 2019:	67	65
Population aged 65 and older, percent, 2019:	6	9

Sources: UNFPA, 2019 Reports

As table1, shows that India's population is one-sixth of the total world population, but India has only 2.4 percent of the entire world's land area. The density of people has increased from 324 per person per square km (Census, 2001) to 382 per person per square km (Census, 2011), and it will further increase to (Estimated, 2019) 428 per person per square km. The annual population growth rate in India still higher than the world's average annual growth rate of the population. The demographic dividend increase all over the world. For India, the population aged between 10-24 years is high as 27 percent as compared to the world average 24 percent only. The working population increases in India at 67 percent as compared to the world 65 percent, this share increases the total assets and creates innovation for the betterment of the nation. The growth rate of the Indian economy in the future perspective will also grow more than the world average. Because the population share of 0-14 years is higher (27 percent) than the average world share of the same age group (24 percent) in 2019 (UNFPA, 2019). According to table 2, India got better performance in terms of MMR, Birth attended skilled health person, adolescent birth rate, and the range of MMR uncertainty lower 80 percent and upper 80 percent is much better than the world average. The total fertility rate for the period 2015 to 2020 is better than the world average, but life expectancy at birth in years is still low as compared to the world average. It's due to the most developed nation life expectancy already very well as compared to India's life expectancy.

Table 2: Demographic Health Overview in All India Level

Indicators	India's	Rest of the World's
Maternal Mortality Ratio (deaths per 100,000 live births), 2015:	174	216
Births Attended by Skilled Health Personnel, percent, 2006-2017:	86	79
Adolescent birth rate per 1,000 women aged 15 to 19, 2006-2017:	28	44
Range of MMR uncertainty (UI 80%), Lower estimate, 2015:	139	207
Range of MMR uncertainty (UI 80%), Upper estimate, 2015:	217	249
Total fertility rate, per woman, 2015-2020	2.3	2.5
Life Expectancy at birth in years, 2019	69	72

Sources: UNFPA, 2019 Reports

The average life expectancy of India with the world average, in years. The World Health Organization (WHO) focuses on highlighting the importance and urgency of achieving universal health coverage (UHC) in this year, Health International Day. The theme for this year, "UHC-for everyone everywhere." Like Millennium Development Goals (targets2015), Sustainable Development Goals, which must be attainable till 2030, by every country of the world who signed with WHO for this commitment. India, too, accepted for this commitment on the due date, as mentioned by the World Health Organization. To meet the standard set by the WHO and the SDGs, UHC must include all the persons within the country and help them to maintain for stabilization the public expenditure in the health sector. The Government of India initiation in this scenario increases every year. There are National Rural Health Mission (NRHM, 2005) for rural people and the same health policy for the urban people in an effective manner with low and affordable cost to provide better health care to all sections of society. When the new government came in the center, they also introduce many health schemes for the peoples, like AYUSH, or Ayushman Bharat for the coverage up to 5 lakh rupees health benefits for poor people living rural and urban areas.

2.RESEARCH METHODOLOGY

Standard deviation ( ): SD used for the measurement of change. This root square deviation captures the imbalance between the state in terms of levels and growth of PCNSDP, as mentioned in every regional group table. For this;

$$\sigma = \left[\frac{\sum_{i=1}^{n}(X_i - \bar{X})^2}{n}\right]^{1/2}$$

Where, X_i is the ith observation, and $\bar{X}$ and n is the mean average income and number of observations, respectively.

Coefficient of Variation (CV): The Coefficient of Variation is a superior measurement of variation over standard deviation, which shows the more accurate fluctuation. It' is the ratio between standard deviation and mean average income PCNSDP calculated in the tables. The coefficient of variation indicates more consistency of the observations within the sample and discriminates sample repeat and fluctuation over the period.

$$C.V = \frac{\sigma}{\bar{X}} \times 100$$

Here,   is the standard deviation (SD) and $\bar{X}$ the mean average of PCNSDP for the given period in our analysis.

3.REVIEW OF LITERATURE

There are many studies on income inequality conducted so far in India and abroad as well. Variation in India within its regional level as well as inter-regional comparison among all the states and union territories.

Ahluwalia (1976) examined the cross country data on income inequality and found that in the early stages of economic growth, income inequality will increase. But after that subsequently decline. **Atkinson, B. Anthony (1970)**, examines the distribution of income inequality in the past and

future perspective. The income inequality had shown to the variance, the coefficient of variance, and the Gini coefficient for the developed and developing nation. **Bhattacharya and Sakthivel (2007)** are also taken data in the Indian states and analyzed that the poor states' growth performance not only poor in terms of resource allocation but distribution also. Riches forward states lead marginally in all sectors of economic growth. **Chirashree Das Gupta (2009),** in his article on "implication of regional disparity for finance commission dissolutions," figure out that equity and equality come with the efficiency of resource management for the social justice and equal distribution of resource in the nation. **Govind Bhattacharya (2009)** examined that intra-states disparity in regional inequality still prevails among Indian states, and Government expenditure helps to minimize this gap. **Grundler and Scheuermeyer (2018),** in their article on "growth effects of inequality and redistribution," highlight the transmission channels of economic growth and income inequality. The expenditure on health and education were lower and inequitable among poor people. The rich section of society have more educated with good health, and the sound mind earns higher, invests most probably risk-free assets, lower fertility as compared to earlier. **Nayyar, G. (2008)** analyzed in his interstates comparative analysis of the public and private investment in different states. The revenue transfer from central to states and states own generated revenue shows direct and insignificant impacts on expenditure on education, health, and social well-being of the people. **Rangarajan (2005),** also favored the equity and efficiency of fiscal consolidation remained within a framework. The objective of the 12th. Finance Commission made true somehow to work in this scenario. **Rao and Jena (2005),** explained, interstates disparities in the country are the responsibilities of the political head. The regional gap filling is the priority to the center. It ensures every state within the country getting an appropriate share in resource mobilization and redistribution of funds from the center to the states. **Shaban, A. (2006),** in his study of the states Maharashtra on district and regional disparity, analyzed that region remains within sectorial growth of the economy. Those regions which got the maximum fund to invest in tertiary and secondary sector growth become higher as compared to the backward regions like depends mainly on agriculture-based production. This variation remains until all-regional sectorial growth becomes equal in the districts of Maharashtra.

4.DESCRIPTIVE ANALYSIS

At the national level, GDP per capita increases at the constant price (2011-2012) from INR 71609/ to INR 93888 in 2016-17. As we have seen, yearly growth over the previous year is just around the range between (4-7) percent. Still, overall this increase for the given six years reflects around 31 percent, which is very healthy for the economy of India. The product and final consumption per capita range between (4-6) percent per year, but at the level of the six years, it is almost the same as 30.30 percent. During UPA second tenure, the Indian economy sluggish because of international market fluctuation. When the NDA (National Democratic Alliance) government came in power in May 2014, everything becomes normal, and again economy started performing well in the coming year, but demonetization and implementation of GST impact inversely and growth rate decline for the subsequent year.

Income distribution PCNSDP in this regional data from the period 2011- 12 to 2017-18 for the states Bihar, Chhattisgarh, Odisha, Sikkim, West Bengal Jharkhand, and one UTs Andaman Nicobar included. As per the year 2011-12, the lowest per capita income was in the states of Bihar, and the mean average income for the same period is 24053, also meager as compared to other states in the eastern region. The PCNSDP of Bihar in the year 2011-012 was rupee 21750, which is more than seven-time lower as PCNSDP of Sikkim, again Bihar PCNSDP is also lower all states in the same region and more than fifth time lower as Andaman & Nicobar Island. Jharkhand, which was part of Bihar before the 2000s, is also double PCNSDP as compared to Bihar. This income per capita increases every year over the period, and CV is 0.0994 still lower than all India average CV, which is 0.118047. The comparison within the group shown that in the Eastern Region, some states performed much better than all India average like Sikkim and Andaman & Nicobar Islands. The CV is higher than all India average in the two states Odisha and Sikkim as 0.121812, and 0.12594 respectively. Sikkim and Andaman & Nicobar Islands mean average income is rupee 184053 and rupee 98899, respectively, higher than all India average, which is rupee 73871 for the given period.

The Western region explained the five states of the west are Goa, Gujarat, Maharashtra, Madhya Pradesh, and Rajasthan included for the same period as mentioned earlier. The CV of Goa, Gujarat, and Maharashtra is much more than the national average. The remaining two states MP and Rajasthan lower coefficients of variation as (0.115) and (0.108) percent respectively than all India average (0.118) percent. The variation of per capita income within the group is very high as Goa average PCI is 249388, and MP and Rajasthan average PCI is just 44607 and 65353, respectively. These two states' average PCI for the same period is also lower than all India average 73871. Goa is small states in size and population but the highest rate of growth in PCNSDP and coefficient of variation. In the year 2016-017, Goa PCNSDP is around six times higher than Madhya Pradesh, four-time higher than Rajasthan, and more than double than Gujarat and Maharashtra. The graph of CV presented by the author based on calculation through data in the given table downward from Goa to Rajasthan and after that improve little high as all India average CV is 0.118.

The PCNSDP for the northern region in all states is much more than all India average mean PCNNP 73871 except only two states in this region Jammu & Kashmir and Uttar Pradesh; both have 55410 and 35744 PCSDP respectively. In this region, UP performance is abysmal as per capita income is just half to the national average and almost six times lower than the same region other states/ UTs Delhi. The CV for the states like the highest per capita average income is lower as all India average like Chandigarh, Haryana, and Punjab. Delhi and Himachal Pradesh coefficient of variation is better as the national average the region is that Delhi is the National capital region and HP which has smallest No. of poverty in all over India. Uttarakhand and Haryana CV are almost the same as the national average, the boundary of regional specific is related, and we can say belt of climatic condition and other horticulture and crop production is better in this region. Overcrowded population and backwardness of education are the big theft for not pushing the economy in Uttar Pradesh and Jammu & Kashmir. The states Punjab, which shown higher per capita income as UP and J&K but lowest in the CV in all

the states, the meant growth rate is very slow in these states in per capita income.

In the northern region have the fluctuation in their CV as some states have a higher rate than other lower than all India average. The southern states which have more prosperous as compared to northern and North Eastern states average PCNSDP are more than all India average. The Coefficient of Variation for the given table, as shown that all state's growth rate is much higher than the national average, but Kerala and Pondicherry's growth is slow in average income per capita. All the states within the southern region have almost the same average income for the given short period. The income variation is low and better than the northern region where income per capita fluctuation is very high, and this region improves the economic growth over the period.

The group of North Eastern states PCNSD is deficient as mean income and all the states, except Arunachal Pradesh and Mizoram, which is better than all India performance, lower. The rest five states, Assam, Manipur, Meghalaya, Nagaland, and Tripura, have on the average stagnant economic situation. Despite this, the growth rate of per capita increase, Tripura performs better than the national average. For the period 2011-12 to 2017-18 PCNSD for the states, Mizoram increases very fast as CV is almost double than all India average, and this CV is just six times more than Meghalaya, the states at the same region. There is some other consequence for the lower growth rate of Meghalaya. We are just shown the relation on geographical variation of income inequality and will not define the reason why they remain in this category. The lowest mean average income in this region is Manipur, which is only INR. 42900 and a half as of Arunachal Pradesh.

As per the study in terms of most poor states, Bihar is a very lower per capita income in 2011-12 only rupee 21750/ annual, which increases to rupee 28485/ in 2017-18, for the period mean average income per capita is just 24053/ rupee. In this group of poorly states Uttar Pradesh, Manipur Madhya Pradesh, Assam and Jharkhand all have lower average income PCNSDP. Also, CV is slow as compared to all India average 0.11804. There are two states MP and Assam, which increase at 0.11500 and 0.10518 CV, respectively, shown better performance in the group of poor States. The growth rate of Manipur and Jharkhand is meager, just equal to combine the average CV of all six poor states.

The coefficient of variation in the poor belt states, lower than all India average. The most interesting is that no south region state is poor as North, East, and North East. The states come under the category of rich within the country, and perform better in growth rate in PCINSDP is Delhi, Haryana, and Chandigarh in the Northern region. In this rich category, states/ UTs like Chandigarh and Pondicherry's growth rate is lower than all India average, and Haryana is as 0.111978 CV slides lower. All other states' coefficient of variation is higher than national 0.1180047, and the combined rate of growth rate 0.108189 is still lower than all India percapita NNP. The average income per capita for the given period Goa is highest in the group as 249388/ rupee, and at the same group, Pondicherry and Haryana PCNSDP is only rupee124088/ and 123060/ annual. The average mean PCNSDP in Goa and Haryana is almost 2:1, and if we analyze the PCNSDP for the year 2016-017, Goa PCNSDP is more than double than Haryana. The combined average PCNSDP for the rich.

5.CONCLUSION

The population in India increases over the period. The resource utilization capability improve with better technical skill and innovation. Life expectancy improve overall in India and states level. The improvement of life expectancy in poor states (BIMARU) increases much faster as compared to rich states. Bihar average per capita net state domestic product is lowest in eastern region as well as in India. While Goa has the highest PCNSDP in India at the current market price level. Sikkim is the lowest population, and use Bio fertilizer over chemical pesticide, provide a basic income to all household and care for an environmental consequence over the period. Sikkim rate of economic growth improve with the rest rich states in the country.

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