the different sections of the *urban* population, during the seven years. per capita consumption of the *lower middle* and *poorer* sections (40 per cent of urban population) declined; that of the *middle* sections (40 to 60 per cent) increased by 1.0 to 3.0 per cent, of the *upper middle* and the *richer* sections (40 per cent) by 4.7 per cent. Dandekar and Rath concluded that during the period under review, the per capita private consumer expenditure increased by less than half a per cent per annum Moreover, the small gains were not equitably distributed among all sections of the population. The condition of the *bottom* 20 per cent *rural* poor remained more or less stagnant; of the *bottom* 20 per cent *urban* poor definitely deteriorated; and for another 20 per cent of *urban* population, it remained more or less stagnant. Thus, while the character of rural poverty remained the same as before, the character of urban poverty deepened further.[4]

Distribution of land holdings is another measure of inequality. According to the Mahalanobis Committee the top 1 per cent of the households owned 17 per cent of all land holdings in India in 1953-54; the top 5 per cent owned 41 per cent; the top 10 per cent owned 58 per cent; and the top 20 per cent owned 77 per cent of land holdings. The corresponding figures in 1959-60 were 16 per cent, 40 per cent, 56 per cent and 75 per cent respectively. These figures revealed that despite the enactment of land reform measures there was no appreciable reduction in inequality in land holdings, and while 20 per cent of the people did not own any land at all, land holdings were highly concentrated in the hands of a small minority of people.

A survey on the distribution of assets by RBI (*All India Debt and Investment Survey*, 1971-72) on rural households showed that 20 per cent of households, each having less than Rs 1,000 of assets, account for less than 1 per cent of all rural assets, while 4 per cent with asset-values of Rs 50,000 or more own over 30 per cent.

Finally, we take up the *concentration of wealth and power* in the private corporate sector as a measure of inequality. Hazari in his study *The Corporate Private Sector in India* (1966) on the growth of 20 business groups for the period 1951-58 came to the conclusion that Tata, Birla, Martin Burn, Dalmia and Sahu Jain had 17.91 per cent of the total share capital of non-government companies in 1951 which rose to 22.34 per cent in 1958. The comparable ratio for their complexes went up from 21.58 per cent to 26.60 per cent. Their gross capital stocks increased by more than 100 per cent while that of the remaining 16 business groups by about 50 per cent. Tata and Birla, the two largest complexes, had nearly 1/5th of the gross capital stock of non-government public companies in 1958. Thus there had been increased concentration of economic power in the private corporate sector during the first eight years of planning in India.

The *Mahalanobis Committee* carried this study further in the case of 21 industries to the sphere of production up to 1960. It revealed that 12 top units produced more than 50 per cent of the total output of such industries. In 4 of these cases, a single unit produced more than 50 per cent of output. Further, in 1960-61, bigger companies with paid up capital of Rs 50 lakhs and above formed 1.6 per cent of all companies but had 53 per cent share in the total paid up capital, while the number of companies having paid up capital of less than Rs 5 lakhs and constituting 86 per cent of the total number of companies had only 14.6 per cent share in the total paid up capital.

The report of *Monopolies Inquiry Committee* (1965) relating to the year 1963-64 studied 75 groups comprising 1536 companies with 44.1 per cent total paid up capital and 46.9 per cent of assets of all the companies in the country. Regarding product-wise concentrations, it studied 100 products of top three producers and found that 65 products had high concentration (75 per cent or more), 10 medium (60 to less than 75 per cent), 8 low (50 to less than 60 per cent), and 17 products less than 50 per cent concentration. The Commission came to the conclusion that concentration of economic power in a few hands "affects economic growth itself in the long run and inhibits it, for such growth is not sufficiently widespread to be self-generating."

The Economic Times[5] has carried forward the findings of the MIC and the LPIC Reports further. Between 1963-64 and 1975-76 significant upward shift in rank in terms of increase in assets took place in the case of Mafatlal from 10 to 3, Sarabhai from 14 to 9, Kirloskar from 16 to 11, Parry from 18 to 13, and Scindia from 9 to 5. In 1963-64, the Birlas ranked number 2 and the Tatas were at the top. In 1975-76, they changed their ranks, Birlas being at the top and Tata following them closely.

The *Department of Company Affairs* in its study of the assets of top 20 industrial houses revealed that their total assets increased from Rs 1,319 crores in 1964 to Rs 5,119 crores in 1978, a rise of 74.2 per cent. The Birlas topped with total assets of Rs 1,171 crores followed closely by the Tatas with assets amounting to Rs 1,102 crores in 1978.

A study by The *Economic Times*[6] revealed that the total assets of 101 private sector corporate giants grew at a fast rate of 16.3 per cent in 1984-85 as against 9.4 per cent in 1978-79, their sales (net of excise

[5]25 May 1981.

[6]The Economic Times, 26 March, 1986.

duty) recorded a growth rate of 15.7 per cent as against 11.7 per cent, and gross profits rose by 22.3 per cent as against 15.3 per cent over the period.

It is apparent from the findings of the various reports and studies that far from reducing inequalities in income and wealth, planning for three decades in India has actually accentuated them.

Causes of Inequalities in India[7]

The prominent causes for this unequal distribution of income and wealth in India are discussed below:

1. **Poverty.** One of the basic causes of unequal distribution of income and wealth in the country is poverty which is reflected in low consumption levels, low per capita income and low standard of living of the mass of the people. Despite more than two decades of development planning, hunger, malnourishment and suffering from chronic and debilitating diseases are still the bane of the majority of population in India.

2. **Inadequate Development.** Another cause of the low levels of income has been inadequate economic development. The growth rate in GDP was lower than expected and hovered around 3.5 per cent per annum during the first four decades of planning. It was only during 1992-96 that it was 6.4 per cent per annum. Such low growth rates along with population growth rate of 2.1 to 2.2 per cent per annum have kept the per capita GDP at a low level of 2.0 per cent per year during 1951-96.

3. **Economic Concentration.** As the above data pertaining to the extent of economic inequalities in India reveal, there has been concentration of economic power in the hands of few business houses, as a result the rich have become richer and the poor poorer. As pointed out by Dandekar and Rath, "The small gains of development seem to be monopolised by the upper middle and richer sections of the society leaving the lower middle and the poorer sections more or less untouched by the process of development." The Mahalanobis Committee was more emphatic when it observed: "The working of the planned economy has contributed to the growth of big companies in Indian industry." Some of the reasons for the concentration of economic power have been haphazard industrialization, faulty licensing policy, interlocking directorate, and inter-company investments, etc.

4. **Tax Evasion.** The Mahalanobis Committee also listed tax evasion as one of the causes for inequalities in income and wealth. The upper

[7]For data, refer to the 'Causes of Poverty in India' in the previous chapter and 'Estimates of Inequalities' given above.

middle and richer sections of the society have been manipulating to evade taxes and amass wealth through black money thereby becoming richer. On the other hand, the lower middle and the poorer sections of the society are being reduced to abject poverty under the pressure of ever mounting indirect taxes on necessities with every budget since the beginning of the planning era in a country.

5. **Inequitable Distribution of the Means of Production.** Inequalities of income and wealth result from inequitable distribution of the means of production. One of the means of production in India is land. This is, in fact, the major one because more than 80 per cent of the people who live in rural India are dependent on land in one way or the other. But as seen above, in case of distribution of land holdings in India, 20 per cent of the people do not own any land and a large majority have small uneconomic holdings, while a small fraction of the rural population owns large holdings. The former are being starved while the latter are becoming richer, thereby accentuating inequalities.

The second means of production is the capital. People being poor, capital is scarce in the country. But it is concentrated in the hands of a few rich who use it to their advantage. In rural India, the few rich landlords have been able to mechanise agriculture by using tractors, pumping sets, fertilizers, improved seeds, etc. while in urban India the few business houses which possess the majority capital have used it fully to their advantage in amassing more wealth, as the estimates reveal. As pointed out by Dandekar and Rath, in the face of economic forces operating in an economy with private ownership of the means of production, *inequalities are bound to persist.*

6. **Capital-Intensive Technology.** One of the reasons for the accentuation of inequalities in India has been the use of capital-intensive technology. This is the case not only with private enterprises, but also with public enterprises. "In a capital short economy, the adoption of an advanced industrial technology results in employing a few workers with the aid of a great deal of capital while denying a host of others any capital to employ themselves with." Thus the use of capital-intensive technology in the private sector of the economy, both rural and urban, had led to greater concentration of wealth and income in the hands of a few and deprived the masses of larger and gainful employment opportunities.

7. **Unemployment and Underemployment.** One of the prominent reasons for this unequal distribution of income is widespread unemployment and underemployment. More than two and a half decades of planning has failed to relieve unemployment and underemployment in the country. Rather, it has accentuated them. Inequitable distribution of the means of production, capital-intensive technology, inadequate

development etc., are some of the factors responsible for increasing unemployment and underemployment. As a result, the poor are becoming poorer.

8. **Low Productivity.** Low productivity per unit of labour is also another factor for increasing inequalities in India. Low productivity keeps the income levels of the people low. A worker with low productivity cannot earn more and thus remains poor. And the gap between the rich and the poor continues to widen because the rich have been able to increase their incomes continuously.

9. **Population Growth.** The phenomenal growth in population during 1951-96 has been another factor in increasing economic inequalities in the country. During these 45 years, population increased on an average at the rate of 2.2 per cent per annum. This increase has been primarily shared by the lower middle and the poorer sections of the society. With already low levels of income, the increase in family members has further reduced their incomes and brought them to the brink of poverty line. The worst hit are the landholders who have been burdened by the growth pressure of population on their tiny holdings, whereas the large landholders are affected the least because of larger resources. This has forced the former to sell their meagre holdings to the latter. Thus further accentuating income and wealth inequalities.

10. **Inflation.** One of the prominent causes of income inequalities has been the spiral inflation since the end of the first Plan in India. Whereas the prices have been rising continuously, the income of the fixed income groups has failed to increase proportionately. As a result, the white collar middle class, the blue collar working class, the landless agricultural workers and the small landholders are being reduced to abject misery and poverty. On the other hand, the big landlords, the businessmen, the profiteers, the speculators, the blackmarketeers, the traders and the industrialists have been earning larger incomes and amassing wealth. Thus inequalities of income and wealth are on the increase with the continuously increasing prices.

Policy Measures

The policy measures, aiming at reduction in income and wealth inequalities, should be redistributive in nature. They should work towards the general socialisation of the means of production, the removal of economic concentration, the increase in the income levels of the mass of the people. All measures serve a dual purpose: to redistribute income, and to remove poverty. In fact, the problems of poverty and income inequalities are so interwoven that when one is solved the other is simultaneously resolved. Some of the policy measures are discussed below:

1. **Land Reforms.** Since the majority of people live in rural areas and are dependent on agriculture, speedy implementation of land reform legislation is essential for equitable distribution of income and wealth. As a *first* step, there should be redistribution of the available land among the landless agricultural workers and those having very little land. It requires the implementation of legislation on ceiling on land holdings. *Second,* the tenurial conditions should also be improved. *Last,* but not the least, land reforms should also embrace such measures as the provisions for cheap and adequate credit facilities, better seeds and fertilisers, and marketing of agricultural produce. Thus land reform measures will raise the total produce and hence the share of the cultivator in the total produce. In this way, his income will increase.

2. **Employment Opportunities.** The principal instrument of policy relating to income distribution is the creation of additional employment opportunities, both in the rural and urban sectors. To provide employment opportunities to the unskilled labour in rural areas suitable public works programmes should be designed and organised. Intensification of cropping practices and establishment of agro-based and rural industries can also help in providing gainful employment to the agriculturists.

As regards the educated unemployed, while the emphasis should be on labour-intensive industrialization, the need for providing self-employment opportunities should not be overlooked. The latter require on the job or professional training, financial help from the banks and other financial institutions, and facilities for raw material supplies and marketing.

3. **Wage Policy.** For an effective income distribution there should be a national wage policy, both for the organized and the unorganized sectors of the economy. It requires ensuring not only minimum wages for industrial workers but also increasing the share of wages in total value added. But all increases in wages should be closely related to increases in productivity in order to avoid inflationary pressures following the former. It is, however, not possible to follow such a wage policy in the unorganized sector where a small amount of irregular and intermittent employment is enveloped in a mass of unemployment and underemployment. The Agricultural Minimum Wages Act has been on the statute book for over 20 years and everyone acquainted with its operation knows that it cannot be enforced. "...*But* minimum wages have no meaning unless at the same time employment is guaranteed at the prescribed minimum wage." Therefore, the solution for the unorganized sector is to provide gainful employment opportunities as detailed above.

4. **Price Policy.** It is an undeniable fact that continuous rise in prices