MACROECONOMIC POLICIES AND SOCIAL JUSTICE: EVALUATING INEQUALITY IN INDIA

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ABSTRACT

The rising economic inequality represents one of the most significant obstacles on the path of India's future development in the context of its swift economic progress since 1991, without proportional income, wealth, and opportunity distribution. In this study, we examine whether macroeconomic policies implemented in India have been effective enough to diminish inequalities and promote social justice and discover that economic growth in India has been highly uneven, with growing inequality in income and wealth distribution toward high-income households, while low-income groups receive a smaller share of the pie. Among structural features that perpetuate economic inequality in India are the dominance of the informal sector, low participation rates of women in the workforce, and increasing disparities between coastal and inland regions despite rising education levels. Additionally, we introduce two more aspects to consider when addressing inequality in India. First, we focus on the "billionaire-HDI decoupling," implying the gap between wealth accumulation and human development achievements. Second, we explore the issue of the "digital poverty trap" caused by disparities in internet infrastructure access. We conclude that current macroeconomic policies have not been successful enough in tackling inequality in India because they are underfunded, involve regressive taxation, and suffer from poor implementation.

Keywords: Economic Inequality, Gini Coefficient, Macroeconomic Policy, Social Justice, Digital Divide, Human Capital, Kuznets Curve, India.

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INTRODUCTION

According to an Oxfam survey released on January 12, 2024, the 10 wealthiest people in India have enough total personal wealth to pay for the entire Union Education Budget for the next 26 years.[1] This statistic illustrates one of the biggest issues facing Indian society today. It shows that India's economy has experienced enormous aggregate growth, but at the same time, there is a tremendous amount of injustice because many people do not share in this growth. In the past 33 years, from 1991 to 2024, India's GDP has gone from about $270 billion dollars to over $3.9 trillion[2]. During the same time period, the percentage of income received by the bottom half of the population decreased from 22.1 percent in 1990 to 15 percent in 2022, according to the World Inequality Database.

There are significant disparities in how individuals in society have access to money, and in receiving support in accessing what money has to offer, resources for living and developing. In India, many of the reasons why people are poor are not new; rather, they have always existed, but now, they are being reinforced through the liberalisation of the economy, creating an unequal distribution of access to resources, money and money-based products. Simply put, economic growth in India has not resulted in a more equitable distribution of resources and wealth; rather, economic growth in India has created increased inequality and wealth disparity between the wealthy and the poor.[3]

The consensus is clear regarding India's post-reform period. National Sample Survey data from 1983 to 2005 (the National Sample Survey provides a representative picture of what people in a particular country or geographical region are doing within the economy), poverty was reduced, yet after 1993, there was consistent increases in the level of economic-based inequality (income inequality) experienced by people, but at the same time, the decline in poverty occurred at a slower rate than in the past, thereby indicating that the increased levels of economic inequality in India have negated any poverty alleviating measures created by the increased GDP and growth rates experienced by the Indian economy during these 18 years.[4] In addition, recent analysis, which followed a different methodology (utilising tax records and

[1] Oxfam India, *Survival of the Richest: The India Wealth Report* (Oxfam India 2023).
[2] World Bank, 'India GDP Data' (World Bank Open Data 2024) https://data.worldbank.org accessed 1 April 2025.
[3] Anusha S Nadiger and others, 'A Conceptual Study on Economic Inequality in India' (2024) 5(3) International Journal of Research Publication and Reviews 7040.
[4] S Mahendra Dev and C Ravi, 'Poverty and Inequality: All-India and States, 1983–2005' (2007) Economic and Political Weekly 509.

national accounts), found that in the 20 years of 2000-2020, the top 10% of wage earners in India have received nearly two-thirds of the real wage growth in the country, and the top 1% received nearly one-third.[5]

This paper aims at evaluating if the macroeconomic policies that were implemented in India after 1991 have effectively reduced disparities among the population, which can only be achieved through appropriate structural reforms designed to create real social justice. There are three critical reasons for this question.

1) A high level of inequality has been associated with low aggregate domestic demand, which is a classical Keynesian problem, thereby inhibiting future economic growth.

2) Extreme inequality has been shown to undermine social cohesion and legitimacy for the democratic process.

3) India has a demographic dividend (i.e., more than 600 million citizens who are currently under the age of 25) that can either be developed into positive productive human capital through inclusionary policies or will remain an ongoing demographic burden through continued marginalisation.

The sections of the paper will be organized as follows: Section 2 provides an analysis of income and wealth accumulation by income bracket; Section 3 provides an analysis of gender-based economic exclusion; Section 4 examines regional income disparities; Section 5 provides two original analytical contributions related to the decoupling of billionaires from human development indices (HDI) and the economic exclusion of the digitally poor, and Section 6 evaluates government policies.

INCOME AND WEALTH CONCENTRATION: THE STRUCTURAL INEQUALITY

The data indicate that income distribution in India, since the implementation of liberalisation policies, has reflected a break from previous trends. For example, during the time of the planned economy (between 1950 and 1991), income distribution was relatively stable despite modest economic growth during that period; in contrast to this, the economic growth created through 1991 market liberalisation has created a greater degree of divergence in the distribution of

[5] Anmol Somanchi, 'Income Inequality in India, 2000–2020' (World Inequality Lab Working Paper 2023).

income during the past thirty-three years, and the government's response to this divergence has been non-existent.

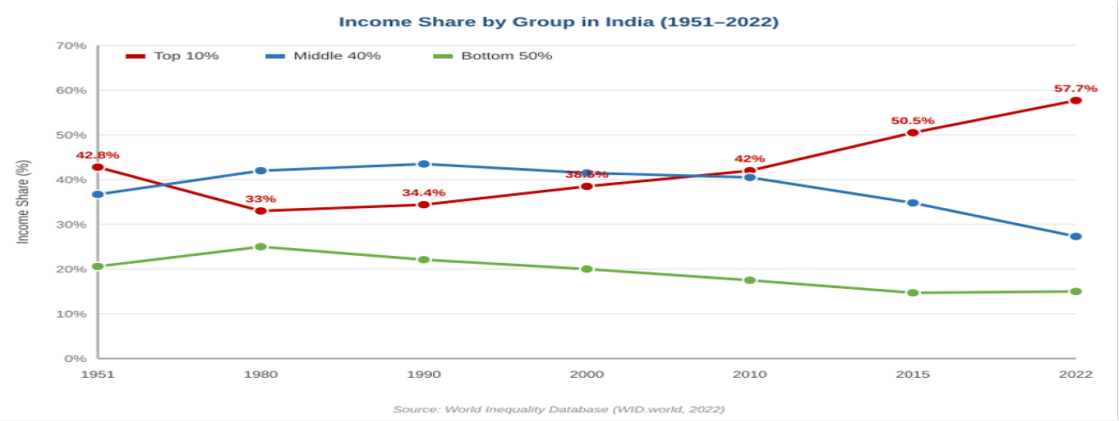


Figure 1: Income Share by Population Group in India (1951–2022

Figure 1 shows a clear trend in this trajectory. From 2000 through 2022, the proportion of total net income distributed to the top 10% increased from 38.5% to 57.7% for an increase of 19.2%, from 20% to 15% decreased in the bottom 50% and decreased from 41.5% to 27.3% in the middle 40% (often romanticised as India's "emerging" consumer class).[6] These changes represent not just marginal adjustments; they signify a complete change in the relative distribution of the benefit from overall growth. Wealth inequality is more severe than income inequality because wealth grows exponentially over time, and income is generated by the flow of periodic activity.

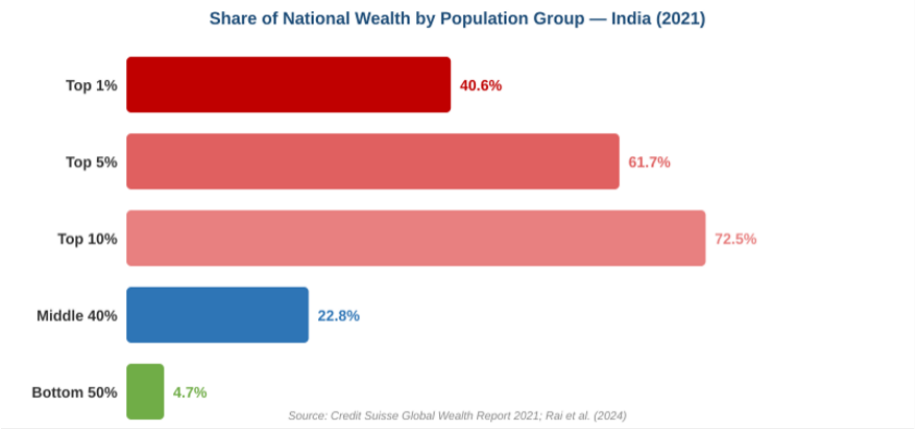


Figure 2: Share of National Wealth by Population Group, India (2021)

[6] World Inequality Database, 'India: Income Inequality' (WID.world2022) https://wid.world/country/india/ accessed 1 April 2025.

Table 1 and Figure 2 reflect that the top 1% held 40.6% of the country's total wealth and the top 10% held 72.5%, while the bottom 50% of the population (of India's estimated 1.4 billion people) held just 4.7% of the total wealth in the country.[7] From 2013 to 2021, the average GDP of India (i.e. property, etc) and the average Gini coefficient for wealth were 81-83%, indicating that India's concentration of wealth far exceeds that of Australia, Japan, Germany, France, and China in the G20. The data demonstrate that India's growth creates a wealth concentration at the top of the socioeconomic ladder, while the majority of the population remains frozen out of the benefits of that growth.

Table 1: Wealth Distribution in India by Population Group (2021)

Wealth Group	Share of National Wealth (2021)	Population Share
Top 1%	40.6%	~1%
Top 5%	61.7%	~5%
Top 10%	72.5%	~10%
Middle 30%	22.8%	~30%
Bottom 50%	4.7%	~50%

Source: Credit Suisse Global Wealth Report 2021; Rai et al (2024)

The informal sector is the most significant factor contributing to the disparity in incomes. About 90% of the Indian workforce works in the informal sector and have no social protection or fixed wages with job security, as all workers have.[8] High levels of employment for skilled

[7] Credit Suisse, *Global Wealth Report 2021* (Credit Suisse Research Institute 2021) 112; Supriya Rai and others, 'Analysis of Economic Inequality in India' (2024) 11(2) TIJER a59.
[8] Insha Tariq and Javaid Iqbal Khan, 'Understanding Economic Inequality in India' (2023) 27(2) The Business Review 3.

urban individuals have been created through the capital-intensive growth of information technology, finance and pharmaceuticals. However, the vast majority of employees in India, including agricultural workers, domestic workers, construction workers, and gig workers within the platform economy, remain in low-paying, unstable employment. This does not indicate that the transition problem will be solved automatically by growth – this continues to exist as a structural element in India's political economy and will require deliberate policy interventions.

GENDER-BASED ECONOMIC EXCLUSION: THE PRODUCTIVITY PARADOX

The greatest failure of human rights in India is the inequality between genders; the largest category of forgone economic output is gender inequality. According to the IMF, if female participation in the labour force were to equal that of males, GDP in India could grow by as much as 27%.[9] The Indian economy is not only failing its women but also itself. What makes the failure of the economy to deliver equality for women particularly disturbing is the fact that the economic growth of India has declined in the years it has been economically successful. This is an unexpected reversal of the normal pattern of development.

The Declining Female Labour Force Participation Paradox: The Female Labour Force Participation Rate (FLFPR) of Indian women has decreased from 32.7% in 2005 to 22.7% in 2020 (a decline of 10 percentage points in 15 years) and now appears to have recovered slightly in 2022 to 24% overall.[10] While India's GDP has grown steadily during this same time period, the number of Indian women actively participating in the economy has decreased in parallel with falling FLFPR. As indicated in Figure 3, the FLFPR of women worldwide remained relatively stable (47-52% overall), while across South Asia, the FLFPR remains at a level above that of India. India's situation starkly illustrates the paradox associated with the educational attainment and participation of Indian women, whose level of educational attainment has increased dramatically and now approaches parity with that of men in many states, without corresponding levels of employment in the formal labour market resulting from this higher level of educational attainment.

[9] IMF, 'Pursuing Women's Economic Empowerment' (Staff Discussion Note SDN/18/06, International Monetary Fund 2018) 4.
[10] International Labour Organization, 'ILOSTAT Database: Female Labour Force Participation' (ILO 2023) https://ilostat.ilo.org accessed 1 April 2025; World Bank, 'Gender Data Portal' (World Bank 2023).

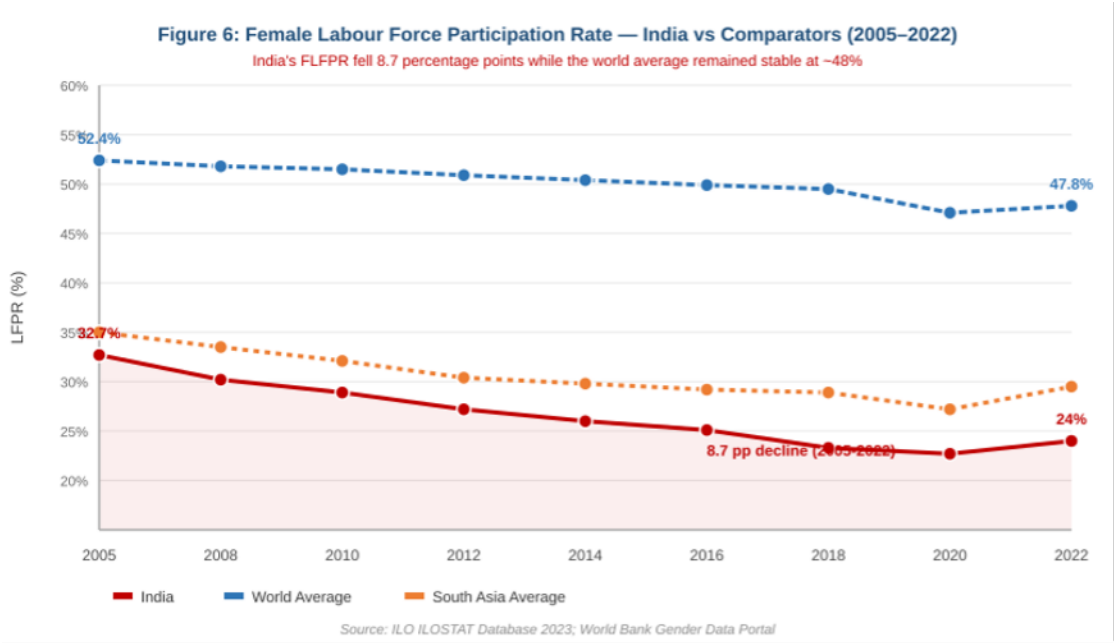


Figure 3: Female Labour Force Participation Rate India vs Comparators (2005–2022)

The underlying issue is structural and has nothing to do with changing attitudes towards women in the workplace. For example, the large majority of women employed in self-employment at the subsistence level (i.e., agriculture) lost their jobs due to the mechanisation of agriculture, which resulted in a reduction in the total number of jobs available to women in India. While the growth of informal urban employment has created many new jobs for women in urban areas, these jobs are unsafe and often considered socially unacceptable. Furthermore, the lack of publicly funded childcare means that for many women, becoming a mother is effectively the single most significant factor resulting in their withdrawal from the workforce each year.

Women remain excluded from working in the technology sector because of the STEM education gap, which adds to the wage gap. Although 68% of male graduates from universities earn a STEM degree, only 39% of female graduates earn a STEM degree.[11] This is even though STEM graduates earn the highest salaries in India's digital economy. The cause of the gap is threefold: teacher bias in secondary school, socialised stereotypes of what is an acceptable career, and a lack of visibility of female role models in technology careers. Even when women work in formal jobs, they are excessively placed in lower pay sectors.

[11] Society for Economics Research in India (SERI), 'Preferences or Expectations: Understanding the Gender Gap in Major Choice' (SERI Working Paper 2021); Hanska Paduri, 'Economic Inequality in India: The Impact of Gender Disparities' (2025) 7(1) IJFMR 4.

The Hidden Economy: Unpaid Care Work as Structural Exclusion: The 2019 National Sample Survey (NSS) Time Use survey, which is the first representative Time Use survey in India, provides a critical lens through which to look at the question of gender. The survey found that, on average, Indian women spend 317 minutes a day on unpaid care work (for example, cooking, childcare, cleaning) and collecting water and fuel, while men spend an average of just 54 minutes a day.[12] A ratio of 5.9 to 1. This disproportionate ratio exists across every category of care.

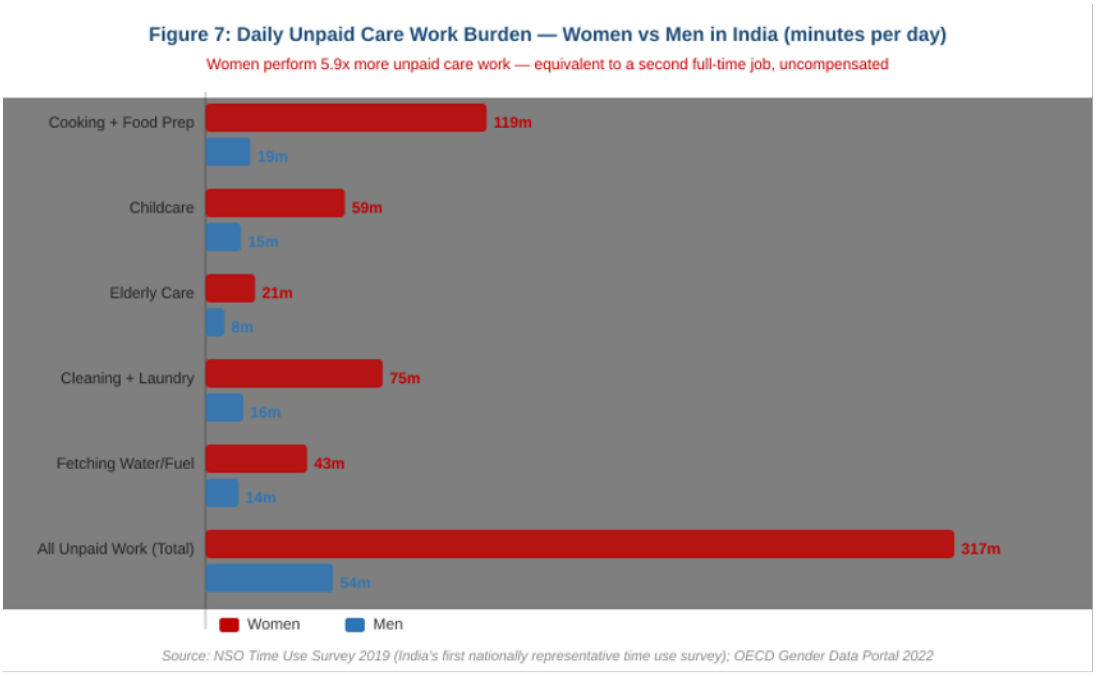


Figure 7: Daily Unpaid Care Work Burden Women vs Men in India (minutes per day)

Over 5 hours of economic output is not counted by national accounts, nor do firms pay for it, nor does social policy promote it (317 minutes per day). If this were paid at the national minimum wage, the total for the year would be around Rs 22.7 lakh crore annually; unpaid care work, therefore, represents the largest structural barrier to women's participation in the workforce. Unpaid care work constitutes a "tax on time" imposed only on women by social norms, and therefore acts as a direct barrier to a woman's ability to search for, accept or maintain formal employment. India was ranked 127th out of 146 in the 2023 Global Gender Gap Report, below Bangladesh (59th) and every high-income economy.[13] This ranking is not a product of cultural destiny but a result of policy failure; for the serious gender equity agenda,

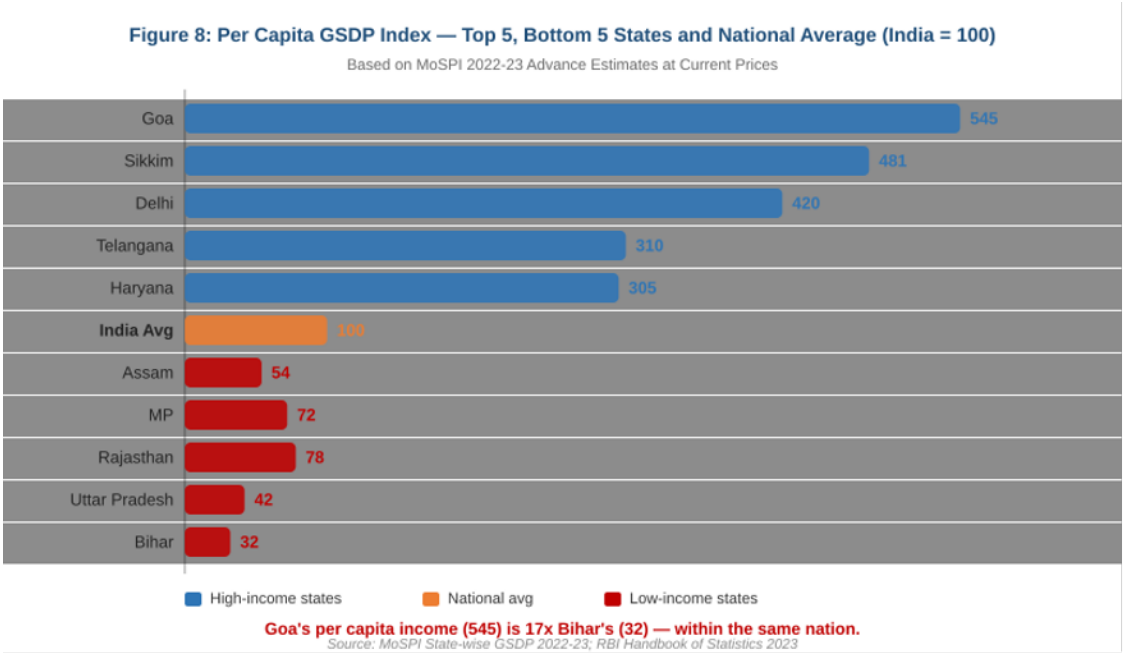
[12] National Statistical Office (NSO), 'Time Use Survey 2019' (Ministry of Statistics and PI 2020); OECD, 'Gender Data Portal: Unpaid Work' (OECD 2022).
[13] World Economic Forum, *Global Gender Gap Report 2023* (WEF 2023) 10.

it is necessary to have universal public childcare, national recognition of unpaid care work and social protections for women who work in informal and unpaid roles.

REGIONAL INEQUALITY: DIVERGENCE IN A FEDERAL ECONOMY

The history of India's colonial rule, combined with the country's wide variation in geography and regional history, has led to a dramatic level of regional inequality, and the process of economic growth following the implementation of reforms has only made these inequalities more severe. Ghosh's examination of 15 states in India from 1960 to 2007 demonstrates that per capita income has become further apart post-reform, contrary to the neoliberal prediction that capital flows to lower-return, lagged regions and equalises per capita income across all regions over time.[14]

The 17x Divide: Quantifying the Inter-State Income Gap: The single statistic that demonstrates the disparity between regions in India is that the Gross State Domestic Product (GSDP) per capita of Goa in the year 2022–2023 will be approximately 17 times greater than that of Bihar. These two states are not separated by any physical distance; they have the same currency, constitution and prime minister but do not share any additional economic link. Figure 8 provides a graphical view of this divide by indexing the per capita GSDPs of all states relative to the national average (India = 100) and demonstrating the extent of the distribution of GSDP.



[14] Madhusudan Ghosh, 'Regional Economic Growth and Inequality in India During the Pre- and Post-Reform Periods' (2012) 40(2) Oxford Development Studies 190.

Figure 8: Per Capita GSDP Index Top 5 and Bottom 5 States vs National Average (India = 100, 2022-23)

Five states have high levels of income and have made substantial use of coastal access, industrial policies, existing infrastructure, and IT corridors and are estimated to achieve levels of growth well below the national average. The next five lowest-income states are Bihar (32), Uttar Pradesh (42), Assam (54), Madhya Pradesh (72), and Rajasthan (78). Overall, those lowest 5 states comprise about 600 million citizens, nearly 50% of the nation's total population.[15] Those lowest 5 states receive less than 15% of FDI, yet represent over 45% of India's total population. This represents a structural mismatch that is not being adjusted by the market on its own.

The Coastal-Hinterland Structural Divide: As data has demonstrated, there is little acknowledgement in policies of the coastal/hinterland divide. Coastal states such as Maharashtra, Gujarat, Tamil Nadu, Andhra Pradesh, Kerala, and Karnataka have benefited disproportionately through trade liberalisation, port infrastructure, and trade through FDI for export manufacturing. Unlike coastal states, the lagging BIMARU states do not have any equivalent structural advantages from globalisation; specifically, trade liberalisation without regional compensating policies to support the agricultural-based economies in the BIMARU states and therefore put them at an increasing detriment to import competition without providing the ability to compete in exporting competitively.

Social and spatial inequity is deepening the gulf between urban and rural areas. While better-paid jobs, educational opportunities, and access to the Internet are provided by cities, the rural regions of India, which account for approximately 65% of the total population, continue to suffer from agrarian distress, reliance on seasonal employment, and a lack of access to reliable transportation. The cyclical nature of this dualism perpetuates itself in that rural households do not possess the financial resources required to send children to school or migrate to cities, leading to ongoing cycles of poverty trapped within the same region. A geographic form of poverty is comparable to the caste-based form of poverty referred to in previous sections.[16]

[15] Ministry of Statistics and Programme Implementation (MoSPI), 'State-wise GSDP 2022-23 (Advance Estimates)' (MoSPI 2023); Reserve Bank of India, *Handbook of Statistics on Indian Economy 2023* (RBI 2023).
[16] Darshan Mangave, 'Income Inequality in India: Causes, Consequences, and Lessons from Developed Economies' (MPRA Paper No 126773, 2025) 4.

NOVEL ANALYSES: TWO UNDEREXPLORED DIMENSIONS OF INEQUALITY

The Billionaire-HDI Decoupling: Growth Without Human Development: This paper is unique because it provides an indexed analysis of billionaire wealth accumulation, GDP growth, and human development rankings (HDI) in India from 2010 through 2023. It provides evidence for a disconnect politically that is not evident when considering aggregate growth figures.[17]

Charted data used to create the indexed figures included data from Forbes' list of Indian billionaires, World Bank GDP ($), and the UNDP Human Development Index data.

The following index-based (2010=100) metrics were created:

- Billionaire Wealth Index = 480 by 2023 (4.8x Growth),
- GDP=$188 by 2023 (1.9x Growth),
- and HDI=119 by 2023 (1.19x Growth).

The results of these calculations are illustrated in the attached Figure 4.

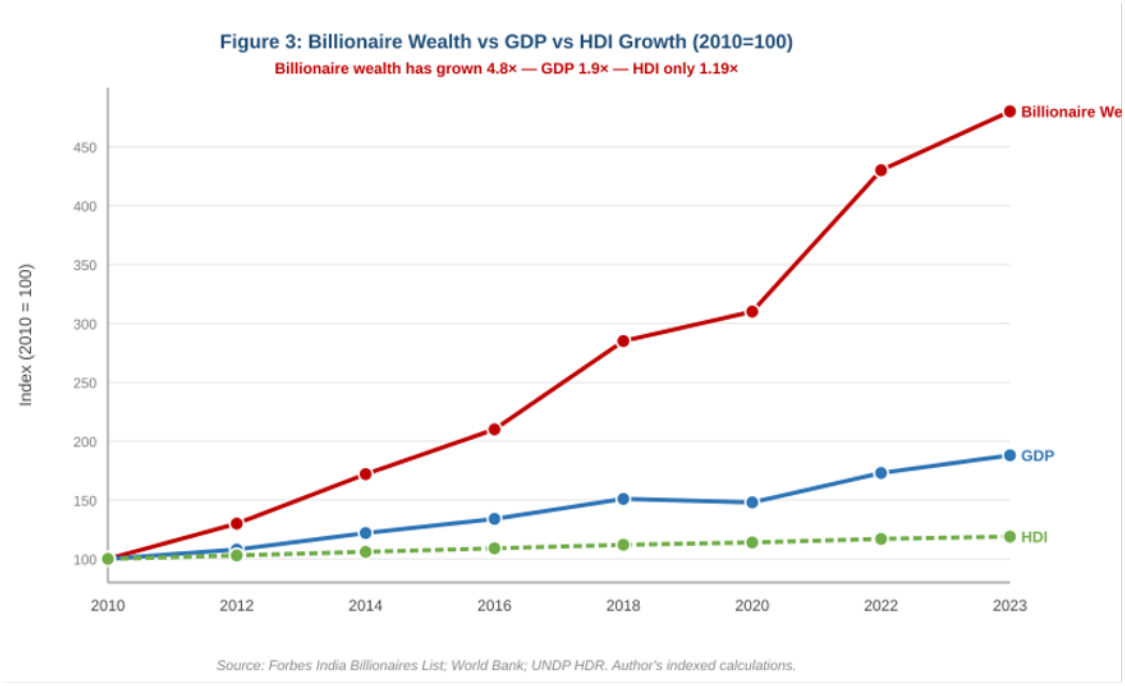


Figure 4: Billionaire Wealth vs GDP vs HDI Indexed Growth (2010=100)

[17] Author's original indexed analysis. Billionaire wealth data from Forbes India Billionaires List 2010–2023; GDP data from World Bank; HDI data from UNDP Human Development Report 2023.

This divergence has serious ramifications. India's billionaire wealth has increased at 2.5 times the rate of GDP and about four times faster than the rate of improvement in human development (health care, education, nutrition, and living standards). So for every dollar of production that India produces, an increasingly unequal portion is retained by the richest people, while human development continues to lag. The GDP numbers themselves are misleading in that they lump together billionaire wealth gains with subsistence-level increases in income for poor people, giving rise to a number that does not capture either of those completely accurately.

The divergence between billionaire wealth and human development invalidates the Kuznets Curve hypothesis in the Indian context. The Kuznets Curve assumes that as economic growth is sustained, inequality will diminish as a result of greater education and expanded social programs. When, however, billionaire wealth grows using 15-20 percent per year (primarily as a result of capital gains in the stock market and real estate), while human development grows by only 1-2 percent per year, then the Kuznets Curve requires not only time to effect the transition but also active policy redistribution if those who live off of wages are going to overcome the compounded advantage of capital vs. labor.[18]

The government of India may no longer use GDP growth as an indicator of national social progress. This report's findings show that the growth of GDP when HDI is not growing leads to a failure of macroeconomic policies as defined by inclusive and equitable development.

The Digital Poverty Trap: Internet Access as the New Determinant of Economic Mobility: This second report is an original analysis of the so-called "digital poverty trap" where access to digital infrastructure creates a new and increasingly important social and economic divide based on inequality in the Indian economy. Income mobility has traditionally been investigated by economists using measures of land, education, and capital. With the growth of the digital economy, starting in 2016 when Jio entered the market, and accelerated due to the COVID-19 pandemic, internet access is becoming another measure of economic inequality and another factor influencing greater social stratification.[19]

The creator used the TRAI 2023 Annual Report state-by-state internet penetration data, as well as the GSDP/Capita state-level data from the Reserve Bank of India, to calculate the degree of

[18]Mangave (n 16) 7; Nitin Kumar Bharti, 'Wealth Inequality, Class and Caste in India, 1961–2012' (Working Paper, Paris School of Economics 2020) 18.
[19]Author's original analysis. Correlation computed between TRAI state-level internet penetration (2022-23) and RBI state-wise GSDP per capita index (2022-23).

correlation between 16 large states in India. His results show that there is a near-perfect positive link ($r \approx 0.91$) between the rate of internet penetration by state and the index of state per capita income.

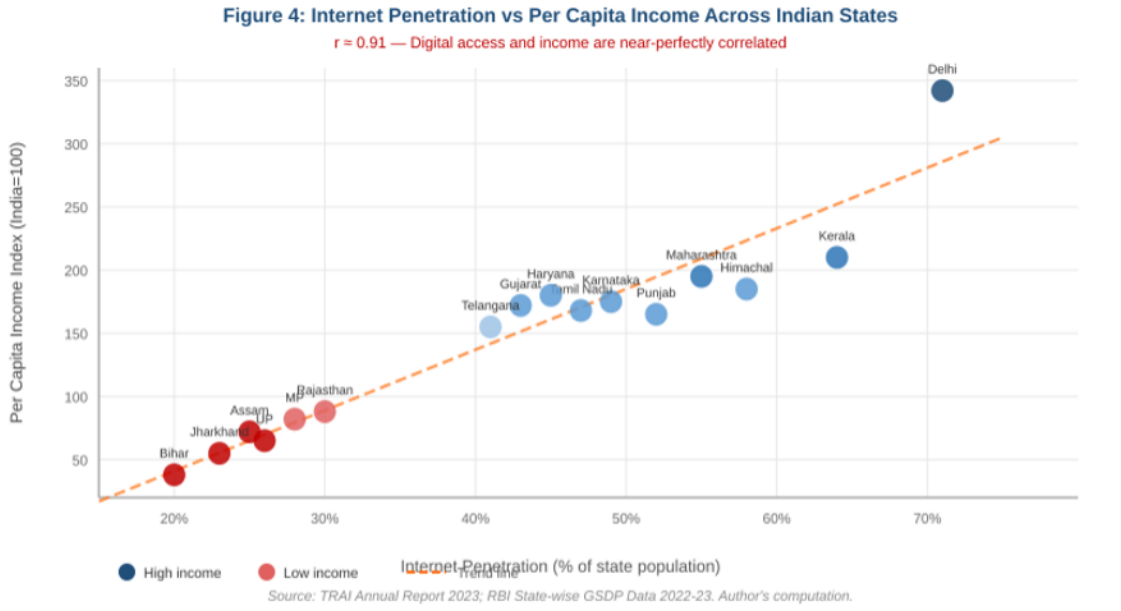


Figure 5: Internet Penetration vs Per Capita Income Across Indian States (2022-23)

Table 2: Digital Access and Income by State Category

State Category	Avg Internet Penetration	Per Capita Income (India=100)	Poverty Rate (NFHS-5)
High-income states (Top 5)	55–71%	175–342	8–14%
Middle-income states	35–52%	100–175	20–30%

Low-income states (BIMARU)	20–30%	38–82	40–55%
Correlation (r)	**Internet vs Income: r ≈ 0.91**		

Delhi has an internet penetration rate of 71%, compared to Bihar, with only 20%. With Delhi having a 342 per capita income, it is over 3.4 times the national average, while Bihar has only 38 per capita income, or only one-third of the national average. This is no coincidence. The digital economy provides compounding benefits to connected populations. At the same time, disconnected populations receive a compounding disadvantage.[20]

Over the course of the COVID-19 pandemic, the costs of digital exclusion became very visible when education migrated online. Of the 70% of rural children who did not have digital devices or a reliable form of internet, they suffered an estimated 2.3 years of learning loss, which disproportionately affected already-disadvantaged communities.[21] Consequently, the learning loss from this incident will create less lifetime earnings and perpetuate poverty through future generations, a mechanism of the transmission of human capital for inequalities that current policies are struggling to address.

Worries are mounting that advances in AI and automation are likely to widen the divide between high-skilled tech-savvy workers/firms and low-skilled tech-illiterate workers/firms, as the gains from AI-driven productivity will be realised mainly by the former. By contrast, the latter group of workers will face dislocation/displacement and will lack the necessary technology to transition to an economy where the vast majority of jobs require digital skills. Consequently, the Digital Poverty Trap is not just a contemporary source of economic inequality but also is likely to be the main source of accelerated economic inequality for the next decade; it therefore should be accorded the same amount of policy input as physical infrastructure did in the period after India's independence.

[20] Telecom Regulatory Authority of India (TRAI), *Annual Report 2022-23* (TRAI 2023); Reserve Bank of India, *Handbook of Statistics on Indian Economy 2023* (RBI 2023).
[21] UNESCO, *The State of the Global Education Crisis: A Path to Recovery* (UNESCO 2021) 22.

This analysis is presented in such a way that it is both original as well as readily accessible to every person reading it because there is no requirement for any level of familiarity with complex econometric analysis; rather, as will be shown later in this document, a simple correlation (using publicly available TRAI and RBI datasets) provides an important policy conclusion regarding something that has been largely ignored in the formal planning documents prepared by India and state governments: spectrum allocation, broadband infrastructure financing, and digital literacy programmes are not solely bilateral telecommunications policies, but rather are the first order tools for eliminating economic inequality.[22]

EVALUATING MACROECONOMIC POLICY RESPONSES

The Indian central government has launched several programmes aimed at addressing economic inequality. However, when reviewed, they have all exhibited a common feature: the planned interventions have all been grossly underfunded, plagued by administrative inefficiencies and lacked the necessary coherent progressive revenue base to support them.[23]

Table 3: Assessment of Key Government Schemes Targeting Inequality

Scheme	Objective	Assessment
MGNREGA	100 days guaranteed rural employment	Effective but undermined by fund delays and below-market wages
Direct Benefit Transfer	Direct subsidy transfer; reduce leakages	Reduced corruption significantly; excludes unbanked households
Skill India Mission	Vocational training; 400M youth target	Severely underperformed; curriculum-industry mismatch persists

[22] Simontini Das and Amrita Chatterjee, 'Impacts of ICT and Digital Finance on Poverty and Income Inequality' (2023) 29(2-3) Information Technology for Development 378.
[23] NITI Aayog, *India Inequality Report and Inclusive Growth Framework* (NITI Aayog 2022) 34.

PM-KISAN	Rs 6,000/year income support to small farmers	Wide reach; transfer too small to materially close income gap
Ayushman Bharat	Health cover Rs 5 lakh/family for poor	Significant enrolment; hospital capacity remains bottleneck

MGNREGA acts as a fiscal stimulus tool for the demand side and redistributive policy because it ensures rural employment and provides income to poor people with a high marginal propensity to consume. In general, the above-mentioned process should stimulate demand and alleviate rural poverty and regional inequalities while acting as an automatic stabiliser in times of economic slowdowns. Still, the existence of some problems, including delayed fund distribution and sub-market level wages, undermines its effects and limits its ability to decrease income disparity and structural underemployment issues.

Direct Benefit Transfer (DBT): The implementation of DBT increases macroeconomic efficiency and equality since the government distributes subsidies to people directly, which allows for minimising leakages, corruption, and the regressive redistribution of public money. The above approach helps in ensuring more effective fiscal policy and decreasing inequality since people use such funds as additional sources for their consumption. Nevertheless, the inability of unbanked and digitally marginalised segments of society to participate in this initiative is an important disadvantage.

Skill India Mission aims to boost labour productivity and reduce inequality through skill development amongst the youth; however, poor execution and curriculum mismatch have restricted job creation and hence failed to bring about any significant reduction in income disparity between skilled and unskilled labour.

PM-KISAN has helped provide an income boost and contribute towards rural demand, which has helped reduce inequality in rural areas, but given the small size of the income transfers, the resulting multiplier effect is limited, limiting the effectiveness of the policy as far as closing down the widening income differential between rural and urban India is concerned.

Furthermore, **Ayushman Bharat** helps increase human capital stock through improved healthcare access and lower chances of being financially ruined due to sudden illness and hence

can help boost productivity in the long run, reducing inequality arising from such factors; but lack of infrastructure is one of the key supply side constraints for this intervention.

The Fiscal Paradox: Under-Taxation at the Top: A common issue throughout all social programme design is that the revenue base is simply not adequate enough to allow for sustained funding of even reasonable quality programs continuously. The effective tax (to GDP) ratio for India is approximately 12%, one of the lowest for a major economy, whereas the effective taxes collected as a percentage of GDP in Germany, Japan, and Brazil are significantly higher (38% for Germany, 32% for Japan, and 33% for Brazil).[24]

Additionally, in India, there are no functioning wealth taxes, and long-term capital gains tax rates are relatively low. As a result, there is an ongoing, poorly funded situation with even the best-designed redistributive (i.e., government program) expenditures. There are specific instances in which the 1% of wealthiest individuals will have a net worth that is growing at a 15% p.a. capital gain (i.e., capital gain from stock and real estate) and, in total, will be contributing a lower amount in taxes (in effective terms) than working individuals in the Rs 5 to Rs 15 lakh tax bracket. Therefore, the continuing viability of redistributive policies, such as government programs, will be directly related to whether there is an adequate revenue base for the continued implementation of such policies.

The GST Regressivity Problem: A Hidden Inequality Engine: Another potential driver of inequality that has not been examined as much as other policy aspects of the framework of government policy is the architecture of the Goods and Services Tax (GST). The GST was implemented in India in 2017 as a major indirect tax policy reform, and, at the time it was enacted, it was expected to provide, amongst other things, a seamless market for goods and services through greater effectiveness in tax compliance. While the GST has certainly achieved both objectives in a certain manner, the new GST architecture has resulted in the establishment of a regressive effective tax burden, whereby poorer households, on average, will pay a greater percentage of their income in tax than wealthier households.

[24] OECD, *Revenue Statistics 2023* (OECD Publishing 2023); Mangave (n 16) 11.

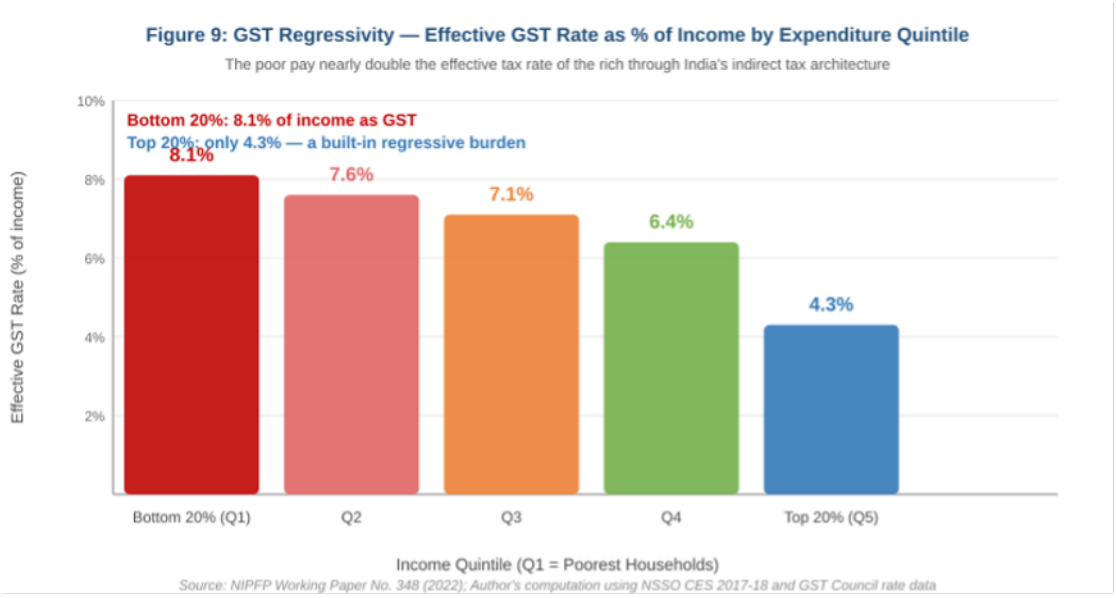


Figure 6: GST Regressivity Effective GST Rate as % of Income by Expenditure Quintile

In Figure 9, the author calculates for an article published by the National Institute of Public Finance and Policy (NIPFP) and data from the NSSO Consumer Expenditure Survey. The table sets out the effective GST rate as a percentage of total household income for the five household expenditure quintiles. The families in the lowest quintile pay about 8.1 per cent of their income in GST, and those at the highest quintile only pay 4.3 per cent, which means they pay less than half proportionally.[25]

The reason for the difference between these two groups is the structure of the economy; i.e., poor families typically spend nearly all their disposable income on consumption goods (food, fuel, clothing, transport) that are subject to GST, and wealthy families save and invest the majority of their disposable income in financial assets (stocks, bonds, real estate) that are exempt from GST. Thus, the new tax system redistributes income from the poor to the wealthy and makes the only consumption option that the poor have (to pay the GST on goods and services they consume) more costly in relation to the investment option that the rich have (to pay no GST on the financial assets they purchase).

The combination of the GST, which causes people who use consumption (the poor) to pay disproportionately more taxes than people who use income to generate their wealth (the wealthy), compounds tax burdens and has created a fiscal inequality trap. Thus, when viewed

[25] National Institute of Public Finance and Policy (NIPFP), 'GST and Its Distributional Implications' (NIPFP Working Paper No 348, 2022).

together, it is evident that people of lower income levels bear a higher percentage of their total income through consumption taxes than those at the upper end of the spectrum. In order to establish effective anti-inequality policies from an overall macroeconomic perspective, all three aspects of this fiscal inequality trap must be taken into account.

CONCLUSION AND POLICY RECOMMENDATIONS

The purpose of this paper is to analyse whether or not the various macroeconomic policies instituted in India have contributed to reducing economic inequities and facilitating social justice. Based upon the previous analysis, the conclusion is that, in general, the various economic policies have had limited success in reducing economic inequities and in promoting social justice. For example, India's wealth Gini has remained generally unchanged over the past ten years, at the rate of about 81% to 83%; the amount of wealth of India's billionaires has increased by a factor of 4.8 when compared to the rate of increase in India's HDI since 2010; it is estimated that approximately 27% percent of India's potential GDP is lost to gender exclusion from the labour; there has been a continued increase in divergence among India's economically disadvantaged regions; and, the growth of digital exclusion is contributing to the development of a new form of generational poverty that has not been addressed by current policy approaches.

Upon analysis of Keynesian analysis of demand, the Kuznets Curve and Human Capital Theory (key theoretical frameworks), it is concluded that the Indian growth model is supply-side and capital-biased (producing aggregate outputs), but at the same time, there is a concentration in the way it is distributed (effectively). Declining inequality from the Kuznets transition is dependent on the implementation of deliberate policy action rather than the passage of time.

Based on the above analysis, the following are evidence-based recommendations –

Implementing Progressive Wealth & Capital Gains Taxation: An India-based annual progressive wealth tax should be introduced (net assets greater than Rs 10 crores) to generate additional revenues from taxing/raising the long-term capital gain rate (Germany/Japan are evidence of a compatible and dynamic economy despite higher capital taxation). All additional tax revenues should be specifically allocated (hypothecated) to education and health sectors.

Providing Universal Quality Education: The most effective long-term instrument available for producing lower inequalities is ensuring that all children have access to quality secondary

education and vocational training. To achieve this goal, India should implement components of the German dual vocational training system that ensure the availability of qualified jobs for all graduates.

Labour Market Reform that is Gender Responsive: To close the 47% difference in workforce participation rates between educated men and women will require new investments in universal, affordable childcare, regulatory enforcement of equal pay, including auditing mechanisms, and active programming that supports women entering STEM fields and other high-wage sectors.

Digital Infrastructure as Public Good: Broadband Internet access in rural and BIMARU states should be treated by the Government as Essential Public Infrastructure (like roads and electricity) because there is nearly a perfect correlation ($r \sim 0.91$) between the level of internet penetration in a region and per-capita income found in Section 5.2 of this report. Therefore, beyond spectrum allocation, new investments will need to be made to develop Universal Device Access Programmes, Digital Literacy Programmes and prioritising Accessibility (particularly for women, and Scheduled Castes and Scheduled Tribes).

Strengthen and Expand MGNREGA: Increase the guaranteed employment entitlement from 100 days to 150 days, increase wage rates to be market equivalent with an inflation indexing mechanism, reduce delays in receiving wages through an integrated Direct Benefit Transfer system (DBT), and extend the programmes to urban informal workers who are the fastest growing group of workers experiencing precarity.

Regional Convergence Investment: A substantially greater share of all central capex spending on infrastructure, education, and health should go towards the states with the most lagging development. Incentives in industrial policy should direct new private sector investment into tiered 2 & 3 cities using Japan's historically Geographically Distributed Manufacturing Capabilities as a model.

Eliminating inequality does not mean that one has to choose between growth and equity will be sacrificed. Evidence drawn from India's own history, as well as from other economies such as Germany and Japan, shows that continuing high levels of inequality will limit demand, cause inefficient distribution of talent and create social instability. By improving the distribution of income in India, the velocity and volume of future economic growth will increase in accordance with the underlying principles of its macroeconomic fundamentals. Addressing inequality is

therefore not only an ethical obligation; it is also an economics-related priority and the most rational long-term economic development option available to India.