

Role of Shared Prosperity in promoting Peaceful and Inclusive societies

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Abstract

India has surpassed France and the UK to become the fifth largest economy in the world with a nominal Gross Domestic Product (GDP) estimated to be around \$ 3.12 trillion for FY22. For the fiscal year 2022-23, a healthy growth rate of approximately 7% is anticipated. However, a pragmatic analysis reveals a mixed bag of achievements and challenges. Although over time poverty has decreased in absolute terms, inequality has inversely increased significantly, with disproportionately high gains at the top of the income distribution matrix. Some performance parameters, such as environmental quality, gender equality, and quality of basic education are distinctly weaker. Inequality undermines social justice and human rights and because inequalities are interconnected, some sections of society may have fewer opportunities as compared to others. These inequalities may instill a sense of deprivation in the general population and hurt society, manifesting as mistrust and unrest. Progressively, social policies have become less distortive, more targeted, and focused on mobilizing the weaker sections. However, India still faces several fundamental challenges that it must overcome to realize its enormous potential. The main challenge is to institute an enabling ecosystem duly supported by policy initiatives to ensure all of India benefits from the gains that have been achieved in aggregate. This paper endeavors to highlight both the spectrum and quantum of existing inequalities and their manifestation mechanism in society at large and recommend a conceptual framework to mitigate this challenge.

Keywords: Shared prosperity, peaceful societies, inclusive societies, social progress indicators.

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1.Introduction

“The true measure of any society can be found in how it treats its most vulnerable members.” - Mahatma Gandhi

Shared prosperity, measures the extent to which economic growth is included by focusing on household consumption or income growth among the poorest population as opposed to total growth. The notion of shared prosperity refers to the notion that economic growth should benefit all members of society, not just a select few. This can be accomplished through the implementation of policies and programs that encourage greater income equality and access to opportunities for marginalized and disadvantaged groups. It emphasizes the significance of reducing inequality and expanding access to opportunities for everyone, regardless of socio-economic status. This includes ensuring access to education, healthcare, and basic needs, as well as supporting policies and programs that promote job growth and community development. It seeks to establish a more equitable and inclusive society in which everyone has the chance to flourish. Shared prosperity has been identified as a key factor in fostering peaceful and inclusive societies, particularly in developing nations such as India.

2.Economic and Social Progress Indicators

Based on the Purchasing Power Parity of 2017, India's bottom 40% have a per capita income of \$2.53 per person per day compared to the international poverty line of \$2.15 per person per day and an overall average of \$5.01 per person per day, between 2014-2019 (World Bank, Global Database of Shared Prosperity, 2022). This income gap gives us an insight into the existing inequality spectrum. Since the 1980s, India has been among the global leaders in achieving sustained and accelerated economic growth. Before the 1980s, Indian development languished between 3% and 4%. However, since the 1991 economic reforms, average growth rates have accelerated to hover between 5.5% and 7.5%. In 2016, India reached its peak annual growth at 9%. Since then, growth has dropped to between 5% and 7% before dramatically slowing down in 2020, due to the pandemic. Recent growth forecasts by the World Bank suggest a robust recovery and project India's GDP to grow at 6.9% in FY23 and will remain one of the fastest-growing major economies (The Economic Times, 2023). Overall India is a lower-middle income economy, with an average GDP per capita level of around \$2,000 (current prices)/

\$7,200 (Purchasing Power). Its prosperity level is at 18.5% of the global average, compared to less than 6.5% in the early 1990s when economic reforms started (Porter, 2022). A snapshot of the growth story of the Indian economy is tabulated below for a better perspective (Refer to Table 1).

Table 1: The Sensex and India’s Journey over the Last 30 Years Post Reforms



Source: ACE Equity

2. 1 The Shared Prosperity Challenge

India has the third largest number of billionaires in the world after the US and China. As a result of COVID-19, it is estimated that the number of poor in India has increased by around 75 million, accounting for nearly 60 percent of the global increase in poverty. If we examine the evolution of wealth inequality in India over time (Refer to Table 2), we find that between 1961, the earliest year for which data is available and 1981, the share of total wealth held by the top 1% of the population remained relatively constant at approximately 12%. Since 1991, the year of liberalization, it has steadily increased and reached 42.5% in 2020. From 1981 to 2020, the share of total wealth held by the middle 40% fluctuated between 45 and 22.9% (Ghatak, 2021).

As a result, a substantial proportion of India’s population still lives below the poverty line despite the country’s robust economic growth.

Table 2: Wealth Inequality in India (1961–2020)

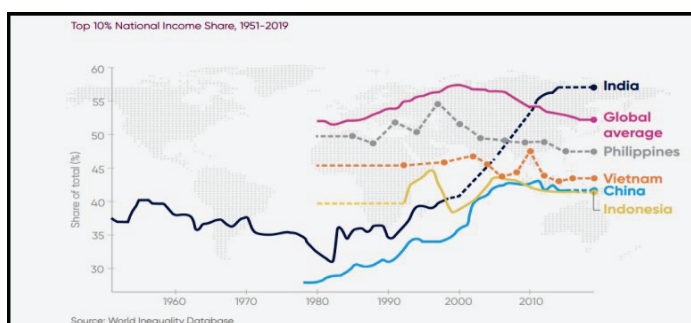
(Share of population groups in total wealth, in %, 1961 – 2020)				
	Top 1%	Top 10%	Middle 40%	Bottom 50%
1961	11.9	43.2	44.5	12.3
1971	11.2	42.3	46.0	11.8
1981	12.5	45.0	44.1	10.9
1991	16.1	50.5	40.7	8.8
2002	24.4	55.6	36.3	8.2
2012	30.7	62.8	30.8	6.4
2020	42.5	74.3	22.9	2.8

Source: *The World Inequality Database, developed by Thomas Piketty and published in the Indian Forum, Feb 2023*

Overall, while poverty has fallen, inequality has significantly increased. This trend has been in contrast with the global trend across other emerging economies (Refer to Table 3). Thus, it emerges that quality of life is substantially affected by a wide range of non-GDP-related factors and not income alone. The Social Progress Index, introduced by Professor Porter and some of his colleagues, captures these factors quantitatively across countries. India ranks 115th among 163 countries on the overall measure of social progress i.e. slightly below its GDP per capita ranking.

Also, performance is dramatically weaker in some dimensions, such as environmental quality, gender equality, and quality of primary education (Porter, 2022).

Table 3: Wealth Inequality in India (1961–2020)



Source: *Competitiveness Roadmap for India@100, The Institute for Competitiveness, 2022*

2.2 Dimensions of Inequality Certain pointers of the dichotomies prevalent in our society that need a mention are listed below.

(i) Geographic Variations

Indian States and Union Territories differ widely in their economic performance and growing economic inequality has been noticed in India, especially during the globalization period.

The nature and extent of this inequality are not the same that has been experienced by other developing countries during the same period. In India, the dividends of globalization and liberalization are mostly concentrated in richer states (OECD Report, 2011), while the poorer

and populous states like Uttar Pradesh, Madhya Pradesh, and Bihar are faltering behind. 50% of all exports are accounted for by only two states, Maharashtra and Gujarat. Gujarat also dominates gross fixed capital formation, accounting for about 25% of India's total, followed by Maharashtra and Tamil Nadu. Concerning innovation also there are huge differences. Maharashtra alone accounts for 25% of all Indian patenting. The top five states by absolute patenting account for 65% of Indian patenting compared to a 40% share of GDP. Their per capita patenting rate is 5 times higher than the average for the rest of the country.

(ii) Urban-Rural Divide

Urbanization is an essential element of economic development and geography in terms of performance and vitality. The relatively slow rate of urbanization has been one of India's distinctive challenges. Contrary to popular belief, a large proportion of India's internal migration occurs within individual states. A possible explanation could be the country's social structure, in which individuals are deeply rooted in their caste and local community and as a result less likely to move out of their domicile states. Slow urbanization is significant because the economic structures of districts that are predominantly urban versus those that are predominantly rural differ significantly. Typical urban districts are significantly larger in terms of providing employment and pay. In India, more than 55% of all wages paid and 45% of all jobs are located in urban districts, which constitute only about 30% share of the total districts (Porter, 2022).

Agriculture accounts for less than 20% of all value added but still caters to more than 45% of overall employment. Services now account for more than

50% of value-added and 30% of all jobs. High-skill services contribute about half of this value-added, but less than a third of

both employment and job creation. India's economy is dominated by a small number of large companies. Approximately 350 of the companies i.e. 0.04% of the total strength, account for 55% of all company income. The approximately 6,50,000-odd smaller companies account for only 1% of all income. Even in manufacturing these small companies with less than 50 employees account for close to 85% of all employment in the sector, compared to 25% in China. Traded clusters are characterized by their tendency to concentrate activities in a limited number of places. "IT and Analytical Instruments" cluster, for example, is present in only 80 out of India's 676 districts and the top 16 districts account for 70% of the national payroll.

Additionally, globalization has changed the character of the production of many goods and services. For example, a cell phone may be designed in one country, programmed in another, and assembled in a third country. This new trend of production is called the internationalization of production (Maskin, 2015). This process of internationalization of production pushes the demand for a skilled workforce, thereby increasing the inequality in income between skilled and unskilled

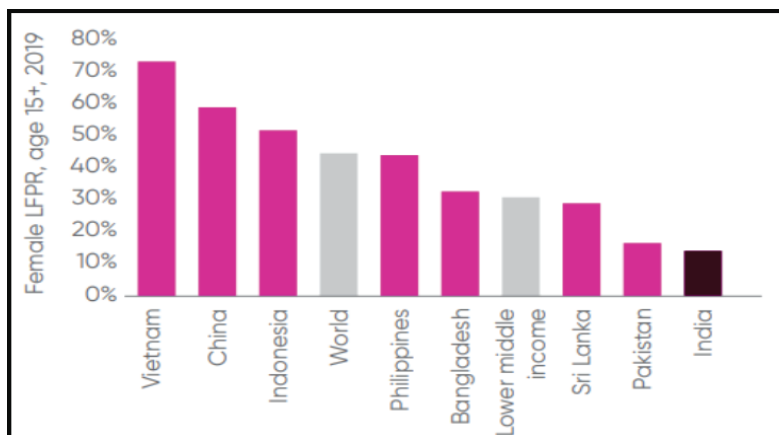
workforce.

(iv) Labour Mobilization and Gender Divide

Labor mobilization has been a critical weakness of the Indian economy. The share of the labor force in the working age has dropped from roughly 70% in 1990 to 56%. Labor force participation is particularly low for women. Indian women account for only 25% of all

employees, and their wages are less than 50% of the national average, which highlights the widening gender disparity. India's Female Labour Force Participation Rate (LFPR) is distinctly low as compared to other developing countries and needs to be addressed (Refer to Table 4).

Table 4: Female Labour Force Participation Rate Across Countries



Source: Competitiveness Roadmap for India@100, The Institute for Competitiveness, 2022

(v) Discrimination and Marginalization

India is a diverse country, with a variety of ethnic, religious, and linguistic groups.

However, certain groups, such as Dalits and Adivasis, still face discrimination and marginalization in many spheres of life. This makes it difficult for them to participate fully in society and access opportunities and resources.

(vi) Credit Availability

Large companies and parts of business groups have ample access to credit, through the well-developed equity markets, as well as the banking system or the internal capital market of their respective groups. There is also an increasingly large pool of risk capital for entrepreneurs with high growth ambitions. However, large parts of the economy still lack access to credit, as the

banking/ finance ecosystem is not accessible to a large populace, especially in the unorganized sector. Also, the flow of credit to the economy has significantly slowed over the last few years. Public sector banks in particular have slowed their flow of credit, ceding market share to private banks.

3. Fallouts of Rising Inequality

Rising inequality in a country like India can have several negative effects on both individuals and the society at large. Some likely fallouts of rising inequality are enunciated in succeeding paragraphs.

(i) Weak/ Unstable Economy

Inequality induces slow economic growth because it can limit the purchasing power of a large proportion of the population. This can lead to weaker demand for goods and services, which can in turn lead to slower economic growth. Widening of the income gap can lead to increased income volatility which can result in an increased rate of poverty and unemployment.

(ii) Reduced Social Mobility

India has low levels of intergenerational mobility, both in terms of income and education i.e. those born into poor and uneducated families tend to stay that way. When income and wealth are concentrated in the hands of a small section of the population, it can be more difficult for people to move up the economic ladder. This can perpetuate poverty and make it challenging for people to enhance their quality of life and may indirectly manifest in friction and societal tensions.

(iii) Reduced Trust in Institutions

High levels of inequality can lead to reduced trust in institutions, as people may feel that the system is stacked against them and that their voices are not being heard. This sense of deprivation and exclusion tends to instigate instability within the society.

(iv) Reduction in Gross National Happiness (GNH)

Income inequality can also lead to decreased life satisfaction, as people with low incomes may not be able to afford necessities such as food, housing, and healthcare. This can lead to increased stress and anxiety, which can in turn negatively impact overall wellbeing. People living in poverty are more likely to suffer from various mental health issues, such as depression and anxiety, which can reduce overall well-being and lead to a reduction in GNH.

(v) Increased Crime and Social Unrest

High levels of inequality can lead to increased crime and social unrest, as people who are struggling to make ends meet may resort to criminal activity or take part in protests and other forms of civil unrest due to a sense of deprivation. The crime rate over the last few years under the IPC has generally seen an increase, less the pandemic phase, which could have been a manifestation of increased inequality (Refer Table 5).

Table 5: Crime Data for Period 2019-2021

Crimes under Indian Penal Code (IPC) and Special & Local Laws (SLL) - 2019-2021									
S. No.	Year	Mid-Year Projected Population (in Lakhs)	Crime Incidence +			Crime Rate ++			Percentage of IPC Crimes to Total Cognizable Crimes
			IPC	SLL	Total	IPC	SLL	Total	
1	2	3	4	5	6	7	8	9	10
1	2019	13376.1	3225597	1930561	5156158	241.1	144.3	385.5	62.6
2	2020	13533.9	4254356	2346929	6601285	314.3	173.4	487.8	64.4
3	2021	13671.8	3663360	2432950	6096310	268.0	178.0	445.9	60.1

'+' Incidence : Number of FIRs Registered
 '++' Crime Rate is calculated as Crime Incidence per one lakh of population
 • Population Source: Report of Technical group on Population Projections(July, 2020) National Commission on Population, MoHFW
 • As per data provided by States/UTs

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Source: Report on Crime in India 2021, National Crime Records Bureau, Ministry of Home Affairs

(vi) Dysfunctional/ Polarised Polity

When there is a large gap between the rich and the poor, it can lead to greater political polarization, as people from different economic backgrounds may have different interests and priorities. This aspect induces vulnerabilities in the socio-economic fabric of the society which has the potential to be exploited by certain anti-national elements and organizations with their vested interests.

(vii) Vicious Cycle of Populism

Inequality can lead to the promotion of populism by creating dissatisfaction and frustration among segments of the population that feel left behind economically. This dissatisfaction can lead to a sense of alienation and disillusionment with the political system, and

can cause people to support populist movements or candidates, that promise to shake up the status quo and bring about change. Populist rhetoric often centers on the idea that a corrupt elite is oppressing the common people, and that a strong leader is needed to take on this elite and give power back to the people. This inequality can be exploited by political parties/organizations as a means to gain support by highlighting the disparity in the distribution of wealth and opportunities between the elites and the rest of society. This can lead to a vicious cycle of populism where the populist leaders/ party policies and actions further exacerbate the economic inequality leading to more dissatisfaction and frustration among the population.

4. Conceptual Framework Recommended

Empirical data strongly suggests that both the Socialist Model and the Capitalist Laissez Faire Model have seen limited success and are not optimal for achieving shared prosperity in the long run. What is required is a selective intervention model with the government as a facilitator, in line with what is being propagated as “Minimum Government and Maximum Governance” by the present political disposition. Francis Fukuyama’s ‘Theory of State Building’ propagates a similar approach focused on fostering ‘State Strength’ rather than ‘State Scope’ in fostering the development of a state. It defines state strength as the ability to enforce rules and carry out state functions. As per the theory, an optimal reform path to maintain or increase the strength of states should comprise decreasing the scope of the state by establishing the rule of law and simultaneously enhancing the privatization of functions. It is better for developing states to be in Quadrilateral 2 than in 3 or 4 (Refer to Table 5). Thus, as a concept all policy intervention should be focused on reducing the scope of State while enhancing the strength of institutions (Fukuyama, 2004). At the global level, the United Nations General Assembly unanimously adopted the Resolution for ‘Transforming our World: the 2030 Agenda for Sustainable Development’ on 25 September 2015. This historic

document lays out the 17 Sustainable Development Goals, which aim to mobilize global efforts to end poverty, foster peace, safeguard the rights and dignity of all people, and protect the planet. It envisages a world of universal respect for human rights and human dignity, the rule of law, justice, equality, and non-discrimination; respect for race, ethnicity, and cultural diversity; and equal opportunity permitting the full realization of

human potential and contributing to shared prosperity (United Nations, Department of Economic and Social Affairs, 2015). Overall India's strategy should be to align with the global initiative keeping in mind our peculiarities and challenges.

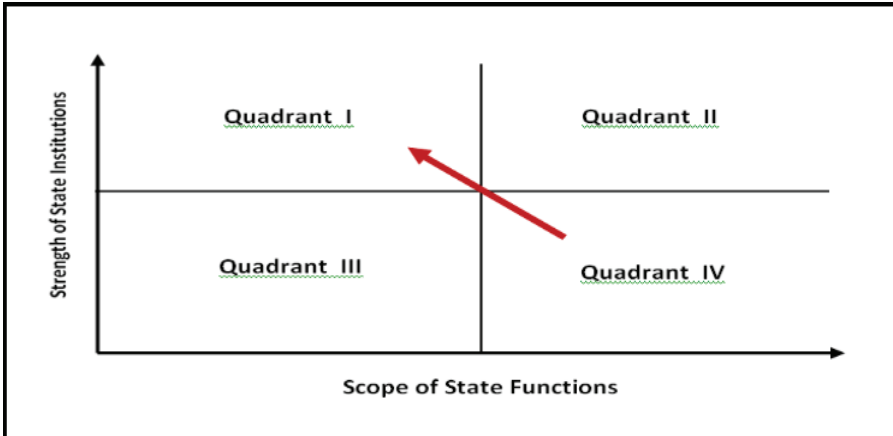


Table 6: Dr. Francis Fukuyama's Theory of State Building

Source: Journal of Democracy, Volume 15 dated April 2004

5. Way Forward

One of the key factors in promoting shared prosperity is to ensure that economic growth is inclusive and benefits all members of society, regardless of their background or socio-economic status. This can be achieved through policies and programs that focus on job creation, microfinance, and small business development, as well as education and skill training. Certain attitudinal, societal, and policy interventions that would help build and sustain an inclusive and peaceful society are enumerated below.

(i) Address Structural Inequalities

Address the structural inequalities that perpetuate poverty and marginalization. This can include tackling issues such as discrimination and marginalization based on caste, gender, religion, or other factors.

(ii) Good Governance

Promoting good governance, transparency, and accountability in the public sector and implementing policies that help counter corruption in all spheres of functioning. Digitization, leveraging of technology, and the minimalistic human interface is the recommended approach. Mission Karmayogi aimed at creating a competent civil service rooted in Indian ethos, with a shared understanding of India's priorities working in harmony for effective and efficient public service delivery, is a welcome step towards capacity building.

(iii) Responsive and Accountable Institutions

Focus on building responsive and accountable institutions that provide effective and efficient services to all citizens and promote social inclusion and peaceful coexistence. Strong institutions, such as the judiciary, the police, and the media, are essential for ensuring that all individuals are protected and have access to justice. Strengthening these institutions can help to promote peace and inclusion in society.

(iv) Invest in Education and Skills Training

Education and skills training are critical for individuals to be able to access good jobs and opportunities for economic growth. Investing in education and training programs for marginalized communities can help to reduce inequality and promote shared prosperity. The New Education Policy (NEP 2020) is a positive policy initiative in this direction.

(v) Strengthening Civil Society and Social Security

Supporting civil society organizations that promote social inclusion and peaceful coexistence and promoting dialogue and collaboration between different groups and communities is imperative. Social protection initiatives, such as direct cash transfers and food subsidies, can help to reduce poverty and promote social inclusion. These policies can also be targeted towards specific groups, such as women and children, to ensure that they reach the most vulnerable individuals/ sections.

(vi) Collaboration and Partnerships

Collaboration and partnerships between government, civil society, and the private sector can help to promote shared prosperity and inclusive societies. This can be achieved through initiatives such as Public Private Partnerships (PPP) and community-based development programs.

(vii) Encourage Participatory Governance

Encouraging citizens to participate in governance processes can help to promote peaceful and inclusive societies. This can be achieved through measures such as public consultations, community meetings, and citizen-led initiatives, starting at the grassroots level such as panchayats.

(viii) Embrace Diversity and Inclusion

India is a diverse and multicultural society and it is essential to embrace and celebrate this diversity to promote peaceful and inclusive societies. This can include implementing policies and programs that promote inter-community dialogue and understanding, as well as

addressing discrimination and marginalization based on race, ethnicity, religion, or other factors. This can be achieved through education, media campaigns, and community outreach programs.

6. Conclusion

Overall, a comprehensive and holistic approach is needed to achieve shared prosperity and build a peaceful and inclusive society. All the stakeholders need to work together in unison and harmony toward realizing this common vision. Guiding principles for achieving prosperity

could encompass matching it to social progress, sharing it across all regions, and ensuring it is environmentally sustainable and resilient to external shocks. In India, the government has implemented various policies and programs aimed at promoting shared prosperity, such as the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), which provides guaranteed employment to rural households, the Pradhan Mantri Jan Dhan Yojana (PMJDY), aimed at providing financial inclusion for low-income households, Ayushman Bharat for affordable healthcare, Pradhan Mantri Gram Sadak Yojana (PMGSY) for enhancing seamless last mile connectivity, Pradhan Mantri Awas Yojana, for ensuring affordable housing, to name a few. These schemes are a step in the right direction however; their effects may take some time to manifest, as characteristically such schemes have a long gestation period. Notwithstanding, there is still a lot of scope to further improve, refine, and expand such initiatives. The government must continue to implement policies and programs that target poverty, unemployment, and social

exclusion, and ensure that they are transparent, inclusive, and benefit the marginalized sections.

The overarching vision should be to ensure that all of India benefits from the aggregate gains of its phenomenal growth story, thus promoting a peaceful and inclusive society.

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