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IS INCLUSIVE ECONOMIC GROWTH POSSIBLE WITHOUT ECONOMIC DEMOCRACY? INEQUALITY AND DISTRIBUTION IN CONTEMPORARY INDIA

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ABSTRACT

India has emerged as one of the world's fastest-growing economies and is projected to become the third-largest global economy in the coming decade. However, this impressive macroeconomic performance coexists with persistent and deepening economic inequality, raising critical questions about the inclusiveness of India's growth process. Drawing on evidence from the World Inequality Report 2024, this article examines the scale, patterns, and structural drivers of income and wealth inequality in contemporary India. It situates current inequality trends within a broader historical, constitutional, and political-economy framework, with particular reference to Dr. B. R. Ambedkar's conception of economic democracy. The article argues that India's growth trajectory has increasingly favoured capital accumulation and wealth concentration at the top, while the majority of the population remains economically insecure, marked by low incomes, informal employment, and limited access to productive assets. It concludes that without substantive economic democracy, i.e., anchored in redistribution, employment security, and universal access to human development, economic growth cannot be inclusive or sustainable.

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INTRODUCTION

The aspiration to build a society free from inequality and discrimination has been central to India's civilizational ethos, social reform movements, and constitutional vision. From early democratic traditions to the constitutional promise of social, economic, and political justice, India has consistently articulated equality as a foundational normative principle (Government of India, 1950). However, despite constitutional safeguards and decades of planned and market-led development, economic inequality has not only persisted but has become increasingly entrenched (World Inequality Report, 2024). The paradox of contemporary India lies in the coexistence of rapid economic growth with widespread economic vulnerability. While India has risen to become the world's fifth-largest economy with a gross domestic product of nearly USD 3.9 trillion and is on course to cross the USD 5 trillion mark, these achievements have not translated into proportionate improvements in income distribution or economic security for large sections of the population. For millions, everyday life continues to be shaped by precarious employment, stagnant wages, limited social mobility, and unequal access to quality education and healthcare (ILO, 2023). Against this backdrop, the central question this article poses is whether inclusive economic growth is possible without economic democracy. Using recent empirical evidence from the World Inequality Report 2024, the article argues that inequality in India is not a temporary by-product of growth but a structurally embedded outcome of policy choices, labour-market dynamics, and unequal access to assets and opportunities.

Without addressing these structural constraints, economic growth risks remaining exclusionary rather than inclusive.

Conceptualizing Economic Inequality: Economic inequality refers to the unequal distribution of income, wealth, and economic opportunities across individuals and social groups within an economy. Unlike poverty, which focuses on absolute deprivation and the inability to meet basic needs, inequality captures relative disparities—who receive how much, through which mechanisms, and with what consequences (Sen, 1999). An economy may experience rapid growth and even reductions in poverty while simultaneously witnessing rising inequality, making inequality a distinct and critical development concern. High levels of economic inequality weaken social cohesion, distort democratic participation, and undermine long-term and sustainable development. When economic resources are concentrated among small elite, the majority face constrained choices, limited voice in public decision-making, and reduced intergenerational mobility. Inequality thus operates not merely as an economic outcome but as a structural condition shaping life chances (Piketty, 2014). In the Indian context, three interrelated dimensions of inequality are particularly noticeable:

Income Inequality: Income inequality refers to disparities in earnings from wages, salaries, agriculture, and self-employment. India's labour market is characterized by informality, wage stagnation at the bottom, and high returns to skills and capital at the top. The growing gap between formal and informal employment, rural and urban wages, and skilled and unskilled labour has intensified income polarization.

Wealth Inequality: Wealth inequality reflects unequal ownership of assets such as land, housing, financial instruments, business capital, and inheritance. Wealth is far more unequally distributed than income in India, as assets accumulate over generations and generate passive returns. Concentration of land and financial wealth among upper classes and elites reinforces long-term economic dominance and limits asset creation among poorer households.

Opportunity Inequality: Opportunity inequality concerns unequal access to education, healthcare, nutrition, employment opportunities, credit, and social networks. These inequalities shape individuals' capacity to convert effort into outcomes. In India, access to quality schooling, higher education, healthcare facilities, and formal finance remains highly uneven, producing persistent intergenerational inequality. India's inequality is further reinforced by entrenched social hierarchies of caste, gender, region, and class. Historically marginalized groups like Scheduled Castes, Scheduled Tribes, minorities, women, and residents of backward regions experience overlapping disadvantages that compound economic deprivation. These social structures interact with market processes, ensuring that inequality is not accidental but systemic and self-reproducing. Therefore, economic inequality in India must be understood not only as a distributional issue but as a structural and institutional challenge, requiring policy responses that go beyond growth to address redistribution, equalization of opportunities, and social justice.

India's Growth Trajectory and the Inequality Paradox: Since the early 1990s, India has followed a liberalization-led growth model characterized by deregulation, privatization, and global integration. These reforms accelerated GDP growth and expanded sectors such as information technology, finance, real estate, and high-end services. However, growth has been unevenly distributed across sectors and social groups. The organized sector, which employs a small fraction of the workforce, has witnessed rising productivity and incomes. In contrast, the informal sector (employing over 85% of workers) remains characterized by low wages, job insecurity, and minimal social protection. Agricultural incomes have stagnated, and rural distress continues to fuel migration and vulnerability. As a result, growth has increasingly become capital-intensive rather than employment-intensive, benefiting asset owners far more than wage earners.

Evidence from the World Inequality Report 2024: The World Inequality Report 2024 provides a stark empirical picture of India's inequality profile. According to report, inequality in India remains among the highest in the world and has shown little improvement over the past decade. Table 1 clearly brings out the scale and depth of income and wealth inequality in India by presenting average income and wealth levels across different population groups, along with their respective shares in national income and wealth. At the aggregate level, the full population records an average annual income of Rs.6,59,968 and average wealth of Rs.29,83,959, together accounting for 100 per cent of national income and national wealth. However, these averages conceal stark disparities across population segments. The bottom 50 per cent of the population earns an average income of only Rs.99,674, while their average wealth stands at Rs.1,90,971. Despite constituting half of India's population, this group receives merely 15 per cent of national income and owns just 6.4 per cent of national wealth, indicating acute economic vulnerability, low asset ownership, and limited economic security. The middle 40 per cent, often viewed as the aspirational and stabilizing segment of the economy, has an average income of Rs.4,50,335 and average wealth of Rs.21,33,444. This group accounts for 27.3 per cent of national income and 28.6 per cent of national wealth, suggesting moderate economic stability but constrained upward mobility when compared to the top income groups. In contrast, the top 10 per cent of the population enjoys an average income of Rs.38,06,798 and holds average wealth amounting to Rs.1,93,95,363. Although numerically small, this group captures a dominant 57.7 per cent of national income and 65 per cent of national wealth, reflecting a high concentration of economic resources. Inequality becomes even sharper at the top. The top 1 per cent alone reports an average income of Rs.1,49,13,857 and

average wealth exceeding Rs.11,96,54,734. Strikingly, this elite group commands 22.6 per cent of total national income and 40.1 per cent of national wealth, almost equivalent to the combined wealth share of the bottom 90 per cent of the population. Overall, the table reveals that India's economic growth has been accompanied by an extreme concentration of income and wealth at the top, with disproportionately limited gains for the majority. The persistence of such disparities raises serious concerns regarding inclusive growth, social mobility, distributive justice, and economic democracy in contemporary India.

Structural Drivers of Inequality in India: India's contemporary inequality cannot be explained solely by market dynamics or individual capabilities; it is deeply embedded in the structural organization of the economy and society. The growth process of recent decades has disproportionately benefited specific regions, sectors, and social groups, while a large share of the population continues to face economic vulnerability. Examining these structural drivers helps clarify why rapid economic growth has not resulted in inclusive prosperity or meaningful social mobility. The key drivers include the following:

- **Labor Market Informality:** The dominance of informal employment depresses wages and limits upward mobility. Informal workers lack job security, collective bargaining power, and social protection, perpetuating income inequality across generations.
- **Unequal Access to Education and Skills:** While higher education and technical skills yield substantial returns, access remains highly unequal. Quality education is increasingly privatized, reinforcing class-based advantages.
- **Asset Ownership and Financialization:** Rising returns to capital relative to labor have amplified wealth concentration. Real estate, equity markets, and financial assets disproportionately benefit the wealthy, while the poor remain excluded from asset accumulation.
- **Regional and Social Inequalities:** Economic growth has been spatially uneven, favoring urban and coastal regions. Historically marginalized communities (Scheduled Castes, Scheduled Tribes, and minorities) remain overrepresented among the working poor.

Ambedkar's Vision and the Question of Economic Democracy: Dr. B. R. Ambedkar consistently warned that political democracy cannot survive in the absence of economic democracy (Ambedkar, 1945). For him, the mere existence of universal adult franchise and constitutional guarantees of political rights was insufficient if vast sections of society continued to live under conditions of economic deprivation and insecurity. Ambedkar argued that a democracy based on political equality but coexisting with severe economic inequality is inherently unstable and morally hollow. Ambedkar was deeply concerned that concentration of wealth and resources in a few hands would erode the values of liberty, equality, and fraternity, which he regarded as the ethical foundations of the Indian Constitution. Economic inequality, in his view, translated into unequal power relations, enabling dominant groups to influence institutions, policy-making, and democratic processes. As a result, formal political rights could become ineffective for those lacking economic independence (Ambedkar, 1948; Government of India, 1950). Unlike classical liberal thinkers who treated inequality as a natural or market-driven outcome, Ambedkar viewed economic inequality as a man-made and institutional failure. He emphasized those social and economic hierarchies particularly caste was sustained through unequal access to property, education, and employment. Therefore, he argued that dismantling inequality required structural reforms rather than charitable or piecemeal interventions. Ambedkar strongly advocated state intervention in land, industry, and key sectors of the economy to prevent monopolization and ensure equitable distribution of resources. He supported land reforms, public ownership of core industries, regulation of capital, and strong labour protections as essential instruments of economic democracy. For Ambedkar, the state was not merely a neutral arbiter but a moral and constitutional agent responsible for correcting historical injustices and ensuring substantive equality. His vision of economic democracy was closely linked to social justice and dignity of labour (Ambedkar, 1945). He believed that economic arrangements

Table 1. Income and Wealth Distribution in India (2024)

Population Group	Average Income (In Rs)	Share of National Income (%)	Average Wealth (In Rs)	Share of National Wealth (%)
Full Population 100%	6,59,968	100.0	29,83,959	100.0
Bottom 50%	99,674	15.0	1,90,971	6.4
Middle 40%	4,50,335	27.3	21,33,444	28.6
Top 10%	38,06,798	57.7	1,93,95,363	65.0
Top 1%	1,49,13,857	22.6	11,96,54,734	40.1

Source: World Inequality Report 2024

must guarantee minimum standards of living, employment security, and access to education and healthcare. Without these, political freedom would remain formal rather than real. Ambedkar thus conceptualized economic democracy as a system in which economic power is decentralized, opportunities are equitably distributed, and social hierarchies are actively dismantled. Ambedkar's ideas remain profoundly relevant in contemporary India, where markets have expanded faster than social protections and where growth has often been accompanied by rising inequality. The persistence of informal employment, wealth concentration, and unequal access to opportunities underscores the continuing gap between constitutional ideals and lived realities. Revisiting Ambedkar's emphasis on redistribution, state responsibility, and economic justice is therefore crucial for building an inclusive, stable, and truly democratic society.

Limitations of Current Policy Approaches: Post-Independence India has implemented numerous welfare schemes aimed at poverty alleviation. While these programs have reduced extreme deprivation, they have not significantly altered the distribution of income and wealth.

Key limitations include:

- Over-reliance on targeted welfare rather than universal social security.
- Insufficient focus on job creation and wage growth.
- Tax structures that are weakly progressive and limited in wealth taxation.
- Growth strategies that prioritize capital accumulation over labor absorption.

As a result, inequality has proven resilient despite policy activism.

Towards an Inclusive Growth Strategy

Reducing economic inequality requires a structural reorientation of development strategy, not merely incremental adjustments.

- **Employment-Centric Growth:** India must prioritize labor-intensive manufacturing, care services, and rural non-farm employment to generate decent jobs at scale.
- **Investment in Human Development:** Higher public spending on health, education, nutrition, and skill development is essential to equalize opportunities and enhance productivity.
- **Progressive Taxation and Redistribution:** Strengthening direct taxation, exploring wealth and inheritance taxes, and reducing regressive indirect taxes can help rebalance distribution.
- **Gender-Inclusive Economic Policies:** Expanding childcare, safe transport, and flexible work arrangements is critical to increasing female labor force participation.
- **Regional Balance and Rural Development:** Decentralized planning and targeted investments in lagging regions can reduce spatial inequalities and distress migration.

CONCLUSION

The present study has argued that inclusive economic growth in India cannot be sustained without economic democracy. Despite impressive aggregate growth and India's emergence as a major global economy, the distribution of income and wealth remains deeply unequal. Evidence from the World Inequality Report 2024 shows that economic gains have been disproportionately captured by the top income and wealth groups, while the majority of the population continues to face insecure livelihoods, stagnant wages, and limited access to productive assets. These disconnect between growth and distribution raises fundamental questions about the quality and inclusiveness of India's development path. Economic inequality in India is not a temporary or accidental outcome of growth but a structural feature shaped by labour-market informality, unequal access to education and skills, asset concentration, and spatial and social disparities. While welfare schemes have helped reduce extreme poverty, they have not significantly altered the underlying distribution of economic power. As a result, inequality has proven resilient even in periods of rapid growth. In this context, Dr. B. R. Ambedkar's vision of economic democracy remains highly relevant. His warning that political democracy cannot endure without economic equality highlights the risks of allowing wealth and power to concentrate in a few hands. Without economic security and fair access to opportunities, political rights remain largely formal for vast sections of the population. Achieving inclusive growth therefore requires a strategic shift from growth-first to distribution-sensitive development. Employment-centric growth, expanded public investment in health and education, progressive taxation, gender-inclusive policies, and balanced regional development must form the core of India's economic strategy. Economic democracy is not an obstacle to growth but its essential foundation. Only by addressing inequality at its roots can India ensure that economic growth translates into social justice, democratic stability, and long-term development for all.

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