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EDITORIAL ANALYSIS

Understanding Inequality in India's Growth Story

THE HINDU

8 May 2026

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INTERVIEW ANGLE

"Can India sustain its growth narrative while ignoring structural inequality — what does consumption data tell us that GDP does not?"

THE EDITORIAL ARGUMENT

India's celebrated economic growth story rests on a foundation of aggregate data — GDP growth rates, declining poverty headcounts, rising digital transactions. **The Hindu's** May 8 editorial challenges this picture by turning to consumption data, which reveals a more uncomfortable reality: growth has been real but highly concentrated, and the methodological tools India uses to measure inequality consistently understate it.

THE MEASUREMENT PROBLEM

The **Household Consumer Expenditure Survey (HCES 2023–24)** — the most comprehensive recent data on Indian consumption — yields a consumption Gini coefficient of **0.29**, higher than the **World Bank's estimate of 0.25**. This gap is not accidental. Standard household surveys systematically under-sample and under-report consumption by the wealthiest households, whose spending is more complex, varied, and often flows through financial instruments rather than direct cash transactions.

The result: India believes its inequality is lower than it actually is.

WHAT THE CONSUMPTION DATA SHOWS

INDICATOR	FINDING
Urban non-food MPCE	~1.5× national average
Top urban decile spend	~9× bottom rural decile
Top 10% share of urban non-food expenditure	~27%
Gini (HCES 2023–24)	0.29 (vs World Bank's 0.25)

The consumption boom is concentrated in urban, non-food categories — healthcare, housing, education, consumer durables. These are sectors where private supply dominates and prices are rising, meaning that increased spending often reflects rising costs rather than improved welfare.

POLICY RISKS: MGNREGA REPLACEMENT AND LABOUR CODES

The editorial flags two specific policy shifts as structural risks:

1. MGNREGA → Viksit Bharat-GRAMIN Bill 2025 MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act, 2005) provided *demand-driven* wage employment — any rural household that demanded work was entitled to 100 days of employment per year. The proposed replacement shifts to an *allocation-based* scheme, which is subject to budgetary caps and political prioritisation. This removes the **entitlement** character of rural income support.

2. Labour Code Consolidation The four Labour Codes (Wages, Industrial Relations, Social Security, Occupational Safety) consolidate 29 labour laws. Critics argue they reduce job security protections for contract workers, expand fixed-term employment without equivalent benefits, and weaken the collective bargaining capacity of informal workers.

WHAT IS NEEDED

The editorial recommends:

- **Survey reform** — specifically designed instruments to capture top-decile consumption accurately
- **Mandatory public service obligations** for private entities (hospitals, colleges) that benefit from public subsidy or infrastructure
- **Non-food consumption support** for rural bottom-decile households beyond PDS (food subsidy)
- **PMGKY reform** — expanding coverage beyond the currently identified beneficiary base

UPSC RELEVANCE

HCES 2023–24; Gini coefficient; MGNREGA; MPCE (Monthly Per Capita Expenditure); PMGKY; Labour Codes (Wages, Industrial Relations, Social Security, Occupational Safety); World Inequality Report

Inclusive growth; inequality measurement; employment and labour market; agricultural labour; welfare schemes; economic redistribution

Social justice; welfare targeting; poverty alleviation; governance gaps in public provisioning

Source: The Hindu, May 7–8, 2026

● KEY ARGUMENTS AT A GLANCE

India's rapid GDP growth masks deepening structural inequality that official metrics underestimate, and recent labour and welfare reforms risk entrenching disadvantage rather than reducing it.

✓ SUPPORTING

- The consumption Gini index derived from HCES 2023–24 stands at 0.29, higher than the widely-cited World Bank figure of 0.25 — the gap reflects methodological limitations in capturing top-income groups and non-monetary wealth.
- Urban non-food monthly per capita expenditure is 1.5 times the national average, and the top urban decile spends nine times more than the bottom rural decile — revealing deep class-based stratification that income aggregates obscure.
- Replacing MGNREGA with the Viksit Bharat-Guarantee for Rozgar and Aajeevika Mission (Gramin) Bill 2025 and enacting labour code consolidations risk removing institutional floors that protected informal workers from economic shocks.

⚠ COUNTER

Official data on rising rural consumption, declining extreme poverty headcount, and expanding digital financial inclusion suggests meaningful welfare gains — dismissing all progress as inequality-masked growth overstates the critique.

→ WAY FORWARD

India must reform survey methodologies to capture superrich populations accurately, strengthen mandatory service obligations for private sector beneficiaries of public subsidies, and design targeted non-food consumption support programmes for bottom-decile rural households.

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MAINS ANSWER FRAMEWORK

QUESTION

Despite India's impressive GDP growth, consumption data suggests persistent structural inequality. Critically examine the limitations of current inequality measurement and the policy implications for inclusive growth. (250 words)

INTRODUCTION

India's economic narrative of rapid growth and declining poverty coexists uneasily with consumption data revealing persistent and potentially widening disparities. The tension between aggregate indicators and distributional outcomes has become one of the central unresolved questions in India's development debate.

BODY

The Household Consumer Expenditure Survey (HCES 2023–24) yields a consumption Gini of 0.29 — higher than the World Bank's estimate of 0.25 — partly because standard survey methodology underrepresents wealthy households whose consumption is higher and more varied. Urban non-food per capita expenditure is 1.5 times the national average; the top decile accounts for 27% of total urban non-food spending.

These figures indicate that consumption growth is concentrated rather than broad-based. India's informal sector — which employs over 90% of the workforce — is structurally exposed to these distributional gaps.

Recent policy changes compound the concern: the proposed replacement of MGNREGA (which provided demand-driven wage employment as a rural safety net) with the Viksit Bharat-GRAMIN scheme shifts the programme from entitlement-based to allocation-based support; the consolidated Labour Codes reduce job security provisions for contract workers. Addressing these gaps requires moving beyond income redistribution to class-sensitive interventions: strengthening public provisioning

of education, health, and housing for bottom deciles; making private medical and educational institutions contribute mandatorily to public service; and reforming the Pradhan Mantri Garib Kalyan Yojana (PMGKY) to target those outside the formal subsidy net.

CONCLUSION

India cannot sustain its aspirations of becoming a \$7-trillion economy by 2030 while leaving structural inequality unaddressed — demand from a growing middle and bottom tier is as essential to growth as capital accumulation at the top. Accurate measurement is the first step; genuine redistribution must follow.

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