



## **IMPACT OF INEQUAL DISTRIBUTION OF INCOME ON THE ECONOMY**

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IMPACT OF INEQUAL DISTRIBUTION OF INCOME ON THE ECONOMY ABSTRACT Indian  
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### **Abstract :-**

Indian economy is dependent upon two factors they are consumption and investment. Concrete steps have been taken by the government for investment but to increase consumption proper steps must be taken to improve the GDP growth rate. Reduction in GDP growth rate means common man is not getting proper goods and services for which they are demanding at appropriate rate. Impact of lower GDP on common man means a proportionate decline in per capita income. Further high inequality distribution of income is likely to have adverse effect on the economy and correspondingly the number of people below poverty line could rise. A decline in the GDP growth rate could mean a decline in the employment opportunities. So, it takes toll on average income of the people and signals a squeeze on job opportunities.

### **Key words :-**

Gross Domestic Product (GDP),  
consumption, investment, structural reform.

Today there is enough money in the economy but it is not with those 120 crores people with low income. They can support the economy through consumption. It is a matter to worry that India which is dependent upon 60% of consumption of GDP, its production process has come to a standstill due to low private investment. According to inclusive development index of World Economy Forum, India ranks 62<sup>nd</sup> out of 74 emerging economies.

Today 1% of India's population has 73% of the wealth of India. It's true that poverty rate has declined over the years but 60% of Indians are still living on less than rs.230 per day. India's current economic situation is critical. Both consumption and investment which indicate the health of any economy are sliding down & down. The seriousness of this situation has also been confirmed by the supremo of the International Monetary Fund Kristalina Georgieva. A part from this, there are other indicators that confirm this, whether it is work numbers issued by RBI on consumer and industrial outlook.

Basically, the fact is that most Indian workers earn very little income. This has created a consumption crisis resulting in a slowdown in the production process. In the words of previous economic advisor of Prime Minister Mr. Ratin Roy, this is because the demand of only 10 crores consumers is declining and the Indian economy is more capable of producing those goods and services which do not have access to most of the working class Indians. This time the complexity of the problem is very big, the solution will come out only through structural reforms. Deep structural reform is the only way to reverse economic slowdown. Structural reform is possible only when the income of working class is sufficient for minimum consumption, required discretionary consumption and must ensure some savings. This would be an ideal balance, where payments made directly by the enterprises and it will be ensured that sufficient income will be redistributed in the economy. This should also be the goal of structural reform.

We first need to understand how we can positively influence the production process for workers and how the situation can be made more satisfying? Secondly, it must be decided how and which goods and services should be produced so that most Indians can contribute towards consumption. Thirdly, how to ensure that working class get the opportunities for income generation and capacity building. As a result, their incomes may increase over time, thereby creating more wealth in the economy and economic inequality get reduced. Indeed it is a challenge for the government specially related to those industries which are mostly dependent upon machines and computers. One of the greatest ironies of our times is that important contributors to the enterprise economy have been there but it is unaware that if there are no consumers then their power will not be there. The good news is that, awareness has started coming in the enterprises of those companies struggling with economic recession. In the month of July of the current year, most enterprises and labour unions of G-7 countries, taken pledge to work unitedly to meet the challenges like the ongoing economic problems in India. Such declarations have also occurred in the past but this time it is being done more seriously. India also needs a similar initiative in which the enterprise and society have participation with the government. The reason for this is that the current problem has arisen in a certain policy circumstances. Especially the government can play an important role in making changes. In clear words on the basis of deep research and analysis, new partnership between government, enterprise and community needs to be laid and its object must be to increase the income of working class.

## **Conclusion :-**

1. Loss of confidence makes consumers stop buying and move into defensive mode which ultimately results in slow retail sales.
2. High interest rates, crashing of stock market, deflation of goods and services and poor management are proved to be some major causes of our continuously descending economy.

3. If the working class earns sufficient income for consumption then no one can stop the economic development of India.
4. If the policies are carefully implemented it has the potential to lift working families out of poverty, support greater economic mobility and/or reduce the growth of inequality.

### **Suggestion :-**

1. Government must give concession in income tax which has psychological effect, even though only 7 to 8 crore people will be affected.
2. The government should focus on economic reforms to help the crippling economy to get back right track because its high time.
3. Steps must be taken so that loss of business, decline of job opportunities and loss of consumers confidence should not be there.
4. Government sector and private sector must increase the minimum wages for the lowest paid workers so that their potential of consumption may increase.
5. Policies that encourage higher saving rates and lower the cost of building assets for working and middle class households can provide better economic security for struggling families.

Various measures have been adopted by the government to reduce inequality in the distribution of income. With the growing menace of unemployment problem in India, the government of India has introduced some special employment programmes, but all these programmes failed to give desired results. If government wants to win everyone's trust then soon the atmosphere of despair about the economy will have to end.

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