Source : www.livemint.com Date : 2018-10-23

RICHEST 10% OF INDIANS OWN OVER 3/4TH OF WEALTH IN INDIA

Relevant for: Indian Economy | Topic: Inclusive growth, Inclusion and Poverty

The richest 10% of Indians own 77.4% of the country's wealth, says Credit Suisse in their *2018 Global Wealth Report*. The bottom 60%, the majority of the population, own 4.7%. The richest 1% own 51.5% (*chart 1 above*). And it's not some bleeding-heart NGO that's arrived at these figures, but a blue-blooded Swiss bank.

The exact numbers are not important. In the 2016 Credit Suisse report, the share of the richest 1% was higher and in 2017 it was lower. Estimating wealth is not quantum physics and year-to-year changes in wealth shares are dependent upon asset prices and exchange rates. What is remarkable is that, in a democracy, the top 1% has been able to keep its share very high, while the majority meekly accept destitution.

Such a high level of disparity raises several questions, not the least of which is the extent to which it subverts democracy. While everybody talks about development these days, a legitimate question from the Credit Suisse data is: whose development are we talking about? Is it development for the top 1%, or for the top 10%, or the poorest 60%?

The cornering of the fruits of development by the wealthy and the stark disparity in wealth shares provide fuel for social unrest and rising crime. It increases disaffection and threatens to tear apart the fabric of the nation—it puts enormous strain on nation-building if the share of the majority in the nation's wealth is less than 5%.

But is India an outlier in wealth distribution? *Chart 2* compares India with some other countries. It shows that India is among those countries where the rich own a much higher share of wealth. But it also shows that economies vary widely in their levels of wealth inequality. Nations have very different levels of inequality, implying that societies can choose the levels of inequality they can tolerate and there's no inevitability about it.

Has inequality gone up in India in recent years? The Gini coefficient is one way of measuring inequality, with a reading of 100% denoting perfect inequality and zero indicating perfect equality. According to Credit Suisse, the Gini wealth coefficient in India has gone up from 81.3% in 2013 to 85.4% this year, which shows inequality has risen.

Another way of seeing who has benefited the most from economic growth is to consider the difference between growth in median wealth and growth in mean wealth. Mean wealth is skewed significantly by the wealth of the top 1%. The data show while mean wealth per adult increased at a compounded annual growth rate (CAGR) of 8.3% between 2013 and 2018, the growth in median wealth per adult was at a much more sober CAGR of 4.4%. So the rich have benefited far more.

As the Credit Suisse report says: "While wealth has been rising in India, not everyone has shared in this growth. There is still considerable wealth poverty, reflected in the fact that 91% of the adult population has wealth below $10,000. At the other extreme, a small fraction of the population (0.6% of adults) has a net worth over $100,000."

Of course, wealth inequality between countries, too, is enormous. The report says median wealth in North America is currently more than three times the level in Europe and China, 50

times the level in India, and almost 200 times the level in Africa. Median wealth per adult is $1,289 in India, $4,263 in Brazil, $16,133 in China, $61,667 in the US and $191,453 in Australia.

Manas Chakravarty looks at trends and issues in the financial markets. Respond to this column at manas.c@livemint.com

END