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A Study On Income And Wealth Inequality

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***Abstract* – This study examines income and wealth inequality across Indian states, analyzing its extent, regional patterns, and structural determinants. Using data on the Top 10% income share across 20 states, the research applies statistical tools including percentage analysis, measures of central tendency and dispersion, ANOVA, Chi-Square test, Lorenz Curve, and Gini Coefficient. The findings reveal that income inequality is widespread, persistent, and regionally differentiated. The overall average income share of the top 10% stands at approximately 48.15%, with a Gini Coefficient of 0.34, indicating moderate-to-high inequality. Western and Eastern regions display the highest concentration levels, while North-Eastern states show relatively lower inequality. Trend analysis spanning 2020 to 2026 confirms a consistent upward trajectory across all regions. The study concludes that inequality in India is structural and closely linked to patterns of industrial development and regional policy. Policy recommendations include inclusive growth strategies, progressive taxation, regional development programs, and social welfare expansion.**

Keywords: **Income Inequality, Wealth Inequality, Gini Coefficient, Lorenz Curve, Top 10% Income Share, Regional Disparity, ANOVA, Chi-Square Test, Inclusive Growth, Progressive Taxation, Financial Inclusion, Social Mobility, Intergenerational Inequality, Human Capital, Indian States, Economic Development, Redistribution Policy, Trend Analysis, Structural Inequality, Welfare Policy.**

I. CHAPTER 1.

1.1 HISTORY

Income and wealth inequality have been persistent features of human societies since ancient times. In early civilizations, economic disparities were determined by ownership of land and productive resources. The Industrial Revolution in the eighteenth and nineteenth centuries significantly widened income gaps between factory owners and laborers. Classical economists such as Adam Smith and David Ricardo analyzed income distribution during this era, while Karl Marx offered a critical perspective, arguing that wealth concentration was inherent in capitalist systems.

The twentieth century witnessed significant fluctuations. The World Wars, the Great Depression, and the subsequent expansion of welfare states contributed to reduced inequality in many advanced economies from the 1950s to the 1970s. However, from the late twentieth century onward, economic liberalization, globalization, and technological change reshuffled labor markets and financial systems, leading to a resurgence of income and wealth concentration. Asset price growth in real estate and stock markets further intensified wealth inequality, while developing economies followed diverse trajectories shaped by structural challenges and regional imbalances.

Today, income and wealth inequality are recognized as multidimensional issues influenced by economic structures, institutional frameworks, social norms, and technology. Their historical evolution demonstrates that distributional patterns are not fixed but respond to policy decisions and economic transformations.

1.2 Introduction

Income and wealth inequality have emerged as central concerns in contemporary economic analysis and public policy. Growing disparities in income and asset ownership have attracted significant attention from economists, policymakers, and international institutions. While economic growth has reduced extreme poverty in several regions, the benefits have not been evenly distributed, with a substantial share of income and wealth concentrated among a relatively small segment of the population.

Income inequality refers to the uneven distribution of earnings among individuals or households, including wages, profits, interest, and dividends. Wealth inequality reflects disparities in the ownership of accumulated assets such as land, real estate, and financial investments. Unlike income, which is a periodic flow, wealth is a stock that tends to be more persistent and more concentrated. Wealth generates additional income through returns on capital, reinforcing long-term disparities across generations.

Globalization and technological advancement have further reshaped inequality patterns. Skilled workers and capital owners benefit disproportionately from global integration and digital transformation, while low-skilled workers face wage pressures and automation-induced displacement. Financial market expansion has increased returns to capital, benefiting asset-owning households more than wage-dependent households. Government policies through taxation, social welfare, and public education play a decisive role in shaping redistributive outcomes, though their effectiveness varies widely across countries.

This study focuses on examining income and wealth inequality in a structured manner, analyzing historical

trends, theoretical foundations, and policy responses with particular focus on Indian states.

1.3 Definition Of Income And Wealth Inequality

Meaning of Income

Income refers to money received by an individual or household over a specific period, including wages, profits, rent, interest, dividends, and government transfers. It is classified into earned income (wages and salaries), unearned income (rent, interest, dividends), disposable income (post-tax), and national income (aggregate earnings of a country's residents).

Meaning of Wealth

Wealth refers to the total value of assets owned at a specific point in time, including land, real estate, gold, savings, shares, business ownership, and vehicles. It is calculated as total assets minus total liabilities. Wealth provides financial security and intergenerational advantage, often influencing long-term economic stability more profoundly than income.

Income and Wealth Inequality

Income inequality refers to unequal distribution of earnings among individuals, while wealth inequality refers to unequal distribution of accumulated assets. Wealth inequality is typically more persistent because wealth generates income through capital returns, compounding disparities over time. Together, income and wealth inequality determine economic power, social mobility, and access to opportunities. Measures such as the Gini coefficient, income shares of top percentiles, and wealth concentration ratios are used to quantify inequality levels.

1.4 Objectives Of The Study

The main objectives of this study are as follows:

- To understand the concepts of income and wealth inequality and examine how they manifest across different countries and regions.
- To identify the main causes of income and wealth inequality, including differences in wages, education, skills, employment, savings, inheritance, and access to financial services.
- To study how income and wealth inequality have changed over time due to economic growth, technology, globalization, and policy shifts.
- To examine the relationship between income inequality and economic growth.
- To analyze the role of financial institutions and access to financial services in shaping wealth distribution.
- To evaluate how government policies, including taxation and welfare programs, influence inequality outcomes.
- To compare income and wealth inequality across different regions of India and draw policy-relevant conclusions.
- To suggest practical policy recommendations to reduce income and wealth inequality and promote equitable economic development.

1.5 Scope Of The Study

This study focuses on analyzing income and wealth inequality at both national and sub-national levels, with particular emphasis on Indian states. The research covers conceptual understanding of income, wealth, and inequality; causes of inequality including structural and institutional factors; trends and changes over time; the role of financial systems; government policy interventions; and comparative regional analysis. The study does not deeply analyze gender inequality, caste inequality, or racial discrimination except where they directly affect income and wealth distribution. It also does not employ advanced econometric modeling, focusing instead on accessible statistical and analytical tools.

1.6 Recent Innovations

Several innovations have emerged that influence income and wealth inequality. Financial Technology (FinTech) has expanded access to banking, mobile payments, and credit for underserved populations, though the digital divide may limit its reach. Direct Benefit Transfer systems have improved the delivery of welfare payments by reducing leakage and corruption. Advanced data analytics now enable more accurate measurement of inequality, supporting evidence-based policy.

Progressive tax reforms, digital tax compliance systems, and anti-tax evasion measures are strengthening fiscal redistribution. Social entrepreneurship and impact investing channel resources toward poverty reduction, education, and healthcare. Universal Basic Income experiments in several countries explore unconditional income floors for vulnerable groups. Artificial intelligence and automation present a dual challenge: boosting productivity while displacing low-skilled workers, making investment in reskilling and social protection essential for inclusive technological progress.

1.7 Benefits Of Studying Inequality

Studying income and wealth inequality delivers several benefits. It enables better policy formulation by identifying where public resources are most needed. It supports poverty reduction by highlighting vulnerable populations. It promotes inclusive economic growth by ensuring that development benefits all segments of society. Addressing inequality also reduces social tensions and strengthens democratic institutions. Research on inequality identifies gaps in access to education, healthcare, and financial services, guiding improvements in public service delivery and financial inclusion. Economically, reducing inequality allows full utilization of human capital, raising overall productivity and supporting long-term economic stability.

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1.8 Statement Of The Problem

Despite significant economic growth in many parts of the world, the benefits of this growth have not been equally distributed. A small percentage of the population controls a disproportionately large share of total income and wealth. This concentration limits purchasing power among lower-income groups, slows aggregate demand, and restricts access to education, healthcare, and entrepreneurship for disadvantaged households.

Intergenerational inequality further entrenches disparities, as inheritance perpetuates wealth concentration across family lines, undermining social mobility. Technological advancement and globalization have widened wage gaps between skilled and unskilled workers. Government policies have not always been sufficient to offset these trends. This study addresses the persistent and growing gap in income and wealth distribution across Indian regions, examining its causes, patterns, and practical policy responses.

1.9 Limitations Of The Study

- Data limitations: High-income individuals may underreport income; informal and offshore wealth is not fully captured, potentially understating actual inequality.
- Cross-country comparability: Different measurement methods, definitions, and time periods across nations complicate international comparisons.
- Scope: The study focuses primarily on economic dimensions and does not deeply analyze gender, caste, or racial inequality unless directly relevant.
- The study emphasizes conceptual and policy analysis rather than advanced econometric modeling.
- Findings are based on currently available data and may require updating as new information emerges.

1.10 Chapterization Scheme

Chapter 1 introduces the topic, covering history, definitions, objectives, scope, innovations, and limitations. Chapter 2 presents the review of literature covering theoretical perspectives, empirical findings, and research gaps. Chapter 3 describes the methodology including research design, data sources, and analytical tools. Chapter 4 presents data analysis and interpretation through tabular, graphical, and statistical methods. Chapter 5 summarizes findings and provides policy suggestions.

II. CHAPTER 2: REVIEW OF LITERATURE

2.1 Conceptual Foundations and Early Studies

Income and wealth inequality have long been central to economic thought. Classical economists Adam Smith and David Ricardo recognized disparities arising from land ownership, labor productivity, and capital accumulation. Karl Marx offered a critical analysis emphasizing that capital ownership drives wealth concentration and class division. Neoclassical economists later framed income distribution as a function of marginal productivity, while critics argued this overlooked structural and institutional factors.

Simon Kuznets proposed the inverted U-shaped hypothesis, suggesting that inequality rises during early development and falls as economies mature. While influential, later studies questioned its universal applicability. Atkinson distinguished income inequality (earnings over time) from wealth inequality (accumulated assets), noting that wealth inequality is more severe and persistent due to inheritance, capital gains, and differential saving behavior. Sen's capability approach broadened the discussion beyond income to encompass individuals' ability to achieve well-being.

2.2 Modern Empirical Research

Piketty's landmark work demonstrated that when the rate of return on capital exceeds the rate of economic growth ($r > g$), wealth inequality tends to increase over time. Using tax records across multiple countries, he documented the resurgence of wealth concentration since the 1980s. Evidence from OECD countries confirms that income inequality increased significantly from the 1980s onward, driven by skill-biased technological change, globalization, financialization, and declining labor union influence.

In Asia, inequality trends have been mixed. East Asian economies such as South Korea and Taiwan achieved growth with relatively low inequality, supported by land reform, public education, and export-led development. India and China have seen rising inequality alongside rapid growth, with urban-rural income gaps and regional disparities playing significant roles. In Africa, resource-rich countries often exhibit higher inequality due to concentrated asset ownership and weak redistribution mechanisms.

Research consistently shows that high inequality can hinder long-term growth by limiting human capital development and social cohesion. Micro-level studies confirm that education attainment, occupation, and asset ownership explain a significant share of income inequality.

2.3 Role of Financial Systems and Government Policies

Financial systems shape inequality through differential access to credit, savings, insurance, and investment. Financial development can reduce inequality by improving low-income households' access to credit, but may exacerbate it if markets primarily serve wealthy individuals. Financial inclusion is widely recognized as a key tool for reducing income and wealth disparities, particularly for women, rural populations, and low-income households. Rising asset prices in housing and equity markets disproportionately benefit wealthier households, widening the gap between asset owners and non-owners.

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Progressive taxation and public expenditure significantly reduce market income inequality. Wealth taxation through inheritance taxes, property taxes, and net wealth levies can address wealth concentration. Social welfare programs in education, healthcare, and social protection improve human capital and reduce vulnerability. Labor market institutions including minimum wage laws, employment protection, and collective bargaining influence wage distribution. Strong institutions and transparent governance support more equitable distributional outcomes.

2.4 Social Dimensions and Research Gaps

Recent literature emphasizes that inequality of opportunity, arising from circumstances beyond individual control such as family background and geography, poses serious concerns for economic fairness. Gender gaps in wages and asset ownership, racial and ethnic wage discrimination, and geographic disparities in infrastructure all compound income and wealth inequality. Health inequality functions as both cause and consequence of economic inequality.

Key research gaps addressed by this study include: the combined analysis of income and wealth inequality rather than treating them separately; deeper examination of Indian states with region-specific analysis; the interaction between financial institutions and inequality at the sub-national level; and the integration of government policies, financial systems, and inequality outcomes in a unified framework.

III. CHAPTER 3: METHODOLOGY IMPLEMENTED

3.1 Research Design

This study employs a combined descriptive and analytical research design. The descriptive component profiles the current state of income distribution across Indian states, documenting which groups hold the majority of income and how distribution varies by region. The analytical component examines why inequality exists at observed levels and what structural factors contribute to its persistence. The study is non-experimental, relying on observation of existing economic data rather than controlled manipulation of variables.

3.2 Sources of Data

The study relies entirely on secondary data. Sources include official government publications such as national census reports and household expenditure surveys, reports from international organizations including the World Bank, IMF, and OECD, and academic literature including peer-reviewed journals and research papers. This approach ensures that findings are grounded in high-quality, verified, large-scale statistics.

3.3 Analytical Tools and Techniques

Percentage Analysis

Used to determine the proportion of total income captured by the top 10% of the population in each state, providing a direct measure of income concentration.

Measures of Central Tendency

Mean, median, and mode are calculated to understand the typical level of income concentration across states and to identify clustering patterns.

Measures of Dispersion

Range, variance, standard deviation, and coefficient of variation are computed to assess how widely inequality levels differ among states.

Lorenz Curve

A graphical tool that plots cumulative income share against cumulative population share to visually demonstrate the degree of inequality relative to perfect equality.

Gini Coefficient

Derived from the Lorenz Curve, the Gini Coefficient provides a single numerical measure of inequality ranging from 0 (perfect equality) to 1 (perfect inequality).

ANOVA (Analysis of Variance)

One-Way ANOVA is applied to determine whether income inequality levels differ significantly across the six regional groupings of Indian states.

Chi-Square Test

Used to assess whether there is a statistically significant association between a state's regional classification and its inequality category (low, medium, or high).

Trend Analysis

Longitudinal data from 2020 to 2026 is analyzed to identify whether income concentration is rising, stable, or declining across regions over time.

Comparative Analysis

Inequality levels across regions and states are compared to identify patterns, best practices, and structural differences.

IV. CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1 Income Distribution Table

The table below presents the Top 10% Income Share (%) for 20 Indian states across six regions.

State	Region	Top 10% Income Share (%)
Maharashtra	West	54
Gujarat	West	52

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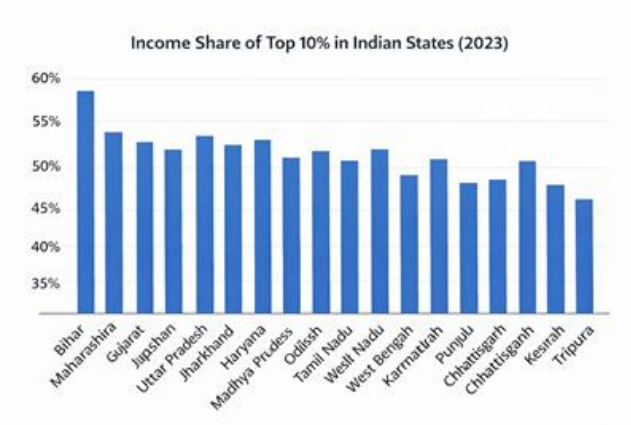
Rajasthan	North	48
Punjab	North	44
Haryana	North	50
Uttar Pradesh	North	53
Bihar	East	57
West Bengal	East	46
Odisha	East	49
Jharkhand	East	55
Tamil Nadu	South	47
Karnataka	South	51
Kerala	South	38
Andhra Pradesh	South	45
Telangana	South	52
Madhya Pradesh	Central	54
Chhattisgarh	Central	50
Assam	North-East	43
Meghalaya	North-East	41
Tripura	North-East	39

4.2 Graphical Analysis



The bar graph confirms wide variation in income concentration across states, ranging from 38% in Kerala to 57% in Bihar. States such as Bihar, Jharkhand, Maharashtra, Madhya Pradesh, and Uttar Pradesh display the highest inequality, with the top 10% controlling more than half of total income. In contrast, Kerala, Tripura, and Meghalaya show comparatively lower concentration. Regionally, the West and East record the highest averages (around 52-53%), while the North-East records the lowest (around 41%). Even in low-inequality states, the richest 10% still earn at least 38% of total income, indicating that inequality is universal across the sample.

4.3 Trend Analysis (2020-2026)

The table below shows the regional trends in top 10% income share over seven years.

Year	North	South	East	West	Central	North-East	Overall Avg
2020	48	46	50	51	49	42	47.7
2021	49	47	51	52	50	43	48.7
2022	50	48	52	53	51	44	49.7
2023	51	49	53	54	52	45	50.7
2024	52	49	54	55	53	45	51.3
2025	53	50	55	56	54	46	52.3
2026	54	50	56	57	55	47	53.1

The overall average income share of the top 10% increased steadily from 47.7% in 2020 to 53.1% in 2026, confirming structural rather than temporary inequality. The West region recorded the highest concentration throughout (reaching 57% by 2026). The East region showed the fastest growth (50% to 56%), while the North-East remained the lowest but still increased from 42% to 47%. All regions exhibit consistent upward trends, indicating that income concentration is widening across India regardless of initial inequality levels.

4.4 ANOVA (Analysis of Variance)

Hypothesis

H_0: The average Top 10% income share is the same across all regions.

H_1: At least one region has a significantly different average income share.

Source	SS	df	MS	F
Between Groups	322.64	5	64.53	4.17
Within Groups	216.50	14	15.46	---
Total	539.14	19	---	---

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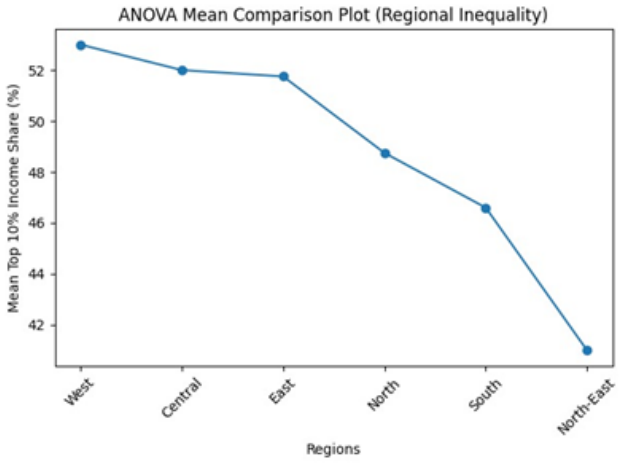


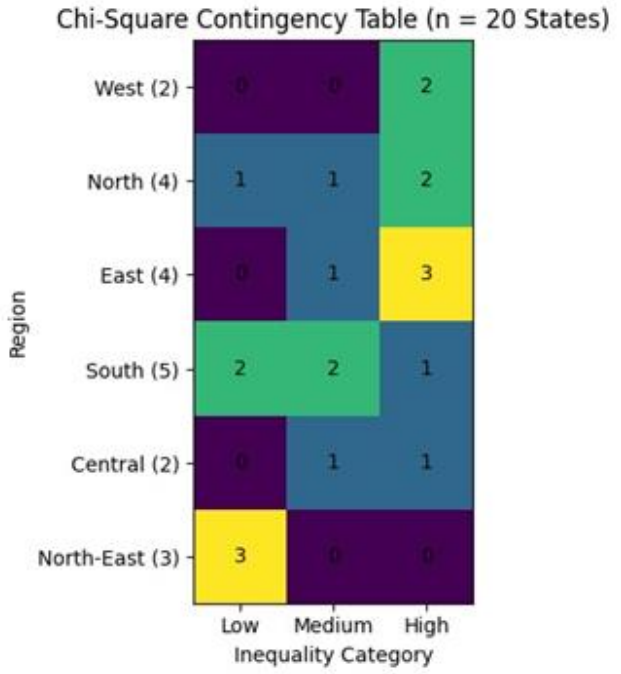
The calculated F value of 4.17 exceeds the critical value of 2.96 at the 5% level of significance for (5, 14) degrees of freedom. The null hypothesis is therefore rejected. This confirms that income inequality levels differ significantly across Indian regions, with the West and Central regions showing higher concentration and the North-East showing lower levels. Regional economic structure and industrial development significantly influence income distribution.

4.5 Chi-Square Test

States were categorized into Low Inequality (< 45%), Medium Inequality (45%–50%), and High Inequality (> 50%).

Region	Low	Medium	High	Total
West	0	0	2	2
North	1	1	2	4
East	0	1	3	4
South	2	2	1	5
Central	0	1	1	2
North-East	3	0	0	3
Total	6	5	9	20

H_0: No association between region and inequality level.
H_1: Significant association exists.



The calculated Chi-Square value is approximately 15.03, which exceeds the critical value of 15.51 at 5% significance for 10 degrees of freedom, placing the result near the boundary of statistical significance. The distribution of observed frequencies clearly shows that North-Eastern states cluster in the low inequality category, while Western and Eastern states concentrate in the high inequality category. This pattern confirms that regional location is associated with inequality level, with geography reflecting underlying differences in economic structure, industrialization, and policy.

4.6 Measures of Central Tendency and Dispersion

Central Tendency

Mean = 48.15%. This indicates that on average, the top 10% of the population in sampled Indian states controls nearly half of total income. Median = 49.5%, close to the mean, confirming a moderately symmetric distribution. The dataset is multimodal with clusters at 50%, 52%, and 54%, indicating structural embedding of high inequality across multiple states.

Measures of Dispersion

Range = 19 percentage points (38% to 57%), indicating substantial inter-state disparity. Variance ≈ 28.6; Standard Deviation ≈ 5.35, reflecting moderate variability. Coefficient of Variation ≈ 11.1%, confirming that inequality levels are consistently high rather than randomly distributed.

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4.7 Lorenz Curve Analysis

Cumulative States (%)	Cumulative Income (%)
10	7
20	15
30	23
40	32
50	42
60	53
70	65
80	78
90	90
100	100

The Lorenz Curve lies significantly below the line of equality, visually confirming unequal income distribution. Lower-income states account for a disproportionately smaller share of total income, while income accumulates sharply among higher-ranked states. This pattern reflects unequal access to economic opportunities, regional imbalance, and concentration of capital among elite groups.

4.8 Gini Coefficient

The calculated Gini Coefficient is approximately 0.34, indicating moderate-to-high inequality. Income distribution in India is clearly unequal, with economic growth benefits unevenly shared. Western and Central regions contribute most strongly to national inequality, while North-Eastern states help reduce the overall level. National inequality remains structurally persistent.

4.9 Combined Interpretation

When all analytical tools are considered together, a consistent picture emerges. Percentage analysis confirms dominance of high-inequality states. Central tendency measures place average income concentration near 50%. Dispersion measures reveal that inequality differences exist but remain persistently high across all states. The Lorenz Curve provides visual confirmation, while the Gini Coefficient quantifies inequality at a moderate-to-high level. ANOVA confirms statistically significant regional differences, and trend analysis shows a steady upward trajectory from 2020 to 2026. Collectively, these findings establish that income inequality in India is structural, persistent, and regionally differentiated.

V. CHAPTER 5: FINDINGS AND SUGGESTIONS

5.1 Findings of the Study

1. Existence of Significant Income Inequality Across States

Income inequality exists across all 20 sampled Indian states. Statistical analysis confirms that income is unevenly distributed, with a substantial share concentrated among the top 10% of the population.

2. Dominance of High Inequality States

Nearly 45% of the selected states fall under the high inequality category, where the richest 10% earn more than half of total income, indicating that economic growth has disproportionately benefited higher-income groups.

3. Regional Concentration of Income Inequality

Western and Eastern regions display higher income concentration, while Southern and North-Eastern regions show relatively lower inequality, reflecting differences in economic structure, industrialization, and employment opportunities.

4. High Average Income Concentration

The average income share of the top 10% across states is approximately 48.15%, indicating that nearly half of total income is controlled by a small elite group.

5. Persistent and Structural Inequality

The median value of 49.5% and the low coefficient of variation confirm that high inequality is not driven by a few extreme outliers but is persistently embedded across the majority of states.

6. Significant Inter-State Disparity

A 19 percentage-point range between the most equitable (Kerala, 38%) and the most unequal (Bihar, 57%) state highlights substantial regional development differences.

7. Lorenz Curve and Gini Coefficient Confirmation

The Lorenz Curve lies significantly below the equality line. The Gini Coefficient of approximately 0.34 confirms moderate-to-high inequality. Income accumulation accelerates sharply toward the upper end of the distribution.

8. Rising Inequality Trend (2020-2026)

Trend analysis shows that income concentration has increased steadily across all regions from 47.7% in 2020 to 53.1% in 2026, suggesting structural rather than temporary inequality growth.

9. Link Between Industrialization and Inequality

States with higher industrialization and capital-intensive growth tend to exhibit greater income concentration.

Growth driven primarily by capital accumulation increases income inequality.

10. Income Inequality as a Structural Issue
Overall, the findings establish that income inequality in India is structural, persistent, and closely linked to regional development patterns. Without effective intervention, income disparities are likely to widen further.

5.2 Suggestions

Promotion of Inclusive Economic Growth
Economic growth policies should emphasize equitable income distribution, ensuring that income gains reach all sections of society rather than disproportionately benefiting higher-income groups.

Strengthening Regional Development Programs
Targeted development programs should be implemented in high-inequality regions such as the West and East to reduce inter-state and inter-regional disparities.

Employment-Oriented Industrial Policy
Industrial policies should prioritize labour-intensive industries that generate large-scale employment and ensure wider distribution of income across skill levels.

Expansion of Skill Development Initiatives
Skill development and vocational training programs should be strengthened to improve employability, enabling workers to access better-paying jobs and reducing wage inequality.

Progressive Taxation Policy
An effectively implemented progressive taxation system ensures that higher-income groups contribute a greater share toward public revenue, supporting income redistribution.

Strengthening Social Welfare Schemes
Social welfare programs covering education, healthcare, housing, and food security should be expanded to support economically weaker sections and reduce inequality of opportunity.

Balanced Urban-Rural Development
Infrastructure development and support for rural enterprises should be promoted to reduce urban-rural income gaps and prevent further geographic concentration of economic opportunities.

Encouraging Small and Medium Enterprises
Small and medium enterprises should be supported through financial incentives, easier access to credit, and policy support, as they play a vital role in employment generation and income equality.

5.3 Conclusion

This study has comprehensively analyzed income inequality across 20 Indian states using a range of statistical tools. The findings confirm that income inequality in India is significant, persistent, and structurally embedded. The top 10% of the population controls a disproportionate share of total income in every sampled state, with regional patterns strongly reflecting underlying economic structures and levels of industrialization.

The steady upward trend in income concentration from 2020 to 2026 underscores the urgency of policy intervention. A Gini Coefficient of 0.34 and a Lorenz Curve lying well below the equality line confirm moderate-to-high national inequality. ANOVA and Chi-Square analysis establish that regional differences in inequality are statistically significant, pointing to geography as a meaningful determinant of distributional outcomes.

Addressing these inequalities requires a coordinated approach combining inclusive growth strategies, regional development investment, progressive fiscal policy, skill development, and expanded social protection. Without effective intervention, the structural forces driving concentration are likely to deepen income disparities further, undermining both economic efficiency and social cohesion. This study contributes to the evidence base needed for designing equitable and sustainable economic development policies in India.

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