

How Really Influential is Our Elite?



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In recent times, on the back of India's rising income inequality, there is a growing perception that government policies are not inclusive, and only helping the elite. India is home to 138 billionaires, home to the third highest number of this tribe in the world, with the top 1% of earners in India taking away around 25% of India's national income.

Considering ownership of capital assets, more than 75% of the value of the Indian stock market is derived from 50 well-established companies listed on the Nifty index. The majority of these are private companies, and over the last decade, ownership of assets for these companies has increased by almost 10% — while that of government-owned entities came down by 12%. So, quite naturally, the perception is that the rich have got richer and more influential in India.

How true is this perception? And to what extent do elites create value, as opposed to extracting value from the government? The Elite Quality

Report 2020's (bit.ly/34L5ZkK) and elite quality index (EQx) does that. EQx constructs a composite indicator, which for each country interprets 72 variables across political and economic pillars, to test several aspects of the country's elite's policies. India ranked 25th globally, among 32 countries.

EQx2020 suggests that Indian elites face several challenges, and those at the helm of the economy have had a tough job. India topped rankings in controlling inflation, is placed fifth in protecting its currency. Also, fiscal policy is well-balanced, with subsidies and transfers, and regional redistribution of income coming fifth and fourth, respectively.

However, India is increasingly becoming home to the oligarchs. In business, there is a reasonable dominance (sixth) of the biggest industries and well-controlled trusts. India's industries have strong three-



Values creation

year listed firms' turnover (sixth) and developed venture capitalism (eighth), with the minority's interests in the shareholding of firms well protected (sixth).

Political elites favour this business dynamism, keeping taxation in check (sixth). Corporate tax treatment in India tops the EQx2020 rankings. India also favours domestic firms, blocking trade freedom (27th) and sheltering industry from globalisation (29th). The entry of newer firms in a business is quite difficult (28th) — and even worse when it comes to small and medium enterprises (29th). This means Indian policy-makers haven't done much to help SME manufacturers, not to mention domestic workers.

Elites have failed to prevent abuse of powers, coercion and violence against workers (29th). Women have been fairly involved in power (10th), though they are still struggling in business, and the law safeguarding women's rights are low (24th). India gets a lower rank on social mobility (29th). There are also less opportunities for students, with a disappointing school-life expectancy (26th). This means that fewer jobs are available. While there are instances of donations by corporate India, the amounts remain low. Another source of discontent is India's disregard for environmental protection, where it ranks last (32nd).

However, the ability of the govern-

ment to react to a 'black swan'-type event — such as the ongoing Covid-19 crisis — is deemed high. Despite ranking low on health well-being (26th), India ranks 13th in Covid-19 safety. This attests to the central and some state governments' ability to respond to exogenous shock better (12th) than several higher-income countries.

This dynamism on the part of government could also be directed towards controlling rent-seeking activities of the business elites through robust competition policies. In this context, Indian elites are much less powerful in comparison to their peers in neighbouring Pakistan, even as they extract more value. This means that the elites in India are fragmented and follow extractive business models. But this also means that if India's elites cooperated more, and tapped into the country's potential with a more long-term orientation, the growth and development prospects of India would be far higher.

Elites are important when it comes to value creation and making a country stronger. But only with a humane face can this growth be made sustainable.

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