



Economic Inequality in India: Revealing the Hidden Disparities Behind Official Figures

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Abstract

This paper investigates the disparities between official government statistics and independent research findings on economic inequality in India up to 2022. It analyzes income and wealth distribution, tax policies, and the socioeconomic impact of the COVID-19 pandemic to highlight the contrast between official narratives and more critical external assessments. The study concludes with actionable recommendations aimed at enhancing data transparency and developing inclusive economic policies. Driven by the urgent need to understand the complex dimensions of inequality, this research undertakes a comprehensive examination of the root causes and far-reaching consequences of India's widening income gap. It also explores stark regional disparities across the country and evaluates potential policy responses to address them. The paper further examines the social and political ramifications of economic inequality, including its potential to fuel social unrest and influence democratic governance. A dedicated focus is placed on the gender aspect of inequality, with an emphasis on promoting both gender equity and broader economic justice. By synthesizing a wide range of existing studies, this research contributes to a more nuanced understanding of economic inequality in India and offers pathways toward inclusive growth and social equity. The share of the top 1% in total income in India was 13% in 1961, and, in fact, declined gradually to 6.9% in 1981. Then, it started climbing up from the 1990s onwards, going up from 10.4% in 1991 to 21.7% in 2019. According to Oxfam India, "Inequality Kills" Report, the wealth of India's richest families reached to a record high in 2021. In the report, India was described as a 'very unequal,' country, as the top 10 people in India holds 57 per cent of the wealth

Keywords: Economic Inequality, Regional disparity, Oxfam India, Policy Intervention, Inclusive Economic Policy

Introduction

Economic inequality in India has remained a persistent and contentious issue. Official statistics often portray a relatively moderate picture of disparities in income and wealth, whereas independent organizations such as the World Inequality Lab and the International Monetary Fund highlight a far more pronounced level of inequality. This paper critically assesses these contrasting viewpoints, supported by statistical evidence, and explores the potential biases underlying each narrative, along with their broader policy implications. The study offers a comprehensive analysis of inequality trends across multiple dimensions in India over recent decades. While the primary focus is on traditional economic indicators—income, consumption, and wealth—the analysis is expanded to include disparities by social group, geographic location (urban vs. rural), region, religion, and gender. Although detailed insights are provided for the past 30 years, the study incorporates earlier data where available to trace long-term patterns.

India's development trajectory is deeply complex and shaped by a wide array of factors, including demographic shifts, regional imbalances, and entrenched socioeconomic inequalities. While these disparities pose significant challenges, they also offer opportunities for inclusive and sustainable growth. This research paper

dives into the intricate landscape of economic disparity in the country. It explores the underlying causes and far-reaching consequences of inequality, highlighting the stark concentration of wealth and the widening gap between the affluent minority and the broader population. A small segment of society controls a disproportionately large share of the nation's resources, exposing the deep-rooted nature of financial inequality. The study also examines the worsening trend of inequality, driven by a combination of socioeconomic forces such as globalization, rapid technological change, and unequal access to education, employment, and economic opportunity. By unpacking these dynamics, the paper aims to contribute to a more informed discourse on policy reform and the pursuit of equitable development in India. Post-independence, India's income and wealth inequality declined until the early 1980s. Since then, disparities have risen sharply, with the top 1% now holding a larger share of income and wealth than during the British colonial era. This trend accelerated after the economic liberalization in the 1990s.

Here are some key points regarding economic inequality in India:

Inequality in Income: India experiences one of the highest levels of income inequality globally. A small, wealthy segment of the population commands a disproportionately large share of the nation's income, while a substantial number of people continue to live in poverty. This economic disparity is clearly visible across both rural and urban regions

Inequality in Wealth: In India, wealth inequality is even starker than income inequality. A small fraction of the population controls a substantial share of the nation's wealth, primarily through ownership of land, businesses, and financial assets. This concentration not only reflects existing disparities but also reinforces them across generations

Urban-Rural Disparity: Economic inequality between urban and rural areas in India is especially pronounced. Urban centers generally provide greater employment opportunities, higher wages, and better access to education and healthcare, resulting in improved living standards. In contrast, rural regions often struggle with inadequate infrastructure and limited access to quality education, healthcare, and economic opportunities

Gender Disparities: Gender-based economic inequality remains a significant challenge in India. Women are frequently concentrated in lower-paying jobs and face reduced access to education and employment opportunities compared to men. These disparities contribute to a substantial gender pay gap and hinder women's economic empowerment

Caste and Social Inequality: India's caste system has historically been a key driver of social and economic inequality. Despite ongoing efforts to reduce caste-based discrimination, it continues to manifest in various ways, limiting access to education, employment, and other vital opportunities for many

Regional Disparities: Economic inequality in India varies significantly across states and regions. While some states have witnessed rapid growth and development, others continue to lag behind. This uneven progress has resulted in stark disparities in income, education, and infrastructure.

Government Policies: The Indian government has introduced a range of policies to reduce economic inequality, including social welfare programs, affirmative action through reservations in education and employment, and initiatives to enhance financial inclusion. However, the effectiveness of these measures varies, with persistent challenges in implementation, targeting, and reach

Review of Literature

Rajat Acharya and Rajesh Mehta (2006) conducted a study on the impact of trade liberalization—part of India's economic reforms and structural adjustment programs of the 1990s—on poverty and income inequality. The study highlights persistent trade barriers faced by Indian exporters in developed markets such as the US, EU, and Japan. These barriers include tariffs, para-tariffs, and a growing reliance on non-tariff measures (NTMs) like import licensing, export subsidies, voluntary export restraints, quantitative restrictions, tariff quotas, government procurement rules, and technological standards. The paper underscores a notable shift from traditional tariffs to NTMs and offers policy recommendations to address these evolving trade challenges

S. Mahendra Dev and C. Ravi (2007) analyzed data from the 61st round (2004–05) of the National Sample Survey, covering the period from 1983 to 2005. Their study offers several key insights. First, despite higher overall economic growth in the post-reform period (1993–2005), poverty reduction did not exceed that of the pre-reform era (1983–1993). Second, income inequality increased during the post-reform years, likely slowing the pace of poverty alleviation. Interestingly, when dividing the post-reform period into two sub-phases, NSS data using mixed reference periods show a sharper decline in poverty between 1999 and 2005 compared to 1993 to 2000—a surprising result given the slower agricultural growth in the latter years, prompting the need for further analysis

Ashwini Deshpande (2010) highlights the importance of examining inter-group disparities—particularly caste—to fully understand inequality in India. Her essay presents a strong case for integrating caste-based inequality into economic research, offering insights into its complex and multidimensional nature. Deshpande critically reviews existing theoretical and empirical studies, shedding light on the diverse perspectives that shape the literature on caste and inequality. By foregrounding caste dynamics, her work enhances both the theoretical and empirical understanding of social and economic disparities in the Indian context

Ajit Zacharias and Vamsi Vakulabharanam (2011) analyzed the relationship between wealth inequality and caste divisions in India using nationally representative household wealth surveys from 1991–92 and 2002–03. Their findings showed that disadvantaged groups, such as Scheduled Castes and Scheduled Tribes, possessed significantly less wealth compared to forward caste groups, while Other Backward Classes and non-Hindus held intermediate positions. Using the ANOGI decomposition method, the study estimated that caste-based differences accounted for about 13% of overall wealth inequality in 2002–03. Stratification analysis revealed that forward caste Hindus had minimal overlap in wealth distribution with other caste groups, whereas other groups showed considerable overlap among themselves and with the general population. The study also highlighted the rise of a “creamy layer” — a relatively affluent subgroup — emerging within disadvantaged groups, especially among Scheduled Tribes.

In his 2012 paper, Madhusudan Ghosh examines the economic performance of 15 major Indian states, investigating whether states with different initial income levels showed signs of convergence in real per capita income between 1960–61 and 2006–07. Despite improved growth following the 1991 economic reforms, the study finds divergence rather than convergence in per capita income across these states. Ghosh categorizes the states into three groups—one showing convergence and two showing divergence—and attributes these regional income patterns to differences in physical and social infrastructure as well as state-level policy reforms

Watal, R.P., Anant, T.C., and Aghi, M. (2018), in *The NITI Aayog's Report on Income Inequality in the Indian Economy: Policy Interventions for Addressing the Challenge*, identify income inequality as a major challenge for India's economy. The report proposes policy measures such as expanding access to healthcare and education, strengthening social protection programs, and fostering job creation in inclusive and equitable sectors to address this issue

Reserve Bank of India (RBI) (2019) in *Financial Inclusion in India: 2019* identifies income inequality as a key factor driving financial exclusion, with lower-income groups having limited access to formal financial services. The report recommends policy measures to promote financial inclusion, including enhancing financial literacy and expanding access to formal financial services in underserved and disadvantaged regions

National Statistical Office (2019), in *Key Indicators of Household Social Consumption on Education in India, 2017-18*, reported that the wealthiest 10% of Indian households account for 42.5% of the country's total income, while the poorest 50% share just 15%. The survey also highlighted significant regional variations in income inequality, with the highest disparities observed in metropolitan areas and several northern states.

World Bank (2019), in *Addressing Inequality in South Asia*, found that social mobility in India is limited, with individuals from disadvantaged backgrounds facing significantly lower chances of upward mobility compared to those from privileged groups. The study emphasizes that access to education, healthcare, and social security programs plays a crucial role in enhancing social mobility in the country

Kanbur, R. (2022) in *Inequality and Inclusive Growth in India: The Challenge of Bridging the Gap* (The Indian Journal of Labor Economics, 65(1), 1–19), explores the persistent challenge of reducing inequality while promoting inclusive growth in India. The article examines various factors contributing to inequality, including historical legacies, the structural composition of the Indian economy, and prevailing cultural and social norms. Kanbur also reviews policies and initiatives aimed at addressing these disparities, stressing the need for a comprehensive and integrated approach to foster truly inclusive economic development

Significance of the Study

The study of economic inequality in India is essential for several compelling reasons. Firstly, the country has witnessed a significant rise in income inequality, making it crucial to understand its causes and consequences to inform effective policy. High levels of inequality can entrench poverty and hinder poverty alleviation, highlighting the need to explore the complex relationship between the two. Economic inequality also has far-reaching social and political effects, potentially fueling unrest, deepening polarization, and impacting democratic institutions. Regional disparities in development further underscore the importance of examining economic inequality to identify drivers of imbalance and propose targeted solutions. Moreover, inequality often translates into unequal access to healthcare and education, affecting human capital and long-term well-being. A global comparison can offer useful benchmarks and lessons for India's policy landscape.

Understanding how inequality interacts with economic growth is equally important, as excessive inequality can obstruct sustainable development. Gender inequality, closely linked to economic disparity, must also be addressed to ensure equitable progress. Policymakers require solid data and evidence-based research to design effective strategies for reducing inequality. As India continues to urbanize and modernize, anticipating new challenges tied to economic inequality becomes increasingly urgent. In summary, studying economic inequality in India is vital to advancing inclusive growth, social justice, and sustainable development in one of the world's most populous and diverse nations.

Research Problem

Despite being the world's fifth-largest economy by GDP, India remains one of the most unequal societies, with a significant concentration of wealth in the hands of a small elite. This growing disparity raises serious concerns about its impact on social cohesion and sustainable economic growth. The widening gap between a wealthy minority and the broader population calls for a comprehensive analysis of its underlying causes and far-reaching consequences.

Objectives of the Study

- To Analyse various dimensions of economic inequality, including income distribution, wealth gaps, and regional disparities.
- To understand the impact of government policies and initiatives on reducing economic inequality.

Limitation of the Study

The study's main focus will be on the income and wealth inequality situation in India, but it could overlook the unique cultural and social factors that make the nation's inequality unique and aesthetic. Additionally, there are no sample surveys taken to capture the distinctive experiences of disadvantaged groups, such as women, and schedule tribe people, who might encounter various degrees of injustice and prejudice. While the study will provide insights into the situation of inequality in India, the findings may not be generalizable to other countries or regions. Depending on the unique setting and social and economic variables, the sources of inequality and viable policy remedies may differ.

Data Analysis

Inequality in Income Distribution

In 1994, top 10% of India's population and bottom 40% holds 25% of India's assets. By 2010, that of top 10% increased to 30% and that of the bottom 40% reduced to 21%. In 2014, 10 % of the richest holds 370

times the share of wealth than the poorest 10 %. Top 1% holds close to half of the country's total wealth. In 2014, India produced 68 billionaires (7th Rank) after USA, China, Russia, UK, Switzerland and Germany. With 140 billionaires in 2021, India has gone past Germany (having 136 billionaires) to claim the third spot in countries with the most billionaires 2021

According to the official estimates, **Status of Inequality Report 2022**, Top 10% earn 32.5% of the national income while the bottom 10% earn just 1.7% (Table 1)

As per the independent research, The **World Inequality Report 2022**, there is a sharper contrast to this. According to the Report the top 10% earn 57% of national income while that of the bottom 50% is only 13%. (Table 1)

Table 1: Share of Income by Population Group

Population Group	Govt. Estimate (%)	Independent Estimate (%)
Top 1%	~6%	22%
Top 10%	32.5%	57%
Bottom 50%	~24%	13%
Bottom 10%	1.7%	<1%

Source: Inequality Report 2022 & World Inequality Report 2022

Inequality in the Possession of Wealth

The share of total wealth of the top 1% of the population was fairly constant around 12% from 1961 to 1981. Since 1991, the year of liberalisation, it has steadily increased and reached 42.5% in 2020. The share of total wealth of the bottom 50% fell marginally to 10.9% from 12.3% between 1961 and 1981, and then started declining sharply and stood at a mere 2.8% in 2020. The share of total wealth of the middle 40% follows a similar pattern, hovering around 45% till 1981 and then falling steadily to 22.9% in 2020.

As per Official Estimates the top 10% hold 65% of total wealth whereas the bottom 50% hold only 4.1%. In contrast to this Independent Research, World Inequality report, reveals that the top 1% hold over 40% of total wealth and the top 10% control 77% (Table 2).

Table 2: Wealth Distribution

Population Group	Govt. Estimate (%)	Independent Estimate (%)
Top 1%	~20%	40.1%
Top 10%	65%	77%
Bottom 50%	4.1%	<5%

Source: Inequality Report 2022 & World Inequality Report 2022

Inequality: Gini Coefficient

Table 3 shows the Gini Coefficient of income in India estimated by Official agency and independent agency. It is evident from the table that there is growing inequality in the income distribution in the country. The rising Gini coefficient indicates increasing inequality, with independent studies showing a faster rise than reflected in government data.

Table 3: The Gini Coefficient

Year	Gini (Income)	Source
2011	0.34	National Sample Survey
2020	0.41	World Bank Estimate
2022	0.47 (approx)	World Inequality Report

Increasing Wealth of India's Billionaires vs. Growing Poverty

The latest Oxfam report on inequality in India was released during the **World Economic Forum (WEF) 2023** in January. This report, titled **"Inequality Kills,"** focuses on the growing wealth gap in India and globally. It highlights how inequality exacerbates poverty, undermines healthcare and education, and poses a threat to inclusive economic growth.

Billionaire Wealth: India's billionaires have seen their wealth increase dramatically during the pandemic. The wealth of India's 100 richest people increased by a staggering 121% during the pandemic, from ₹23.14 lakh crore in 2020 to ₹51.75 lakh crore in 2022.

Rising Poverty: On the other hand, the number of people living in extreme poverty has also risen. The report indicates that **India's wealthiest 1%** have accumulated **over 40% of the country's total wealth** during the last decade. This highlights the increasing concentration of wealth in the hands of a few.

The Reality

The reality, as supported by international research, is that inequality in India is significantly worse than what official statistics suggest. India faces one of the world's highest levels of economic inequality. Official estimates paint a more benign picture due to methodological limitations and political sensitivities. There is a need for more transparent data collection and policy measures aimed at true income redistribution.

Recommendations

1. Improve data collection systems (e.g., real-time income and wealth tracking).
2. Reform the tax system to reduce regressive elements.
3. Expand social welfare programs targeting the bottom 50%.
4. Ensure transparency and accountability in economic reporting.

Suggestion

India's unique geographical, social, political, and economic landscape calls for a strategic approach: 'divide and conquer.' Each state should aim for financial self-sufficiency, developing the capacity to export and import within the country. Given India's vast resources, making each state self-reliant under the unified framework of the nation is not just an idealistic vision but an achievable goal. In the long run, this approach would create a multi-layered defense against global economic shocks and stand as a powerful model of inclusive and sustainable development worldwide.

Conclusion

Over time, it has become clear that while the trickle-down effect might work in nations with more uniform social and political structures, it is ill-suited for India's diverse and uneven development landscape. On one hand, India is poised to become the next Silicon Valley; on the other, poverty drives some to desperate measures. As Karl Marx famously noted, 'The road to hell is paved with good intentions' — highlighting the unintended consequences of policies that fail to address deep-rooted inequalities in the country.

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