

## **‘Income disparity reduced in FY23; top 10% still holds large share of national income’**

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The Gini index measures the extent to which the distribution of income or consumption among individuals or households within an economy deviates from a perfectly equal distribution.

After worsening in the aftermath of the Covid-19 pandemic in 2020-21, income inequality in India has reduced in 2022-23, suggesting effective post-pandemic recovery measures, a working paper released by the People Research on India’s Consumer Economy (PRICE) showed.

However, there is “entrenched concentration of wealth among the top income earners” which coupled with the struggles of the bottom 10 per cent, signals the need for sustained, inclusive economic strategies, the paper said.

While economic growth has been achieved, income inequality has seen periods of both improvement and deterioration. The Gini index improved from 0.463 post-independence to 0.367 in 2015-16 but worsened to 0.506 by 2020-21 due to the [Covid-19](#) pandemic, and then improved again to 0.410 in 2022-23.

The Gini index measures the extent to which the distribution of income or consumption among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.

While the decline in the Gini index from 0.506 in 2020-21 to 0.410 in 2022-23 suggests improvement in income disparities, the paper flagged the concentration of wealth among the top income earners. Investments in education, healthcare, and infrastructure, particularly in rural areas, along with social safety nets and progressive taxation, are pivotal for ensuring that the benefits of growth are equitably distributed, the paper said.

Social welfare schemes like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Direct Benefit Transfer (DBT), and financial inclusion initiatives have led to a slight increase in the income share of the bottom 50 per cent. The bottom 50 per cent, which includes labourers, traders, small business owners, and small and marginal farmers, saw their share of total household income rise from 15.84 per cent in 2020-21 to 22.82 per cent in 2022-23, even as it stayed lower than 24.07 per cent share in 2015-16.

The income share of the middle 40 per cent rose to 46.6 per cent in 2022-23 from 43.9 per cent earlier. However, the Covid-19 pandemic in 2020-21 exacerbated existing inequalities, with the income share of the top 10 per cent rising to 38.6 per cent in 2020-21 from 29.7 per

cent in 2015-16 due to digitisation and boom in sectors like technology and e-commerce during the pandemic even as the bottom 50 per cent struggled with job losses and economic instability, it said.

“Despite a slight decrease to 30.6 per cent in 2022-23, the top 10 per cent still hold a significant portion of national income. For the bottom 10 per cent, the pandemic period saw their share drop to 1.1 per cent in 2020-21, the lowest point in the dataset, before a slight recovery to 2.4 per cent in 2022-23. The top 1 per cent saw significant growth in their income share during this period, peaking at 9.0 per cent in 2020-21 before slightly declining to 7.3 per cent in 2022-23,” it said. India’s economic journey reflects a “sea-saw” pattern of inequality, with periods of progress often countered by external disruptions or policy shortcomings, the paper said. “The post-pandemic improvements offer a hopeful sign, but sustaining this progress requires vigilance, adaptive policymaking, and a commitment to reducing disparities across all segments of society,” it said.