

After decline in consumption inequality in India, a research paper shows income inequality too came down

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India's economic journey reflects a "sea-saw" pattern of inequality, with periods of progress often countered by external disruptions or policy shortcomings, says PRICE research paper.

Income inequality has come down since the pandemic, though still higher as compared to 2015-16, a working paper by People Research on India's Consumer Economy (PRICE) has shown. This is the second report in recent days which concludes that inequality has come down in India.

"The post-pandemic recovery, characterised by a decline in the Gini index from 0.506 in 2020-21 to 0.410 in 2022-23, suggests that targeted policy interventions can effectively address income disparities," the paper authored by Rajesh Shukla, Managing Director & CEO of PRICE said. The Gini index, also known as the Gini coefficient and it measures income inequality by using Lorenz Curve in nations by determining how income is distributed across their population. It ranges between 'Zero' (Complete Equality) and 'One' (Complete Inequality), the declining number showing inequality is declining.

"The Gini index improved from 0.463 post-independence to 0.367 in 2015-16 but worsened to 0.506 by 2021 due to disruptions such as the COVID-19 pandemic," the paper said. It may be noted that the government does not compile data on income inequality. Household Consumer Expenditure data collected by Ministry of Statistics and Programme Implementation (MoSPI) captures the inequality in terms of consumption expenditure.

This paper examines income inequality trends in India from 1953 to 2023. It draws on data from major household income surveys conducted during the last seven decades by private research institutions such as the National Council of Applied Economic Research (NCAER) and People Research on India's Consumer Economy (PRICE). Based on the findings of these surveys, the analysis reveals a complex landscape shaped by economic policies, demographic shifts, and political changes. While substantial economic growth has been achieved, income inequality has seen periods of both improvement and deterioration.

The paper also highlighted "the entrenched concentration of wealth among the top income earners, coupled with the persistent struggles of the bottom 10 per cent, signals the need for sustained, inclusive economic strategies." This statement echoes finding of World Inequality Report (2022) which said that the average national income of the Indian adult population is ₹2.04 lakh. While the bottom 50 per cent earns ₹53,610, the top 10 per cent earns more than 20 times more (₹11,66,520). While the top 10 per cent and top 1 per cent hold respectively 57 per cent and 22 per cent of total national income, the bottom 50 per cent share has gone down to 13 per cent.

Meanwhile, the paper emphasised India's economic journey reflects a "sea-saw" pattern of inequality, with periods of progress often countered by external disruptions or policy shortcomings. 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. "By fostering a more equitable distribution of income and opportunities, India can pave the way for a more stable, cohesive, and prosperous future for all its citizens," the paper said.

Consumption inequality

Earlier, a survey report by MoSPI said that consumption inequality, measured in terms of the Gini Coefficient, declined in both rural and urban areas. "The Gini coefficient has fallen to 0.237 in 2023-24 from 0.266 in 2022-23 for rural areas and to 0.284 in 2023-24 from 0.314 in 2022-23 for urban areas," the statement said. The Gini coefficient statistically measures consumption inequality and wealth distribution within a society.