

India's Income Inequality in 2023 Higher Than 1950s Despite Post-Covid Respite: Report

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The research found that the wealthiest population have continued to accumulate a disproportionate share of national income, while the rural and marginalised population struggle with limited access to essential services.

New Delhi: India's income inequality remained higher in 2023 than it was in the 1950s, a working paper by the People Research on India's Consumer Economy (PRICE) revealed on Sunday, January 5, underlining the need for accurate measurement of income distribution for shaping effective policies aimed at inclusive growth and socio-economic equity.

Drawing on findings from Indian household income surveys by institutions such as National Council of Applied Economic Research and PRICE, the findings state that the Gini coefficient – a statistical measure used for determining income inequality among individuals or households – stood at 0.371 in 1953-55 and grew to 0.410 in 2022-23.

The wealthiest segments of the society have continued to accumulate a disproportionate share of national income, while the rural and marginalised population struggle with limited access to essential services, education, healthcare, and economic opportunities, it stated.

Income inequality estimates

Income inequality data and Gini ratios from 1953 to 2023. Source: PRICE authors' compilation from publications (1953-2004) and estimates from PRICE's ICE 360° surveys (2014-2023).

A Gini index of 'zero' represents perfect equality. The higher the coefficient value, the greater is the income inequality.

Calling it a "see-saw" pattern, Rajesh Shukla, the CEO of PRICE and the author of the paper, wrote that income inequality has seen periods of both improvement and deterioration.

The data shows the sharpest increase from years 2015-16 to 2020-21, when the index jumped from 0.395 to 0.528. There were some signs of improvement following the Covid-19 period. "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 stated.

"The post-pandemic recovery," it observed, "suggests that targeted policy interventions can effectively address income disparities."

On wealth concentration

Comparing data from World Inequality Database (WID) estimates and Indian household surveys, the author says the latter is a more realistic indicator as WID over emphasises on wealth concentration and excludes informal sector earnings which, for economies like India, constitute a substantial part of the GDP.

According to the WID estimates, the 'top 1%' population – where the income is said to be concentrated – controlled 22.6% of the national income in 2023, whereas according to the Indian income surveys, they controlled only 7.3% of the national income.

For the middle 40% of the population, Indian household surveys report a stable income share, ranging from 43.9% to 46.6% over the years, suggesting economic stability for this segment. Meanwhile, WID estimates show a significant decline in the middle population's share, from 41.5% in 1953-55 to just 27.3% in 2022-23.

For the bottom 50% population, household surveys show a fluctuating trend, with the income share ranging between 15.8% (2020-21) and 25.5% (1961-65), and standing at 22.8% after a notable recovery from the pandemic period.

While the comparative estimates show a disparity between the Indian and global surveys, the ultimate conclusion remains that there is an entrenched concentration of wealth among the top income earners, coupled with the persistent struggles of the bottom 10%.

This, the paper underlines, signals the need for sustained, inclusive economic strategies.