

## Income and Wealth Inequality in India, 1922-2023: The Rise of the Billionaire Raj

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### Introduction:

The World Inequality Lab's paper examines income and wealth inequality in India from 1922 to 2023, shedding light on the changing dynamics of the country's economic inequalities. The research looks at income and wealth disparity using data from national income accounts, wealth aggregates, tax tables, billionaire rankings, wealthy lists, and household surveys. By combining these disparate data sources, the research provides a comprehensive picture of India's inequality trends.

Through an exhaustive literature analysis, the study underlines the issues involved with quantifying income and wealth disparity in India, stressing the constraints of tax data coverage, quality, and availability. The study defines income inequality as the unequal distribution of income among individuals or households, while wealth inequality refers to the unequal distribution of assets and resources owned by individuals or groups within the population. According to Deaton and Dr 'eze (2002), economic inequality increased dramatically in the 1990s, with considerable differences between states, rising urban-rural inequality, and expanding gaps within metropolitan regions. Banerjee and Piketty (2005) have shown that top income shares fell after independence but began to rise in the 1980s. Chancel and Piketty (2019) conducted a detailed examination of income inequality in India through 2014, indicating a significant increase in inequality during the 1990s. However, data problems have resulted in a dearth of writing on inequality since 2014. The "State of Inequality in India Report" (Kapoor and Duggal, 2022) found extreme income disparity, with the top 1% generating more than 6%-7% of total income. Analyses by Khera and Yadav (2020) and Pai and Vats (2023) revealed stark inequalities in median-to-top pay ratios and consumer transactions. The study acknowledges the complexities of estimating inequality in a country like India, where data sources are often fragmented and inconsistent. Despite these challenges, the report aims to provide a robust analysis by leveraging a variety of data sources and methodological approaches to ensure a comprehensive understanding of income and wealth distribution patterns in the country.

At the outset, estimates indicate that inequality has increased significantly during the 1990s. A significant increase in wealth concentration is observed among top earners in India from 2014-15 to 2022-23, leading to a rise in top-end inequality. By 2022-23, India's top 1% income and wealth shares are among the highest globally (standing at 22.6% and 40.1% respectively). The study also notes that the Indian income tax system may be regressive, with individuals paying a lower share of taxes relative to their assets. It emphasizes the need for informed policy interventions to address disparities and foster more equitable economic development.

## Methodology

The methodology combines data from a diverse set of sources, including national income accounts, wealth aggregates, tax tabulations, Indian billionaire rankings, Indian rich lists, and household surveys on income, consumption, and wealth. By integrating these various data sources into a consistent framework, the report aims to provide a comprehensive and nuanced understanding of inequality dynamics in India. Following are the data sources used:

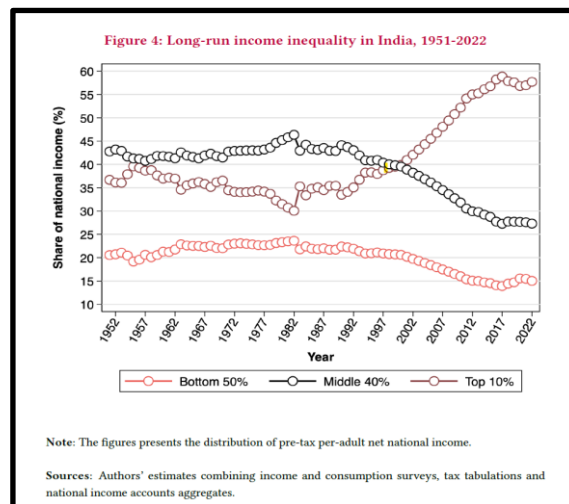
S.NO	DATA SOURCE	RELEVANCE
1.	Adult (20+) Population (UN-World Population Prospects 1951-2022)	Population data is crucial for understanding the size of the adult population over time, which is essential for calculating per capita income and analyzing income distribution trends.
2.	National Income Accounts (1951-2022)	Provide data on the total income generated in the country, helping to assess the overall economic performance and distribution of income
3.	Price Index (GDP deflator; 1960-2022)	Price indices help adjust income data for inflation, allowing for a more accurate comparison of income levels and distribution over time.
4.	All-India Income Tax Returns Statistics (MoF, Gol 1922-2020)	Income tax data provides insights into the income distribution among taxpayers, especially at the higher income levels, offering a perspective on top income earners.
5.	All-India Income Tax Time Series Data (MoF, Gol 2011-2020)	Time series data on income tax returns helps track changes in income distribution patterns among taxpayers over recent years.
6.	Indian Billionaire Rankings (Forbes 1988-2022)	Forbes billionaire rankings offer information on the wealthiest individuals in India, providing insights into wealth concentration and inequality at the top end of the wealth distribution.
7.	India Rich Lists (Hurun 2012-2023)	Tabulated data on rich lists specific to India from Hurun for the years 2012 to 2023.
8.	Consumption Expenditure Survey	This survey provides insights into household consumption patterns over several decades, helping to understand changes in spending behavior and economic well-being.
9.	All India Debt and Investment Survey	Helps in understanding debt and investment patterns in India over several decades, which can be linked to income and wealth distribution.
10.	India Human Development Survey	Data from this survey helps in understanding the relationship between human development indicators and income/wealth distribution.
11.	India's Consumer Economy 360° Survey	Offers insights into consumer behavior and economic activities, which are crucial for understanding income and wealth patterns.
12.	Periodic Labor Force Survey	Provides information on labor force dynamics, which is essential for analyzing income distribution and inequality in the labor market.

The report acknowledges the challenges posed by data coverage, quality, and availability in the Indian context. By combining data from multiple sources and employing cutting-edge statistical methods, the

study aims to address these challenges and present long-run homogeneous income and wealth inequality series for India.

## Key Findings

- The study reveals that inequality levels in India declined post-independence until the early 1980s, after which both top income and wealth shares began rising significantly. In 1951, the top 10% of earners collected 37% of national income, which had dropped to 30% by 1982.
- Top income and wealth shares have skyrocketed since the early 2000s, with the top 1% income and wealth shares reaching their highest historical levels, 60%, by 2022-23.
- The trends of top income and wealth shares closely track each other over the entire period studied, indicating a consistent pattern of rising inequality.
- The report identifies significant shifts in income and wealth inequality trends over the last decade, with a notable increase in the concentration of income and wealth among the top earners. The recent trends in India indicate that by 2022-23, the top 1% income share is at 22.6% and the top 1% wealth share is at 40.1%, both reaching their highest historical levels.
- The findings suggest a widening gap between the top income earners and the rest of the population, indicating a growing disparity in economic opportunities and outcomes. Despite a potential slowdown in economic inequality in India, income and wealth inequality remain at extreme levels in India compared to international standards, with the top 1% income share ranking among the highest in the world, surpassing countries like South Africa, Brazil, and the US.
- The top 10% and middle 40% income shares in India have grown significantly since the 1950s, with the top 10% national income share nearly tripling between 1982 and 2022. The middle 40% of shares stayed higher than the top 10%, but the top 10% surpassed them by 2022. This decrease is caused by a lack of quality education, poor intergenerational mobility, and high illiteracy rates. India's incapacity to transition its workers to more productive and higher-paying jobs remains a major concern.
- The wealth accumulation process in India is characterized by extreme concentration at the top, with the top 1% wealth share increasing threefold between 1961 and 2023. This trend continued post-1991, with the top 1% shares rising steadily until 2022-23. The top 10% wealth share has also seen a decline, with the growth of financial assets and a growing stock market. However, they reverted to an upward trend, reaching 65% in 2023.
- On the other hand, since 1991, the bottom 50% and middle 40% shares have experienced a decline. The top 1% share is more than five times larger than the bottom 50% share. The middle class has also experienced a decline, with physical assets dominating household wealth and financial assets increasing from 4% in 1981 to 10% in 2018.



## Conclusion

The report's analysis of income and wealth inequality in India yields several key conclusions that have significant implications for policy and action:

**1. Rising Inequality Trends:** The study identifies a persistent pattern of growing income and wealth inequality in India during the early 2000s, with the top 1% experiencing historical highs. This trend emphasizes the critical need for specific initiatives to close the growing gap between the wealthiest individuals and the rest of society.

**2. Comparative International Standing:** India's income disparity, particularly among top earners, is among the greatest in the world, exceeding South Africa, Brazil, and the United States. This comparative research highlights the severity of inequality in India and the significance of resolving it in order to achieve greater equitable economic growth.

**3. Policy Implications:** The findings suggest that the Indian income tax system may exhibit regressive tendencies when viewed from the perspective of net wealth. This highlights the need for reforms in the tax system to ensure a more progressive and equitable distribution of tax burdens among different income and wealth groups.

**4. Data Challenges and Recommendations:** The report acknowledges the limitations of data quality and availability in studying income and wealth inequality in India. It calls for improved access to official data and greater transparency to enhance the study of inequality and enable evidence-based policy debates.

**5. Call for Action:** The study underscores the importance of addressing income and wealth inequality as a critical policy priority in India. By implementing targeted measures to reduce disparities and promote inclusive growth, policymakers can work towards creating a more equitable society and ensuring that the benefits of economic development are shared more equitably among all segments of the population.

**Read More:** <https://wid.world/news-article/inequality-in-india-the-billionaire-raj-is-now-more-unequal-than-the-british-colonial-raj/>

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