



Original Article

The Inequality Paradox: Wealth Expansion and Distributional Inequality in India

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Abstract

Income inequality in India has emerged as one of the major challenges which have profound impact on shaping social conflict, political behaviour, economic policy, and patterns of development. India is one of the prime examples of unequal concentration of wealth where an estimated top 10% of the population enjoys the fruits of the more 77% of the country's wealth while the bottom 50% has almost less than 3% of the country's wealth, estimated by the recent report of the Oxfam International. The within country income inequality contributes to severe negative consequences such as weak human capital and generational inequality due to unequal access to education, disparities in health, rural urban divide, jobless growth, regional imbalances, gender inequality, social unrest and political polarization, inter-generational poverty, increased crime and eventually weakening of democratic political order. Should India more emphasize over addressing absolute poverty than inequality? Should India continuously consider the potential benefits of income inequality? Should India prioritize freedom of opportunities over social levelling? Is freedom really meaningful in the absence of basic equality? How about social inequalities limiting fair competition?

Keywords: Equality, Stagnation, Absolute Poverty, Political Polarization, Economic Liberalism, Financial Deregulation, Globalisation

Introduction

It may be said that India is a rich country with poor people. India is a rich in terms of abundance of natural wealth, economic capacity and human capital but poor in terms of how wealth is unevenly distributed and other structural barriers preventing a huge chunk of the population to prevent from accessing the opportunities. The NITI Aayog (National Institution for Transforming India) in 2025 claims that India has overtaken Japan to become the world's 4th largest economy, with its GDP crossing USD 4 trillion, but the distribution of wealth and opportunities across states, regions, social groups, and classes has remained highly uneven. According to the 'Global Multi-dimensional Poverty Index (MPI)' 2025 published by the United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI), an estimated 83.2 % people living in the regions of South Asia (390 Million) and Sub-Saharan Africa (565 Million) faces acute multidimensional poverty.¹ Which makes India one of the severely affected countries of poverty in different forms and manifestations in the world. How come a country stimulating economic growth at rapid pace facing acute poverty? What are the root causes and ideological and political underpinnings of the within country inequality? Does within-country income inequality even matter?

The State of Within-Country Income Inequality in India

At the 10th NITI Aayog (National Institution for Transforming India) Governing Council Meeting, NITI Aayog CEO announced that India has overtaken Japan to become the world's 4th largest economy, with its GDP crossing USD 4 trillion. But the Oxfam International's report titled "Takers Not Makers: The Unjust Poverty and Uneared Wealth of Colonialism" highlights that in India there is an excessive within country inequality.

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In terms of income distribution, the report states that the top 10% owns an estimated 77% of the country's wealth and top 1% individuals own an estimated 53% of the wealth. The bottom 50% population owns less than 3% of country's wealth. Another study of the Oxfam International suggest that between 2012 to 2022 nearly 40% newly created wealth got concentrated into top 1% of the populations while bottom 50% got less than 3% in all these years.ⁱⁱ

On the other hand, the burden of taxation mostly lies with the bottom 50% of the population in the country. The bottom 50% of the population pays an estimated 6 times more indirect taxes than the wealthy segment of 10% of the country.ⁱⁱⁱ Despite India's Initiatives such as Mahatma Gandhi National Rural Employment Guarantee Act Scheme (MGNREGA), Prime Minister's Employment Generation Programme (PMEGP), Deendayal Antyodaya Yojana-National Urban Livelihoods Mission (DAY-NULM), Samagra Shiksha Scheme 2.0, National Health Mission, Mission Ayushman, Pradhan Mantri Jan Dhan Yojana, Mission Indradhanush, Pradhan Mantri Mudra Yojana, Lakhpati Didi Initiative and Pradhan Mantri Gram Sadak Yojana (PMGSY) and host of other initiatives India is not able to effectively address the within country inequality in India.

India in early 1990s introduced massive economic reforms in the form of 'Liberalization, Privatization and Globalization' (LPG) in the wake of facing acute balance of payment crisis due to domestic and systemic reasons, which according to the several studies on tax data and household data by the National Sample Survey Office of India (NSSO) claims that income inequality in India has risen steadily since the 1991 economic reforms. Thomas Piketty and Lucas Chancel study on "Indian Income Inequality, 1922–2015: From British Raj to Billionaire Raj?" found that there is a sharp rise in top incomes in India since 1991, from an estimated 6–7% in the 1980s to the 20–22% in the 2010s. The study further claims that the top 10% is mostly benefitted by the growth the maximum wealth is concentrated among the top 10% because of these individuals being owners of the capital, high-skilled professionals and urban elites while bottom 50% experienced a way far slower income growth.^{iv}

Some of the major reasons of such trends include informal labour market, social and historical inequality, unequal land distribution, historical path dependence, infrastructure gaps, governance, workforce participation, centre-state fiscal imbalances and so on. For instance, in India a huge chunk of the Indian work force is occupied with the informal sectors with irregular wages, absolutely no job security, limited or no labour rights but with labour restrictions of course! And weak bargaining power. There are many states such as Maharashtra, Tamil Nadu, Gujarat and Karnataka developed a strong economic base because of the early investments in education, health, industrialization and urbanization while other states such as Bihar, Uttar Pradesh, Odisha and others faced severe post-independence governance challenges along with the colonial neglect. This reason explains state wise inequality but within state inequality may not to be discarded. Infrastructure gaps

marked by road connectivity, electricity, industrial corridor, ports logistics explains the divergent regional growth trajectories in India. Social and historical inequalities marked by caste-based stratification effectively shaping occupation, land ownership, social mobility and access to education among Scheduled Castes, Scheduled Tribes and Other Backward Class groups continue to face structural barriers that translate into income gaps in India.^{vii}

Does within-country income inequality even matter?

Within-country inequality has been generally growing worldwide. Giovanni Andrea Cornia (2003) found that 2/3 of the 73 countries he studied appeared to have widening within-country inequality rates between 1980 to 2000. He further argued that argues that the rise of within-country inequality since the 1980s is largely the outcome of deliberate policy and institutional changes rather than natural economic forces. He identifies economic liberalisation, financial deregulation, and globalisation as major contributors to the within-country inequality worldwide and further claims that noting that these reforms increased returns to capital and skilled labour while exposing low-skill workers to intensified competition.^{vii} In many of the industrially advanced states income inequality has widened mainly as a result of financial deregulation, checks on social security spending and cuts in personal and corporate tax levels. The pattern is almost similar in Eastern Europe, Latin America and many other former Communist states but perhaps the case of the People's Republic of China is slightly different because since the economic reforms of 1978 the Chinese state have managed to substantially boost average incomes and dramatically reduced absolute poverty in the state.

The state of within country inequality can be understood through three essential perspectives which are based on diverse political and ideological positions. Each perspective has its own advantages and disadvantages.

1. Emphasis on Poverty over Inequality

This perspective suggests that real problem in the country is the absolute poverty. Accordingly, the focus of the state policy should be towards addressing social evils such as hunger, a lack of access to clean water, food security, sanitation, health and low life expectancy. Instead of worrying about the relative aspects of material well-being, the focus should be more on the serious threats to happiness and personal well-being than the gap between the rich and the poor. Addressing absolute poverty as a central focus of state policy may have implications for relative poverty. According to this perspective it may not matter that the rich are getting richer, and perhaps much richer, so long as the poor are being less poor. This perspective is subject to many criticisms such as it ignores the structural causes of poverty, persistent inequality threatening social cohesion, consolidation of power and privileges to the elites and inequality reduces the effectiveness of the poverty alleviation and so on.

2. Inequality has certain Economic Advantages

Economic liberals believes that income inequality has certain economic advantages and further argues that the social levelling often leads to stagnation as it caps

aspirations and remove incentives for enterprise and hard work. Economic liberals believe that the widening inequality may indeed, simply a feature of the take-off phase of industrial development. Economic liberals not considering the potential market inefficiencies may be created by the inequalities and when the maximum wealth is concentrated into the hands of few it reducing the purchasing power of the majority and therefore contributes to the lower growth. Further, inequality can cause social and political instability which eventually hurt the economy of the state. It may be said that sometimes the equality of opportunity is a myth exists only on policy papers but in reality, there is a limited or no automatic trickle-down wealth. In a country like India extreme inequality is unfair also on ethical grounds as well because it violated the principles of fairness and equal citizenship.

3. Equality is less important than Freedom

A third argument is that the distribution of income or wealth within a country, is morally and politically less important than how that distribution is achieved. This perspective believes that freedom is more important than equality. On an individual level, people should have the opportunity to rise and fall in society, their final position being reflection of their aspirations, talents and willingness to work.^{viii} It may be said that sometimes, freedom becomes meaningless without basic equality because very often inequality creates unequal freedom and specifically excessive income inequality threatens political freedom.

Conclusion

The state of within-country inequality has severe negative consequences on the society which may include: First, the unequal access to education where poor children face poor infrastructure, teaching shortages and limited digital access that leads to the weak human capital and generational inequality. Second, disparities in health where the lower income people usually struggle with the access to the quality health care services, nutrition, lack of clean water. Beside the out-of-pocket medical expenses is a big reason of pushing people into poverty every year in the country. Third, rural urban divide is expected to be widened due to the higher concentration of wealth into urban areas which force the rural India to lag behind and therefore there is always a pressure of migration towards the urban areas which are already occupied with the high density of population, pollution and inadequate opportunities for everyone. Fourth, the jobless growth in which the growth is more driven by the capital-intensive sectors and not labour-intensive sectors and therefore, there is a limited creation of well-paying jobs for people. Majority of the people occupied with the informal sector gets exploited or work for extremely lower wages. Remaining consequences may include regional imbalances, gender inequality, social unrest and political polarization, inter-generational poverty, increased crime and eventually weakening of democratic political order.

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Conflicts of interest

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