India's Socio-Economic Inequality: Historical and Global Context

Naveenkumar R.,[1] and Dr. Santhosha C.[2]

Abstract

This study analyzes economic inequality in India, emphasizing the distribution of income and wealth among various population strata. India exhibits some of the most severe economic gaps globally, with inequality persistently ingrained across income, wealth, and gender dimensions. In 2024, the highest 10% of earners obtain almost 58% of the national income, and the lowest 50% receive merely 15%. The distribution of wealth is more concentrated, with the wealthiest 10% possessing over 65% of total wealth, while the top 1% alone commands nearly 40%. The significant disparity is evident in the income differential between the top 10% and the bottom 50%, which has stayed relatively constant at a ratio of 38.2 in 2024, compared to 38.0 in 2014. The structural inequalities are intensified by a pronounced gender disparity; female labor participation stands at a mere 15.7% and has exhibited no progress over the last decade. Historical data reveals that following a phase of relative fall in inequality from 1940 to 1980, the income share of the top 10% has escalated to unprecedented levels in recent years, underscoring a continuous and escalating challenge for inclusive growth in the nation.

Key Words: *Population, Income and Wealth Inequality, Gender Gap, Inclusive growth.*

1.1 Introduction

Colonialism, caste systems, and indentured servitude are historical causes of socioeconomic inequality in India. These factors have led to the perpetuation of exclusion and economic imbalances. While liberalization measures enacted in the 1990s did help the economy grow, they have also made income inequality worse by helping a small elite while

[1] *Naveenkumar R., Guest Faculty, Dept. of Economics, MSB Arts and Commerce College, Davangere, Karnataka. https://orcid.org/0009-0002-4414-3989*

[2] *Dr. Santhosha. C, Assistant Professor, Dep. of Economics, GFGC Tilavalli, Haveri Dist. Karnataka. https://orcid.org/0009-0009-9733-1781*

the middle and lower classes continue to suffer ***(Vakulabharanam, 2024)***. The trends in inequality in India are similar to those in other countries, according to comparative assessments utilizing indices like the Multidimensional Poverty Index and the Human Development Index ***(Shome & Shome, 2023)***. Educational and healthcare reforms, as well as other current measures, will not be enough to alleviate poverty and promote social inclusion unless there are major changes to tax policy and the distribution of wealth ***(Santhosha & Indira, 2023)***. A combined effort is required to tackle these long-term obstacles, as the historical backdrop of economic depression and subsequent growth phases further complicates India's journey towards equitable development ***(Bose, 2019)***.

India continues to be one of the most unequal nations globally, marked by a low average income and significant wealth concentration. Despite substantial geopolitical and economic transformations, fundamental divisions persist profoundly. This study examines the "Great Divergence" between the upper 10% and the lower 50% of the population, emphasizing a stagnation in inequality indicators over the past decade.

1.2 Objectives

The main objectives of the study are

1. To analyze the current distribution of income and wealth in India.
2. To evaluate the historical trajectory of income shares from 1900 to 2025.
3. To assess the status of female labor participation and its progress over the last decade.

1.3 Methodology

This research is based on secondary data from the World Inequality Report (WIR) 2026, concentrating on income metrics assessed post-pension and unemployment insurance but pre-income tax. Although the approach adheres to international standards, it is crucial to acknowledge that the data possesses a transparency index of 4/20, indicating a somewhat low degree of data openness or reporting clarity that must be taken into account when interpreting the final results.

1.4 Comparative Analysis: India vs. Global Inequality Standards (2024-2025)

India's socioeconomic measurements must be compared to both regional and global averages in order to comprehend the gravity of the findings. The comparison between India's "Billionaire Raj" and the rest of the globe is shown in the analysis that follows.

A. Income Share:

A disproportionately large concentration of wealth characterizes India's current economic situation, as the wealthiest 10% of the population receive 57.7% of the country's revenue. In comparison to more egalitarian nations like Europe, where the top 10% earn about 36%, and the United States, where they earn 45%, this level of inequality greatly above the global average of 52–53%. Most notably, studies show that India has a top-heavy distribution that either matches or exceeds high-inequality countries like Brazil and South Africa, making it more unequal than it was during the British colonial Raj.

B. Wealth Concentration:

Due to an aggressive concentration of resources among the ultra-wealthy, India today has one of the biggest wealth disparities in the world. Approximately 37–38% of the world's wealth is held by the top 1%, but India's top 1% control a much larger share at 40.1%. On the other hand, the wealthiest 50% of Indians own only 6.4% of the country's total wealth, which is still a startling difference even though it is higher than the global average of 2%. According to these numbers, the majority of Indians have a disproportionately tiny percentage of the nation's economic resources, indicating that wealth accumulation at the top is more concentrated in India than in many affluent countries.

C. The Gender Gap: A Stagnant Outlier

India's female labor force participation (FLFP), which has remained stagnant at 15.7% for the past ten years, is still a persistent and worrisome anomaly. When compared to the global average of 49%, this rate is startlingly low and lags far behind regional rivals like China (59.6%) and Bangladesh (44.2%). This disparity, which is still less than one-third of the global average, highlights gender inequality as a major structural obstacle that significantly restricts India's potential for inclusive economic growth and national advancement.

Table-1:
India vs. Global Averages

Metric	India (2024)	Global Average (2024)	Gap/Status
Top 10% Income Share	57.7%	~53%	**+4.7% (Higher)**
Top 1% Wealth Share	40.1%	~37%	**+3.1% (Higher)**
Female Labor Participation	15.7%	49%	**-33.3% (Critical)**
Bottom 50% Wealth Share	6.4%	~2%	**+4.4% (Relative)**

Data source: wir2026.wid.world/methodology.

The study emphasizes that although India's economy is still expanding quickly, its progress is becoming more "top-heavy," indicating a historical "U-turn" toward levels of inequality reminiscent of the colonial era. The post-independence era (1947–1980s), when socialist policies, the License Raj, and high marginal tax rates purposefully restrained extreme wealth creation while the Green Revolution and land reforms benefitted the bottom 50%, contrasts sharply with this contemporary gap.

However, economic gains now mostly favor a small elite, a tendency made worse by the fact that the rate of female labor participation is 35 points lower than the global average. The country runs the possibility of a persistent "Great Divergence" in which the bulk of the population is left out of the advantages of national growth unless big structural changes are made, such as enacting progressive taxation or making large investments in female education and labor entry.

1.5 Historical Trajectory of Income Inequality in India (1900–2024)

a significant century-long pattern in the distribution of income in India, marked by a high level of inequality at the beginning, a period of relative compression in the middle, and a sharp rise in inequality at the end.

A. Early 20th Century (1900–1947)

The economic environment of the early 20th century (1900–1947) was marked by significant income concentration, with over half of the nation's income going to the top 10% of the population. The Bottom 50%, on the other hand, saw continuous stagnation and held a disproportionately modest and steady part of the wealth, ranging from 15% to 18%. The vast mass of people had little economic power in comparison to a small few during this time, creating a baseline of extreme inequality.

B. Mid-Century Compression (1947–Late 1980s)

A "Mid-Century Compression," a unique period of shrinking economic disparity, followed India's independence. From 1947 to the late 1980s, the income share of the Top 10% fell from over 50% to over 30%. The Bottom 50% gained relative empowerment as a result of this change, and throughout the 1960s and 1970s, their portion of the national income reached its most stable peak of more than 20%. In contrast to the great disparity observed in later decades, this period marked a major, if brief, shift toward a more equitable distribution of wealth by balancing these shares.

C. The Resurgence of Inequality (Late 1980s–2024)

With a "U-shaped" trend, income concentration has returned to and probably beyond the extremes of the colonial era, marking a major turnaround in India's economic distribution since the late 1980s. By 2024, the top 10%'s income share had risen from a record low of 30% to almost 58%, while the poorest 50%'s portion had decreased to 15%. With half of the population steadily declining and the wealthy rising sharply, India is now among the world's most unequal countries, indicating that the egalitarian achievements of the mid-20th century have been largely wiped in the modern era.

1.6 Analysis of Income & Wealth Distribution and Inequality Ratios

The distribution statistics for 2024 reveals a society in which wealth is far more concentrated than income. Despite having a large portion of the annual income, the Top 1% control over twice as much of the nation's total wealth, which includes investments, real estate, and assets that provide long-term stability. According to this, there is a "compounding effect" at work, meaning that people at the top can amass wealth much more quickly than the average person can make a living.

Table-2:

Income and Wealth Distribution in India (2024)

Population Group	Income Share (%)	Avg. Income (PPP €)	Wealth Share (%)	Avg. Wealth (PPP €)
Full Population	100%	6,224	100%	28,141
Top 1%	22.6%	140,649	40.1%	1,128,435
Top 10%	57.7%	35,901	65.0%	182,913
Middle 40%	27.3%	4,247	28.6%	20,120
Bottom 50%	15.0%	940	6.4%	1,801

Data source: wir2026.wid.world/methodology.

The most striking aspect of this is the vast disparity between the two ends of the spectrum: the typical member of the Top 1% is nearly 626 times wealthier than the average member of the Bottom 50%. According to the report, the most recent numbers affirm India's standing as a country with some of the highest levels of inequality in the world.

Table-3:

Current Income and Wealth Concentration (2024)

Dimension	Top 10% Share	Bottom 50% Share	Key Finding
Income	57.7% of total income	15.0% of total income	The top 10% captures nearly four times the share of the bottom 50%.
Wealth	65.0% of total wealth	6.4% of total wealth	Wealth inequality is even greater than income inequality.

Data source: wir2026.wid.world/methodology.

The data indicates that the lower half of the population experiences "asset poverty," as they earn 15% of the nation's income yet fail to convert these earnings into substantial ownership or savings, rendering them economically precarious in contrast to the top 10%, who command two-thirds of the nation's total net worth. These ratios illustrate the number of "average" individuals required to match the economic power of a single person in the upper echelon.

Table-4:

Inequality Ratios in India

Comparison Category	Income Gap (Ratio)	Wealth Gap (Ratio)
Top 1% vs. Bottom 50%	149.6 : 1	626.6 : 1
Top 10% vs. Bottom 50%	38.2 : 1	101.6 : 1
Top 1% vs. Middle 40%	33.1 : 1	56.1 : 1

Source: Calculated by Authors

The income disparity is substantial (about 150 times), while the wealth disparity is over four times greater, indicating that assets (real estate, equities, and inheritances) are the principal contributors to enduring inequality. Researchers, including those from the World Inequality Lab, observe that the 2024–2025 numbers indicate a concentration level approaching record peaks when compared to previous trends. In some areas, the proportion of wealth possessed by the Top 1% has almost doubled since the 1980s.

The contemporary economic landscape is increasingly characterized by a "K-shaped" phenomenon, wherein the top 10% of the population experiences a surge in wealth due to escalating asset values, while the remaining 50% confronts stagnation or "asset poverty." The absence of a financial cushion renders fifty percent of the populace susceptible to economic disruptions and unable of investing in their future. The situation is exacerbated by a decade of stagnating gender parity, with female workforce participation remaining at a mere 15.7%. In numerous emerging economies, the concentration of wealth has reached such extremes that it exceeds levels observed during the colonial period, indicating a substantial departure from inclusive growth.

This current disparity sharply contrasts with the "Great Compression" (1940–1980), an era characterized by intentional egalitarian policies that successfully diminished the income share of the top 10% from 50% to 30%. Within a "statist" framework, administrations enacted stringent budgetary policies, including marginal tax rates reaching 97.5%, and nationalized key sectors to allocate earnings for public welfare. These initiatives, with rural land reforms and the Green Revolution, facilitated the establishment of a solid middle class and ensured that the benefits of national productivity were distributed to the lower half of the population rather than solely to a private elite.

The enduring low participation of women in the labor force serves as a "handbrake" on contemporary economic progress, with the reduction of the gender gap potentially increasing GDP by 27% to 60%. Nevertheless, advancement is impeded by significant structural obstacles such as the "motherhood penalty" and a substantial "double burden" of unpaid caregiving, resulting in women undertaking tenfold more domestic labor than males. Moreover, when women join the workforce, they are frequently assigned to low-value agricultural positions as a result of occupational segregation. This establishes a significant dependency ratio inside homes, wherein a sole income provider must sustain numerous adults, hence exacerbating a family's capacity to break out from the cycle of poverty.

1.7 Conclusion and Policy Implications

In conclusion, India's contemporary economic framework is characterized by "deeply entrenched" and systemic inequality, resulting in a pronounced split among its population. The top 10% of earnings have experienced significant financial growth, acquiring the majority of national income and wealth due to increasing asset values, while the poorest 50% remains economically disadvantaged and ensnared in "asset poverty" with minimal financial reserves. The structural imbalance is exacerbated by the ongoing stagnation of female labor participation, which has been unchanged for a decade. The absence of women from the formal economy exacerbates the wealth disparity and serves as a substantial impediment to inclusive growth, indicating that without drastic governmental action, the benefits of India’s progress will persistently elude a considerable portion of its populace.

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