

<https://doi.org/10.64906/IJSSC.2025.03.02.23>**INTERNATIONAL JOURNAL OF  
SOCIAL SCIENCES AND  
COMMERCE [IJSSC]**

## Poverty and Inequality in India: Structural Barriers, Policy Failures and Pathways to Inclusive Development

**S. MOHAMED IMRAN SHARIF**, Assistant Professor,

PG & Research Department of Commerce

Jamal Mohamed College (Autonomous), Tiruchirappalli – 20

Mail id: [imran06syed@gmail.com](mailto:imran06syed@gmail.com) Mobile: 9843357431

**DR. RAJA MOHAMED. M.A.**, Assistant Professor,

PG & Research Department of Economics

Jamal Mohamed College (Autonomous), Tiruchirappalli – 20

Mail id: [mar@jmc.com](mailto:mar@jmc.com) Mobile: 9894551429

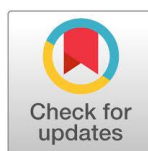
### Article History

**Volume:3, Issue:2, 2026**

**Received: 26<sup>th</sup> December 2025**

**Accepted: 24<sup>th</sup> February 2026**

**Published:1<sup>st</sup> April 2026.**



**Abstract:** India's economic growth over the past several decades has not translated into equitable improvements in well-being, revealing a persistent structural divide between expanding national output and uneven social progress. While extreme income poverty has declined, multidimensional deprivation remains widespread, and access to essential services such as education, healthcare, nutrition, and dignified employment continues to differ sharply across regions and social groups. At the same time, income and wealth concentration have intensified, with the upper segment of the population capturing a growing share of national resources. This paper examines the structural relationship between persistent poverty and rising inequality in India and evaluates the country's progress toward the global objective of ending poverty in all its forms everywhere and the global objective of reducing inequality within and among countries. Secondary data from national sample surveys, global inequality databases, and peer-reviewed empirical studies, the analysis demonstrates that India's primary development constraint stems not from insufficient economic growth but from the unequal distribution of opportunities and outcomes. Weak labour markets dominated by informal employment, inadequate investment in human capital, fragmented social-protection systems, and regionally imbalanced development have limited the capacity of lower-income households to benefit from growth. The paper argues that without directly confronting these structural inequalities, India will struggle to achieve meaningful and durable reductions in poverty. The paper proposes an integrated framework involving strengthened social protection, labour-market restructuring, progressive fiscal reforms, enhanced investment in public education and healthcare, and targeted development strategies for lagging states. The analysis concludes that without directly addressing the underlying patterns of inequality that shape opportunity and access, India will struggle to achieve the global goals of eliminating poverty and reducing inequality by 2030, regardless of the pace of economic expansion.

**Keywords:** Poverty and Inequality; Inclusive Development, Human Capital Deficits, Informal Labour Markets, Wealth Concentration.

**Author's Citation:** S. Mohamed Imran sharif. and DR. Raja Mohamed. M.A., *poverty and inequality in india: structural barriers, policy failures, and pathways to inclusive development. IJSSC.Vol.3.(2): 2026, PP:23-33, <https://doi.org/10.64906/IJSSC.2025.03.02.23>*

## 1. INTRODUCTION

India's economic transformation over the past several decades has been marked by rapid growth, structural shifts, and rising global visibility. However, this progress has co-existed with persistent social and economic disparities, revealing a disconnect between rising national income and improvements in everyday living conditions for large segments of the population. Although extreme monetary poverty has declined substantially, millions continue to face multidimensional deprivation manifested in inadequate access to quality education, healthcare, nutrition, housing, and secure employment. These disparities are not accidental they are the result of systemic inequalities embedded in the country's labour markets, asset distribution patterns, institutional structures, and regional development trajectories. At the same time, inequality in India has widened at a pace unmatched in previous decades. Income and wealth have become increasingly concentrated among the top one percent, reflecting a development model that rewards capital and high-skilled labour disproportionately while bypassing workers in informal and low-productivity sectors. This divergence between growth and distribution has critical implications for social mobility, economic resilience, and long-term development outcomes. Poverty and inequality in India therefore cannot be understood as independent challenges; rather, they are deeply interconnected forces that reinforce each other and weaken the poverty-reducing impact of growth. Recognizing this complex relationship is essential for designing policies capable of achieving both broad-based development and durable reductions in deprivation. This paper examines these linkages in depth and argues that unless inequality is confronted as a central developmental barrier, India's progress will remain incomplete and uneven.

## 2. STATEMENT OF THE PROBLEM

Despite decades of policy initiatives, India continues to face two entrenched and interconnected development challenges: persistent poverty and rising inequality. Although poverty levels have declined, the reduction is uneven across states, regions, and demographic groups. At the same time, income and wealth concentration among the top one percent has reached historically high levels. Existing growth-driven strategies have overlooked distributional imbalances, while welfare policies remain fragmented, underfunded, and poorly coordinated. The problem is not the absence of policies but the lack of coherence, inclusiveness, and structural reform. Without addressing the systemic causes of inequality, India will struggle to meet the global objective of ending poverty in all its forms everywhere and the global objective of reducing inequality within and among countries.

### 3. OBJECTIVES OF THE STUDY

The objectives of this study are formulated in response to the recurring gaps observed in both academic research and policy practice concerning poverty and inequality in India. The objectives laid out in this study are designed to provide a comprehensive analytical foundation, enabling policymakers, scholars, and practitioners to understand not only *what* the problems are but why they endure and how they can be addressed through coherent and integrated interventions.

- To analyze recent trends in poverty and inequality in India using secondary data.
- To examine the structural linkages between poverty and inequality.
- To evaluate India's progress toward the global objectives of eliminating poverty and reducing inequality.
- To identify policy failures that restrict inclusive development.
- To propose an integrated policy framework to reduce both poverty and inequality.

### 4. SIGNIFICANCE OF THE STUDY

The significance of this study lies in its ability to bridge critical gaps in India's development discourse. While policymakers frequently emphasize economic expansion, the uneven distribution of growth benefits remains inadequately addressed, resulting in persistent deprivation among vulnerable groups. This study contributes by clarifying how poverty and inequality reinforce each other through institutional, structural, and labour-market mechanisms, thereby explaining why growth-driven strategies alone have failed to deliver inclusive outcomes. By synthesizing national and international evidence, the research provides a holistic understanding of India's development challenges and highlights the urgent need for integrated policies that address distributional imbalance, human capital deficits, and regional disparities.

Furthermore, the study holds practical value for government agencies, researchers, and development practitioners by identifying specific policy gaps that must be addressed to achieve equitable progress. As India works toward the global objectives of ending poverty in all its forms and reducing inequality within and among countries, this research underscores the necessity of shifting from fragmented welfare programs and growth-centric frameworks to a comprehensive model of development rooted in inclusion, capability-building, and structural reform. In doing so, the study offers actionable insights capable of guiding both short-term interventions and long-term policy transformations.

## 5. METHODOLOGY

This study adopts a descriptive and analytical research design based entirely on secondary data, enabling a comprehensive examination of poverty and inequality trends across India. Data were sourced from nationally representative datasets, including the National Sample Survey (NSS), Periodic Labour Force Survey (PLFS), National Family Health Survey (NFHS-5), and the Global Multidimensional Poverty Index (2023). These datasets provide reliable estimates of consumption patterns, labour-market conditions, and multidimensional deprivation. In addition, data from the World Inequality Database (WID), Reserve Bank of India reports, and government fiscal documents were utilized to assess long-term inequality patterns, wealth concentration, and policy outcomes. Peer-reviewed academic studies were reviewed to contextualize empirical findings and interpret structural determinants of deprivation. Tables and figures were constructed from aggregated indicators to present key trends clearly and objectively. This methodological approach allows the study to integrate diverse sources of evidence and develop a holistic understanding of how poverty and inequality interact in the Indian context.

## 6. POVERTY AND INEQUALITY IN INDIA: TRENDS AND EVIDENCE

**TABLE 1: SELECTED INDICATORS OF POVERTY AND INEQUALITY IN INDIA**

(Sources from NSS, WID, Global MPI)

Indicator	Value
Extreme Poverty (World Bank estimate)	< 3%
Multidimensional Poverty (MPI 2023)	16%
Share of national income held by top 1%	22%
Share of wealth held by top 1%	> 40%
Rural poverty concentration	Highest in Bihar, Jharkhand, UP
Labour force in informal employment	82%
Female labour force participation	37%

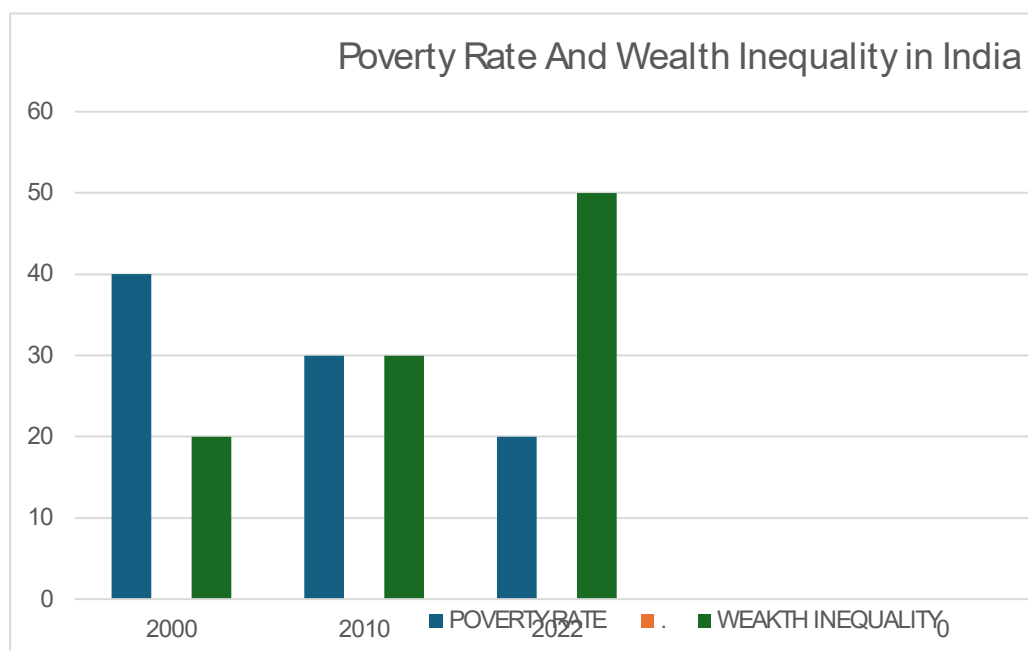
**Interpretation:** The table highlights the persistence of structural deprivation in India despite notable progress in reducing extreme monetary poverty. Although the proportion of individuals living in extreme poverty has fallen to below three percent, multidimensional

poverty remains significantly higher at around sixteen percent, indicating that many households continue to lack access to basic capabilities such as health, education, and adequate living conditions. The concentration of national income and wealth among the top one percent underscores the extent of inequality, with wealth inequality exceeding income inequality by a substantial margin. High levels of informal employment reveal a labour market dominated by low-wage, insecure jobs, limiting upward mobility for a large section of the workforce. The low female labour force participation rate and the concentration of rural poverty in states such as Bihar, Jharkhand, and Uttar Pradesh further reflect persistent regional and gender disparities. Together, these indicators show that India's development challenges are deeply structural, extending far beyond income poverty alone.

**Table 2: Trends in Poverty and Wealth Inequality in India (2000–2022)**

Year	Poverty Rate (% of population)	Top 1% Wealth Share (%)
2000	40%	20%
2010	30%	30%
2022	20%	50%

**Figure 1: Relationship Between Poverty Decline and Inequality Rise (2000–2022)**



**Interpretation:** The figure demonstrates a clear divergence between poverty reduction and rising wealth concentration in India over the past two decades. While the poverty rate

steadily declined from 40 percent in 2000 to 20 percent in 2022, the share of national wealth held by the top one percent increased sharply during the same period. This indicates that economic growth has disproportionately benefited higher-income groups, limiting the extent to which growth translates into broad-based welfare improvements. The simultaneous fall in poverty and rise in inequality reflects a development pattern where gains are unevenly distributed, consistent with a “growth without inclusion” trajectory. Such divergence highlights the need for policies that directly address structural inequalities rather than relying solely on growth to reduce poverty.

## **7. INTERLINKAGES BETWEEN POVERTY AND INEQUALITY**

The relationship between poverty and inequality in India is mutually reinforcing, forming a structural trap that restricts mobility and weakens the impact of economic growth. High inequality reduces the poverty-reducing power of growth because gains accrue disproportionately to upper-income groups. When access to quality education, credit, healthcare, and assets is uneven, households at the bottom remain confined to low-productivity occupations, transmitting disadvantage across generations. Inequality also affects labour markets directly: wage bargaining power is heavily skewed in favour of employers, suppressing wage growth for informal and low-skilled workers. Moreover, unequal asset ownership—particularly land and financial assets creates significant entry barriers for poorer households attempting to move upward economically. Political economy dynamics further reinforce the linkage, as wealth concentration enables higher-income groups to influence taxation, regulation, and public spending in ways that favour capital accumulation over welfare enhancement. As a result, inequality is not merely a symptom but an active driver of persistent poverty.

## **8. POLICY GAPS UNDERMINING INCLUSIVE DEVELOPMENT**

India’s policy landscape suffers from several structural limitations that restrict its ability to simultaneously reduce poverty and inequality. First, the continued reliance on economic growth as the primary mechanism for poverty reduction fails to account for distributional asymmetries. Growth in recent decades has been led by capital-intensive and skill-intensive sectors, producing what economists describe as jobless growth. Second, India’s welfare system, although extensive, is characterized by fragmentation and duplication across central and state schemes, resulting in inefficiencies, coverage gaps, and administrative overlap. Third, education and healthcare critical components of human capital remain underfunded relative to international benchmarks, limiting the capacity of low-income

households to escape the poverty trap. Fourth, the fiscal system leans heavily toward indirect taxation, which disproportionately burdens the poor while allowing high-wealth individuals to benefit from loopholes in capital gains and wealth taxation. Finally, infrastructural and governance disparities across states mean that the poorest regions face the weakest institutional capacity, further restricting the reach and effectiveness of policies intended to reduce deprivation.

## **9. INDIA'S PROGRESS TOWARD SUSTAINABLE DEVELOPMENT GOAL 1- (NO POVERTY) AND SUSTAINABLE DEVELOPMENT GOAL 10 (REDUCED INEQUALITIES)**

India's progress toward Sustainable Development Goal 1, which aims to “end poverty in all its forms everywhere,” has been notable in terms of reducing extreme monetary poverty. However, significant challenges remain in addressing multidimensional poverty, regional disparities, and persistent vulnerability among low-income households. Many households that have exited poverty remain only marginally above the threshold, making them highly susceptible to economic shocks, job loss, and healthcare expenses. In contrast, India's progress toward Sustainable Development Goal 10, which seeks to “reduce inequality within and among countries,” has been far weaker. Wealth concentration continues to intensify, wage inequality has widened, and access to essential services remains highly unequal across caste, gender, and geographic lines. The rising share of wealth accruing to the top 1 percent indicates a structural failure to distribute the gains of growth equitably. Without addressing such disparities directly, India risks achieving partial gains in Sustainable Development Goal 1 while failing substantially on Sustainable Development Goal 10.

## **10. POLICY RECOMMENDATIONS FOR REDUCING POVERTY AND INEQUALITY**

A coherent strategy to reduce poverty and inequality in India requires integrated reforms across social protection, labour markets, fiscal policy, and human capital development. Strengthening social protection through consolidation of welfare schemes and expansion of universal basic services—such as public healthcare, nutrition, education, and housing—would enhance resilience among low-income households. Labour markets must shift toward formalization by reducing compliance burdens for micro and small enterprises, protecting gig workers, and incentivizing labour-intensive manufacturing. Fiscal policy should adopt a more progressive structure, with greater reliance on direct taxation,

improved wealth- and inheritance-tax enforcement, and reduced dependency on regressive indirect taxes. Simultaneously, substantial investments in government schools, primary healthcare systems, and nutrition programmes are essential to break intergenerational poverty. Finally, India requires a targeted regional development strategy, focusing on infrastructure, connectivity, and human capital in lagging states to reduce spatial inequality. These combined reforms would help ensure that economic growth translates into broad-based welfare improvements.

## CONCLUSION

India's development trajectory demonstrates that economic growth alone is insufficient to ensure broad-based improvements in well-being or equitable access to opportunities. While poverty has declined, the persistence of multidimensional deprivation, combined with rising income and wealth concentration, reveals the structural nature of inequality in the country. The evidence shows that unequal access to education, healthcare, productive employment, and assets continues to restrict social mobility and limit the ability of lower-income households to benefit from growth. Fragmented welfare systems, weak labour markets, and regionally uneven development further compound these challenges, resulting in a pattern of progress that is uneven, fragile, and vulnerable to reversal. Achieving meaningful reductions in both poverty and inequality requires India to move beyond growth-centric strategies and adopt a coherent policy framework that prioritizes social protection, human capital development, fiscal redistribution, and regional balancing. Unless structural inequalities are addressed directly and systematically, India will struggle to achieve inclusive development or ensure that economic progress translates into genuine improvements in the lives of all its citizens.

## REVIEW OF LITERATURE

### **1. Deaton & Drèze (2002) - Poverty and inequality in India: a re-examination**

Deaton and Drèze re-analysed Indian poverty and inequality using National Sample Survey consumption data for the 1987–2000 period and demonstrated that apparent improvements in living standards during the 1990s were more uneven than commonly reported. They show that monetary poverty indices can obscure important welfare realities for example, calorie consumption stagnation in some rural areas despite rising average expenditure and argue for careful interpretation of consumption-based poverty measures. Their methodological contribution (reconciling survey evidence with other macro indicators) remains central to debates about how to measure poverty and the distributional impact of

growth in India. This paper underpins the present study's claim that income-based gains alone are insufficient to assess progress on deprivation.

## **2. Mehta & Shepherd (eds., 2006) — Chronic poverty and development policy in India**

The edited volume by Mehta and Shepherd collects empirical studies and policy essays showing that a large share of India's poor are chronically deprived, not merely temporarily poor due to shocks. Contributors use panel data, case studies, and local evidence to distinguish chronic poverty (structural, long-term deprivation) from transient poverty, highlighting drivers such as landlessness, low human capital, and social exclusion. The book's policy implication that short-term relief alone cannot solve persistent deprivation supports this paper's emphasis on structural and capability-oriented interventions. The volume is widely cited for connecting micro-level chronicity to macro-level distribution issues.

3. Jayaraj & Subramanian (various works: 2006–2012) — Horizontal and vertical inequalities in India work (spanning journal articles and policy pieces) systematically analyses both vertical (income) and horizontal (group-based: caste, gender, region) inequalities, showing how these dimensions interact to deepen disadvantage. They demonstrate that improvements in aggregate indicators can mask persistent group-specific deprivations, and provide measures and indices that capture multidimensional and subgroup disparities. Their analysis supports the argument that policy must address distributional and identity-based inequalities together if poverty reduction is to be durable and inclusive.

4. Dreze & Sen (2013) in their influential book *An Uncertain Glory*, argue that India's development has been fundamentally constrained by chronic underinvestment in human capabilities, particularly education, healthcare, and nutrition. Drawing on comparative international data, national surveys, and long-term developmental indicators, the authors show that economic growth alone fails to address deep social inequalities when institutional access remains uneven. They demonstrate that disparities in human development outcomes across Indian states such as Kerala versus Uttar Pradesh—directly reinforce patterns of poverty and limit upward mobility for disadvantaged groups. Their work is crucial to understanding how structural inequality persists even during periods of rapid economic expansion, highlighting the need for redistributive public investment. This source supports the argument that poverty in India is not simply an income deficit but a deprivation of essential capabilities shaped by unequal access to public goods.

5. Chancel & Piketty (2017) provide one of the most comprehensive analyses of long-run income inequality in India, covering the period from colonial rule to the modern

“billionaire economy.” Using tax records, national accounts, and survey data, they show that income inequality in India has risen dramatically since the 1980s, with the top 1 percent capturing a growing share of national income. Their findings reveal that post-liberalization growth disproportionately benefited upper-income groups, while the bottom 50 percent experienced relatively modest gains. The study’s methodological strength lies in its ability to correct for survey underestimation of high incomes, producing a more accurate depiction of wealth concentration. For this paper, the relevance is clear: rising inequality reduces the poverty-reducing elasticity of growth and reinforces structural disadvantages across regions and social groups in India.

6. Himanshu (2019) provides an extensive review of inequality trends in India using multiple waves of National Sample Survey data, focusing on the post-reform period. The study highlights the stagnation of real rural wages and increasing divergence between urban and rural consumption patterns. Himanshu shows that inequality is driven not only by income gaps but also by disparities in land ownership, education quality, and access to infrastructure. The research emphasizes that structural inequalities caste, region, and occupation continue to shape economic outcomes despite policy reforms. This work reinforces the argument that poverty in India cannot be addressed without simultaneously tackling the underlying inequalities that perpetuate deprivation, particularly in rural and marginalized communities.

7. World Bank (2023) The World Bank’s Poverty and Shared Prosperity 2022 report provides a global comparative analysis of poverty and inequality trends, with India being a key case. Using multidimensional and monetary poverty measures, the report shows that countries with high inequality exhibit significantly slower poverty reduction, even when economic growth is substantial. For India, the report identifies vulnerability among households just above the poverty line and notes that shocks such as the COVID-19 pandemic disproportionately harmed lower-income groups due to lack of social protection. The report also highlights that India’s wealth and consumption inequality have widened, especially in urban areas, reducing shared prosperity. This global perspective reinforces the argument that addressing inequality is essential for sustained poverty reduction and that India’s progress toward reducing deprivation depends on structural reforms aimed at redistribution and inclusive growth.

**REFERENCES**

1. **Deaton, A., & Drèze, J. (2002).** Poverty and inequality in India: A re-examination. *Economic and Political Weekly*, 37(36), 3729–3748. Available : <https://econdse.org/wp-content/uploads/2012/02/DeatonDrezeIndia.pdf>
2. **Mehta, A. K., & Shepherd, A. (Eds.). (2006).** Chronic poverty and development policy in India. SAGE Publications. Publisher page: [https://books.google.co.in/books?id=Tf6wAAAIAAJ&redir\\_esc=y](https://books.google.co.in/books?id=Tf6wAAAIAAJ&redir_esc=y)
3. **Jayaraj, D., & Subramanian, S. (2006–2012).** Horizontal and vertical inequalities in India (series of papers and articles). Representative works and summaries available at ResearchGate and OPHI/EPW sources (e.g., “A Chakravarty–D’Ambrosio View of Multidimensional Deprivation” and related articles). Access: [https://ophi.org.uk/sites/default/files/2023-08/OPHIWP137\\_2.pdf](https://ophi.org.uk/sites/default/files/2023-08/OPHIWP137_2.pdf)
4. **Drèze, J., & Sen, A. (2013).** An uncertain glory: India and its contradictions. Princeton University Press. Publisher info: [https://books.google.co.in/books?id=pV\\_KngEACAAJ](https://books.google.co.in/books?id=pV_KngEACAAJ)
5. **Chancel, L., & Piketty, T. (2017).** Indian income inequality, 1922–2015: From British Raj to billionaire Raj? *Review of Income and Wealth*, 65(S1), S33–S62. Working paper and dataset: <https://wid.world/www-site/uploads/2017/12/ChancelPiketty2017WIDworld.pdf>.
6. **Himanshu. (2019).** Inequality in India: A review of levels and trends (WIDER Working Paper No. 2019/42). UNU-WIDER. DOI/handle: <http://hdl.handle.net/10419/211272>
7. **World Bank. (2022).** Poverty and Shared Prosperity 2022: World Bank Publications. <https://openknowledge.worldbank.org/handle/10986/37628>