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## POVERTY AND INEQUALITY: A REVIEW

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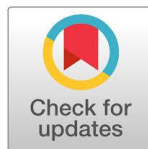
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***Abstract:** India's development trajectory is marked by a paradox of rapid economic growth and significant poverty reduction alongside persistent and widening inequalities in income, wealth, and human development outcomes. While recent estimates suggest that extreme poverty has declined sharply—driven by growth and expansive welfare interventions—these improvements often mask deep-rooted relative inequalities and structural disadvantages, particularly across caste, region, gender, and rural–urban divides. This paper reviews major theoretical perspectives on poverty and inequality, ranging from behavioural and structural theories to Amartya Sen's Capability Approach, and synthesizes key empirical evidence from the Indian context. The review highlights the dominant role of economic growth in reducing poverty headcounts, while underscoring the unequal distribution of growth benefits, reflected in rising top income and wealth shares and the emergence of a “Billionaire Raj.” It further examines multidimensional poverty trends, methodological debates surrounding poverty measurement, data limitations, and the impact of digitalization, governance, and environmental factors on poverty and inequality. The analysis reveals that despite notable progress in reducing absolute deprivation, entrenched social hierarchies, environmental injustice, and institutional failures continue to perpetuate vulnerability among marginalized communities, especially Scheduled Castes and Scheduled Tribes. The paper concludes that India's development challenge lies not merely in poverty alleviation, but in fostering inclusive growth through structural reforms, strengthened public services, and policies that expand capabilities and ensure equitable opportunities.*

***Keywords:** Poverty and Inequality, Billionaire Raj, Development Challenges*

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## Introduction

India grapples with deep poverty alongside extreme wealth and income inequality: a small affluent elite controls a disproportionate share of resources, while millions continue to face food insecurity and unaffordable health expenses. Although recent studies indicate substantial declines in extreme poverty, largely due to expanded welfare programs, these gains often obscure enduring relative inequality and persistent shortcomings in health, education, and gender equality—problems that are particularly acute at local levels and among Scheduled Caste and Scheduled Tribe communities.

India has seen a substantial decline in extreme poverty over the past decade, with the rate falling to around 5.3% in 2022–23 using the \$3/day PPP threshold and to about 2.3% on the older \$2.15/day extreme poverty line, reflecting large reductions in absolute deprivation. However, wealth and income inequality remain pronounced: the top 10% of Indians hold roughly 65% of total wealth while the bottom 50% own only about 6–6.4%, and the top 1% controls about 40%, illustrating significant concentration of resources at the top. Consumption-based inequality (Gini) has eased somewhat, but underlying social and regional inequalities persist, particularly in health, education, and across caste groups. In this paper the researcher attempts to review theories and empirical works on poverty and inequality.

## Review of theories and empirical works on poverty and inequality

Behavioural theories, such as the Culture of Poverty proposed by Oscar Lewis, suggest that poverty is perpetuated across generations due to the distinct attitudes, values, and psychological structures developed by the poor. This perspective argues that low-income individuals develop a subculture characterized by fatalism, lack of ambition, and an inability to defer gratification, which, in turn, prevents them from seizing opportunities and achieving upward mobility even when systemic barriers are removed. While influential, this approach is often criticized for "blaming the victim" and overlooking the persistent structural and economic barriers that restrict individual agency and opportunity.

Structural theories assert that poverty and inequality are not the result of individual failings but are inherent features of the economic and social system. The Conflict approach, rooted in Marxist thought, views inequality as a product of power struggles and exploitation between social classes, arguing that capitalism requires a reserve army of cheap labor to maintain high profits. Similarly, structural functionalism posits that stratification is necessary to ensure the most talented individuals occupy the most important societal roles, justifying unequal rewards. Overall, these theories emphasize systemic issues like economic market failures, class discrimination, and institutional policies as the primary causes of widespread poverty and significant wealth disparity.

A modern and multidimensional perspective, championed by Amartya Sen, is the Capability Approach. This theory moves beyond merely measuring income or utility, defining poverty as the deprivation of essential human capabilities or freedoms—the opportunities a person has to *be* and *do* valuable things, such as being healthy, being educated, or participating fully in community life. Therefore, inequality is fundamentally seen as the unequal distribution of opportunities and functionings, rather than just wealth. This framework has been highly influential in policy, shaping the development of measures

like the Human Development Index (HDI) and advocating for policies that empower individuals and expand their basic freedoms.

**Poverty-Growth Nexus:** Most studies confirm that the high rates of economic growth post-1991 have been the primary driver of poverty reduction (Datt & Ravallion, 2009). However, the pace of poverty decline accelerated only in the mid-2000s after the initial lag in the 1990s (Panagariya & More, 2025). The growth effect is the dominant factor in poverty decomposition analysis (Sahoo et al., 2022).

**Rising Inequality:** A consistent finding is the increase in income and consumption inequality, particularly in urban areas (Panagariya & More, 2025; Dev, 2016). This suggests that while economic growth has created wealth, the benefits have been disproportionately captured by the wealthier segments of society. The sectoral imbalance of growth, heavily favouring services and urban centers, is cited as a reason for this unequal distribution, failing to provide substantial gains for the rural and agrarian poor in some states (Datt & Ravallion, 2009).

Modern research strongly emphasizes the Multidimensional Poverty Index (MPI), which measures deprivations across health, education, and living standards, aligning with Amartya Sen's Capability Approach.

- **Rapid MPI Decline:** Studies using the National Family Health Survey (NFHS) data, such as the NITI Aayog's official reports, show a remarkable reduction in multidimensional poverty in India. The share of the population classified as MPI poor declined drastically between 2015–16 and 2019–21 (NITI Aayog, 2023). This progress is attributed to substantial improvements in non-monetary deprivations like access to sanitation, cooking fuel, and electricity.
- **Persistent Social and Regional Disparities:** Despite the national decline, the MPI research highlights acute disparities:
- **Rural-Urban Divide:** The incidence of poverty remains significantly higher in rural areas than in urban areas, though the intensity of poverty in both areas is often comparable (Political Science Journal, 2024).
- **Caste Disadvantage:** Caste-based analysis consistently shows that Scheduled Tribes (STs) and Scheduled Castes (SCs) remain the most deprived social groups, experiencing the highest MPI values and greatest intensity of poverty (PLOS One, 2022). The majority of the multidimensionally poor belong to these historically disadvantaged groups.
- **Regional Concentration:** Poverty is heavily concentrated in a few states, often referred to as the EAG states (like Bihar, Jharkhand, Uttar Pradesh, and Madhya Pradesh), which account for a disproportionate share of the poor (ResearchGate, 2015).

**Methodological Debates:** Expert groups (like the Tendulkar and Rangarajan Committees) have frequently revised the official poverty line and methodology (IGIDR, 2020). Debates center on the use of calorie norms, adjusting the consumption basket for rural areas, and the use of different recall periods in National Sample Survey (NSS) data, all of which significantly impact the resulting poverty estimates (Rama, 2019). **Data Scarcity and Disaggregation:** Researchers note that monitoring efforts at the national and state level often fail to capture the deep pockets of poverty and undercurrents of inequality

at the local village or block level. This necessitates the use of small-area estimation techniques or longitudinal village studies to understand context-specific dynamics, especially concerning structural transformation and the local impact of events like the COVID-19 pandemic (Poverty Evidence, 2025).

A significant amount of recent academic energy has been devoted to the controversy surrounding the measurement of poverty in India, particularly due to the lack of official consumption expenditure data between 2011–12 and 2022–23 (the "missing decade").

- **The Consumption Survey Controversy:** The official release of the Household Consumption Expenditure Survey (HCES) data for 2022–23 has sparked intense debate regarding comparability with previous surveys (Bhalla & Bhasin, 2024). Researchers note substantial methodological changes—including an expansion of the consumption module from 347 to 405 items and a shift from a single-visit survey to a three-module, three-visit survey (The India Forum, 2025). These changes inherently tend to increase measured consumption, leading to extremely low poverty estimates that some scholars critique as lacking structural context (Ghatak & Kumar, 2025).
- **Near-Elimination of Extreme Poverty:** Studies analyzing the new HCES data suggest a sharp decline in the headcount ratio, with some estimates placing extreme poverty (at the World Bank's \$1.9 PPP line) at near elimination (Bhalla & Bhasin, 2024). However, other works caution that the lack of corresponding structural transformation (stagnant agricultural share, high informal employment) makes this rapid decline difficult to reconcile, suggesting the extensive fiscal welfare response during the pandemic may have played a critical, non-structural role (Ghatak & Kumar, 2025).

While poverty headcount has declined, the concentration of wealth and income at the very top of the distribution has accelerated, leading to unprecedented levels of income and wealth inequality called The "Billionaire Raj".

- **Skyrocketing Top Shares:** Recent long-run analyses confirm that inequality, which had declined post-independence, began rising in the early 1980s and has "skyrocketed since the early 2000s" (Bharti, Chancel, Piketty, & Somanchi, 2024). By 2022–23, the top 1% income share (at 22.6%) and top 1% wealth share (at 40.1%) reached their highest historical levels and are among the highest in the world.
- **Regressive Tax System:** This highly skewed distribution is exacerbated by findings that the Indian income tax system may be regressive when viewed from the lens of net wealth, meaning the wealthy may be taxed less effectively on their actual economic power compared to other income groups (Bharti et al., 2024). These findings underscore that India's growth has been highly unequalizing, challenging the overall narrative of shared prosperity.

Research continues to underline how historical social structures and new technological forces interact to shape inequality.

- **Caste and Local Governance:** Studies using the Multidimensional Poverty Index (MPI) consistently show that Scheduled Tribes (STs) and Scheduled Castes (SCs) remain the most vulnerable groups, with higher population densities of these groups correlating with increased MPI (Frontiers, 2025). Crucially, recent work suggests

that the effectiveness of local governance has a statistically significant negative correlation with rural MPI, meaning better local governance can help mitigate these caste-based disparities, especially in rural areas (Frontiers, 2025).

- Digitalization as a Double-Edged Sword: The rapid digitalization of the Indian economy presents a mixed picture. While the diffusion of ICT and digital finance has been found to directly reduce poverty in both urban and rural areas by improving access to services (Das & Chatterjee, 2023), the impact on inequality is complex.
- The Digital Divide: Unequal access to ICT and digital skills (digital inequality) exacerbates existing economic and social disparities, hindering opportunities for entrepreneurship and access to essential services for less advantaged regions (ResearchGate, 2025). Research implies that bridging this "digital divide" is contingent upon ensuring equitable access to foster sustainable and inclusive economic development (ResearchGate, 2025).

There is a bidirectional relationship between poverty and the environment, often referred to as the "poverty-environment degradation nexus" (Chaudhry et al., as cited in PMC, 2024).<sup>2</sup>

- Poverty as a Cause of Degradation (Local Level): The poor, especially in rural areas, are highly dependent on Common Property Resources (CPRs) like forests, rivers, and pastures for their subsistence (Jha, 2018). Due to lack of alternative income, they are often forced into unsustainable practices, such as excessive fuelwood collection, which leads to deforestation and over-exploitation of local resources (Jha, 2018; Mukhopadhyay, 2018). Studies on the Indian Sundarbans, for example, show that extremely poor families contribute more to local CO emissions due to higher dependence on burning wood and leaves for survival (ResearchGate, 2020).
- Degradation as a Cause of Poverty (Global/Macro Level): Conversely, the poor bear the brunt of environmental damage largely caused by the consumption patterns of richer populations.<sup>5</sup> Natural disasters, primarily flooding associated with climate change, increase over time and have a positive effect on state-level poverty and inequality by destroying assets, livestock, and infrastructure, pushing vulnerable households into poverty traps (MPRA, 2019). The loss of income for farmers due to unpredictable weather patterns and reduced crop yield is a direct pathway from environmental instability to rural poverty (The Borgen Project, 2021).

The concept of environmental injustice is central to understanding how inequality is magnified by environmental factors in India. This refers to the disproportionate exposure of marginalized groups to environmental hazards.

- Exposure to Pollution: Low-income communities, particularly Dalits and Adivasi (STs), often live near Locally Undesirable Land Uses (LULUs), such as industrial waste facilities, thermal power plants, and polluted rivers (EPW, 2023). This is known as environmental classism (Digital Commons, 2025). The poor in urban centers are subject to severe air and water pollution, while the rich benefit from the economic activity that generates the pollution (UNESCO, 2016).
- Health and Intergenerational Poverty: Air and water pollution cause high rates of infectious diseases (diarrhea, pneumonia, malaria) and chronic illnesses, which are more prevalent among the poor due to limited access to healthcare, malnutrition,

and poor housing quality (EPW, 2023). Indoor air pollution from cooking with wood and dung disproportionately affects women and children, contributing to health issues that limit educational attainment and economic participation, thereby creating an intergenerational cycle of environmental poverty (EPW, 2023; The Borgen Project, 2021).

Research highlights institutional and market failures that perpetuate environmental poverty. Environmental degradation is often a result of market failure, specifically the absence of well-defined property rights and the failure to internalize externalities (i.e., the cost of pollution is not paid by the polluter) (India Budget, 1999). The design of public services, such as water supply and sanitation, often favors capital-intensive solutions that only reach the richer segments of urban populations. As a result, the untreated waste of the poor mixes with the treated waste of the rich, perpetuating water pollution and placing a higher health burden on the poor (UNESCO, 2016). Policies focusing on water storage and geological hazard mitigation are essential but often neglected in favor of traditional factors like elevation (MDPI, 2020).

## **Conclusion**

India's experience with poverty and inequality presents a mixed picture. While sustained economic growth and expansive welfare programs have contributed to a marked decline in extreme poverty, these gains coexist with stark wealth and income disparities. A small segment of the population continues to command a disproportionate share of resources, even as large sections face vulnerabilities related to nutrition, healthcare, education, and social mobility. Persistent inequalities across regions, genders, and caste groups—especially among Scheduled Castes and Scheduled Tribes—highlight that reducing poverty alone is not sufficient. Addressing India's development challenge therefore requires shifting focus from headline poverty reduction to inclusive growth that tackles structural inequality, strengthens public services, and ensures equitable opportunities for all.

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- Would you like me to search for articles focusing specifically on the impact of COVID-19 on poverty and inequality in India?