

Indian Inequality Dynamics, 1922-2015

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From 1922 to 1999, the Indian Tax Administration published Indian income tax tabulations, making it possible to track the dynamics of top income shares over the long run in the Sub-continent. Using such data in a systematic manner, Banerjee and Piketty (2005) showed that the top 1% income share was markedly reduced in India from about 18% the early 1940s to 5% the early 1980s and started to rise again after – to about 10%. The series however stop in 1999. Indeed, in 2000, the Indian Tax Administration stopped publishing income tax data tabulations. In 2016, the Government of India announced the publication of recent Income tax statistics, ie. for years 2013 to 2015 making it possible to prolonge the trends.

We exploit this data and review Banerjee & Piketty's estimates in order to produce new harmonized top income series in India from 1922 to 2015, using generalized Pareto interpolation techniques (Blanchet, Fournier, et Piketty 2017). We also combine the top income estimates from tax data with National Sample Survey and India Household Development Survey data in order to reconstruct the evolution of the full distribution of income from 1980 to 2015, based on the Distributional National Accounts Methodology (Alvaredo et al. 2016).

Our results show that the rise in inequality highlighted by Banerjee and Piketty was prolonged – with top 1% income share levels reverting to their pre-independence levels. Our estimates exhibit both higher levels of inequality as compared to survey data, as well as a higher rise over the past 15 years. This finding is consistent with results from other countries available on WID.world, the global database on the distribution of income and wealth. The results stress the need for continued publication and analysis of Indian income tax statistics.

Alvaredo, Facundo, Anthony Atkinson, Lucas Chancel, Thomas Piketty, Emmanuel Saez, et Gabriel Zucman. 2016. « Distributional National Accounts Guidelines ». WID.world Methodology Paper.

Banerjee, Abhijit, et Thomas Piketty. 2005. « Top Indian Incomes, 1922–2000 ». The World Bank Economic Review 19 (1): 1‑20.

Blanchet, Thomas, Juliette Fournier, et Thomas Piketty. 2017. « Generalized Pareto Interpolation Techniques ». WID.world Methodology Paper.