

Indian Inequality Updates (2015-2019)

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World Inequality Lab



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Indian income inequality estimates for India are based on Chancel and Piketty (2019) who extend and update Banerjee and Piketty (2005). For the detailed methodology of estimates available on WID.world between 1922 and 2015, users should refer to the Chancel and Piketty paper.

As per the general strategy of the World Inequality Database, we provide pretax income inequality series (g-percentile shares, averages and thresholds) up to 2019. Indian pretax income inequalities series between 2015 and 2019 available on WID.world are obtained by a simple growth neutral extrapolation, i.e. we assume that the distribution of pretax income is unchanged between 2015 and 2019 and that all income g-percentiles grow at the average per-adult national income growth rate (see the DINA Guidelines (2020), section 2, for methodological details on the construction of national income series and on WID.world).

Indian inequality estimates between 2015 and 2019 provide a useful and transparent starting point to compare income levels across the distribution in India vs. that of other countries in the world. These estimates should nonetheless be interpreted with care. In particular, we stress that they should not be used to assess the impact of post-2015 economic policies.

The World Inequality Lab is currently processing income tax tabulations recently released by the Indian Tax Administration (ITA) for years 2015-2018. More refined income inequality estimates for the years 2015-2018 will be uploaded shortly on the World Inequality Database, using this information. We stress however that tax data

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only covers a fraction of the adult population in India (9% in 2018) and must be coupled with household survey information in order to provide robust and systematic estimates of the distribute growth across the entire population. The data tables recently published by the Income Tax Department and by the National Sample Survey Organization (NSSO) remain imperfect and incomplete in that regard.

In particular, there hasn't been novel public data on the distribution of consumption or income growth published by the government after the 68th round of the NSSO Household Consumer Expenditure Surveys (HCES) conducted in 2011-12. The 2017-18 NSSO HCES estimates have been withheld by the Indian government, making it impossible to track the distribution consumption growth over nearly a decade. What is more, there isn't any question on income in NSSO HCES, making it particularly challenging to track income inequality dynamics at the bottom of the distribution, even if the latest HCES round was released². In Chancel and Piketty (2019), in addition to NSSO HCES, we relied on Indian Household Development Survey (IHDS) data (conducted in 2005 and 2011-12 by the ICPSR, an independent research consortium), which provides data on the distribution of income. There haven't been new waves of IHDS since then³.

Overall we stress that the quality and transparency of institutional inequality statistics (and of overall economic statistics) in India is very concerning. Significant efforts should be made by authorities to improve the quality and transparency of distributional income and wealth information in survey and in tax statistics. The World Inequality Lab reiterates its calls for:

- The release of the NSSO CES 2017-18 estimates that have been withheld by the Indian Government.
- The inclusion of income and wealth questions in the CES. Going further, it will be necessary to link ITA data with NSSO survey data. This should be done via a coordinated effort of the NSSO and the ITA during the sampling phase of the CES.
- The publication, by the ITA, of basic distributional information on income and wealth, following the format presented in Figures 1-3 below.
 - o Currently, the data provided by the Indian Tax Administration (cf. 2017-18 tax tabulation [here](#)) does not provide the basic information required to properly track inequality.
 - o For instance, the Administration publishes information about salary income by ranges of salary income ([Table 2.2](#)), as well as house property income by ranges of house property income ([Table 2.3](#)). Table 2.2 and 2.3 are of little value for inequality analysis for the simple reason that taxpayers at the top of the distribution of salary income are not the same as the taxpayers at the top of the distribution of house property income. As a result, it is impossible to decompose the income of each g-percentile in different income sources so as to properly understand what is driving inequality dynamics.

² Chancel and Piketty (2019) estimate the distribution of income inequality at the bottom of the distribution from the distribution of consumption.

³ We note the existence of a survey conducted by a private company (CHPS) with questions on income. Its access remains restricted.

- In addition, the Tax Administration mentions that more than 20 million tax payers have paid the income tax, but have not filed valid tax returns. The Administration should seek to provide estimates of the income levels and taxes paid by these individuals.
- The World Inequality Lab also calls for access to tax microdata files, under strict confidentiality safeguarding rules, as it is done in several countries (e.g. USA, France, Brazil, South Africa...). This is necessary to improve the quality and transparency of inequality statistics.

Figure 1 - Data Table to Be Published by Tax Authorities: Data by Income Bracket

net income bracket (\$)	number of individuals	total income	labor income	capital income	incl. housing asset income	incl. equity asset and net interest income	incl. pension and life insurance asset income	total income taxes	incl. personal income tax	incl. corporate income tax	incl. capital gains tax	total wealth taxes	incl. wealth and property tax	incl. inheritance and estate tax
0-10k
10k-20k
20k-30k
30k-40k
40k-50k
50k-70k
70k-100k
100k-150k
150k-200k
200k-400k
400k-600k
600k-800k
800k-1m
1m-10m
10m-100m
>100m

Source: DINA Guidelines (2020)

Figure 2 - Data Table to Be Published by Tax Authorities: Data by Wealth Bracket

net wealth bracket (\$)	number of individuals	incl. number of residents	incl. number of non-residents	total net wealth	incl. residents	incl. non-residents	total wealth taxes	incl. wealth and property tax	incl. corporate income tax	incl. inheritance and estate tax	total income taxes	incl. personal income tax	incl. corporate income tax
<0
0-10k
10k-100k
100k-1m
1m-10m
10m-100m
100m-1bn
1bn-5bn
5bn-10bn
>10bn

Source: DINA Guidelines (2020)

Figure 3 - Data Table to Be Published by Tax Authorities: Wealth and Income Composition by Wealth Bracket

net wealth bracket (\$)	number of individuals	total wealth	<i>incl. currency and deposits</i>	<i>incl. bonds and loans</i>	<i>incl. equities and fun shares</i>	<i>incl. pension funds and life insurance</i>	<i>incl. real estate</i>	<i>incl. business and other non-financial assets</i>	<i>incl. debt</i>	<i>incl. total domestic assets</i>	<i>incl. total foreign assets</i>	total income	<i>incl. capital income</i>	<i>incl. labor income</i>
<0
0-10k
10k-100k
100k-1m
1m-10m
10m-100m
100m-1bn
1bn-5bn
5bn-10bn
>10bn

Source: DINA Guidelines (2020)

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