

The persistence of paradox: A multi-dimensional analysis of poverty and inequality in India (2014–2025)

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Abstract

In the decade leading up to April 2025, India has witnessed a profound economic paradox: record-breaking GDP growth coexisting with deep-seated structural inequalities. This paper investigates the dual nature of India's development trajectory. By synthesizing data from the National Sample Survey (NSS), the Multidimensional Poverty Index (MPI), and real-time digital transaction metrics, the research analyses the transition from "income-based" to "deprivation-based" poverty assessments. It further explores the post-pandemic "K-shaped" recovery and the role of digital public infrastructure in mitigating extreme indigence. The paper concludes that while absolute poverty has declined, relative inequality remains a threat to long-term social cohesion, requiring a shift from "welfare-based" to "opportunity-based" policy interventions.

Keywords: Multidimensional poverty, gini coefficient, k-shaped recovery, digital divide, social safety nets, inclusive growth

Introduction

As of April 2025, India stands as the world's fastest-growing major economy. However, the "India vs. Bharat" divide remains a central theme in its economic discourse. While the nation celebrates its ascent in global GDP rankings, the internal distribution of that wealth remains highly skewed.

Poverty in India is no longer merely a lack of daily calories; it has evolved into a lack of access—to quality healthcare, digital literacy, and stable employment. This paper seeks to map this evolution, examining how structural shifts in the economy have benefited the top decile while leaving the bottom quintile vulnerable to inflationary shocks and climate-related disruptions.

Review of Literature

The study of poverty in India has transitioned through several academic epochs.

1. From Calorie Counts to Multidimensionality

Early literature, pioneered by Dandekar and Rath (1971) ^[1] and later refined by the Tendulkar Committee, focused almost exclusively on nutritional intake and expenditure. However, Sen (1999) ^[8] shifted the paradigm toward "Capability Deprivation," arguing that poverty is the lack of freedom to achieve one's potential. By 2025, this has become the standard, with the Niti Aayog Multidimensional Poverty Index (2024) ^[3] showing that while 135 million people escaped poverty between 2016 and 2023, the intensity of deprivation remains high in states like Bihar and Uttar Pradesh.

2. The Post-Pandemic K-Shaped Recovery

Contemporary economists have focused heavily on the uneven recovery following the 2020-2022 global shocks. Singh & Chakraborty (2020) ^[9] initially warned that digitalization might marginalize the informal sector. Recent studies by the Reserve Bank of India (2024) ^[7] confirm a "K-shaped" divergence, where formal sector wages and corporate profits soared while informal labour markets stagnated. Panagariya (2025) ^[6] argues that while extreme

poverty is nearly eradicated (below 1% of the population), the "near-poor" or "vulnerable" category has expanded.

3. The Digital-Financial Nexus

The role of technology in poverty alleviation is a burgeoning field. Gomber *et al.* (2017) ^[2] and Nilekani (2019) highlight that Digital Public Infrastructure (DPI) has reduced "leakages" in welfare distribution. However, Kumar & Sharma (2021) ^[5] caution that a "Digital Divide" persists, where those without high-speed access are effectively taxed by their inability to access digital markets and credit.

Theoretical Framework: The Kuznets Curve and the Inequality Trap

The research applies the Kuznets Hypothesis, which suggests that inequality inevitably rises during early development before falling. However, in the Indian context of 2025 ^[6], we observe an "Inequality Trap."

1. The Wealth Gap

According to the World Inequality Lab (2024) ^[10], the top 1% of Indians hold nearly 40% of the national wealth, a level higher than during the British Raj. This concentration of capital limits social mobility, as the cost of "quality" education and healthcare—now largely privatized—is out of reach for the bottom 50%.

The Changing Face of Poverty (2014–2025)

1. Rural vs. Urban Dynamics

As of 2025, rural poverty has seen a significant decline due to the Awaas Yojana (Housing) and Jal Jeevan Mission (Water). However, "Urban Poverty" is rising. Migrants moving to cities for work often trade rural food security for urban precarity, living in informal settlements with limited access to sanitation and high living costs.

2. The "Missing Middle" in Employment

The primary driver of inequality is the lack of labour-intensive manufacturing. Most of India's growth is driven by the "High-Skill Service Sector." This creates a scenario where a software engineer in Bangalore earns 50 times more

than a construction worker in the same city, with no middle-tier manufacturing jobs to bridge the gap.

Digital Public Infrastructure (DPI) as a Poverty Leveler

One of the most significant shifts identified in this research is the success of the "JAM Trinity" (Jan Dhan, Aadhaar, Mobile).

- **Direct Benefit Transfer (DBT):** By April 2025, over 300 government schemes utilize DBT, ensuring that subsidies reach the intended recipient without middleman interference.
- **Financial Inclusion:** The **National Payments Corporation of India (2024)** ^[3] reports that UPI and RuPay have formalized micro-transactions, allowing small vendors to build a "digital credit history" for the first time.

Challenges: The New Frontiers of Inequality

1. The Education Divide

While school enrollment is high, "Learning Poverty" is a crisis. Wealthier families supplement school with private AI-driven tutoring, while poor students rely on underfunded state schools. This "Cognitive Inequality" will dictate the labour market of the 2030s.

2. Climate Vulnerability

The "Poor" in India are disproportionately affected by climate change. Heatwaves in North India and flooding in coastal regions deplete the savings of the working class through health expenses and loss of workdays, creating a "Poverty Spiral."

Policy Recommendations

1. **Universal Basic Services (UBS):** Move beyond cash transfers to guaranteed quality healthcare and vocational training.
2. **Progressive Wealth Taxation:** Implementing a moderate tax on the ultra-wealthy to fund "Climate Resilience" funds for the poor.
3. **MSME Revitalization:** Linking small-scale manufacturing to global supply chains via the "Make in India" framework to create "Middle-Income" jobs.

Conclusion

By April 2025, India has conquered the battle against "starvation-level" poverty, but it is losing the war against "structural inequality." The growth of the last decade has built world-class infrastructure, but the "Human Infrastructure"—nutrition, education, and social mobility—requires more aggressive intervention. India's transition to a "Viksit Bharat" (Developed India) by 2047 depends not on the height of its GDP, but on the breadth of its distribution.

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