A well recognized, feature of development planning is to supplement the goal of high economic growth with the objectives of reduction in income disparity and eradication of poverty. This reorientation of development objectives has come with the realization that despite rapid growth the issue of income disparity and poverty remained burning especially in developing countries. Indeed a number of cases exist where growth has been accompanied by widening of income disparities e.g. USA, China, India, etc. Uneven and sporadic growth has been of little benefit to the majority of the people in these countries. High and sustained economic growth increases the labour demand and wages which in turn reduce poverty and income inequality. Similarly, better earnings as a result of reduction in poverty and fair income distribution lead to increase productivity and growth. But the extent of disparity and poverty reduction as a result of economic growth depends on how the distribution of income changes with economic growth. If income inequality increases, then economic growth does not lead to a significant reduction in poverty. Many developing countries achieved high growth rates in different periods but poverty does not reduce significantly in these periods due to increase in income inequalities e.g. Mexico, Panama, etc. The ‘growth trickles down and spreads’ was the wide belief amongst many developing countries, when they traded on the path of development. As a consequence of this belief...

"Indeed, the distribution of wealth is too important an issue to be left to economists, sociologists, historians, and philosophers.”

Thomas Piketty
Introduction

no need was felt for undertaking special programmes to create employment opportunities, alleviate poverty and reduce income inequalities. But the hopes of solving these problems with growth got belied with the failure of ‘trickle down’. Uneven and sporadic growth has been of little benefit to the majority of the poor in developing countries (ADB 1984).\(^1\) Chenery (1974)\(^2\) remarked that “It is now clear that more than a decade of rapid growth in underdeveloped countries has been of little or no benefit to perhaps a third of their population. Although the average per capita income of the third world has increased by 50 percent since 1960, this growth has been very unequally distributed among countries, regions within countries, and socio-economic groups”, the world Bank president Robert S. Mcnamara (1973)\(^3\) also opined that “about 40 percent of the developing world population had not benefited at all from the growth of the last few decades. This experience is rather frustrating to multitudes of population and as a result the very concept of aggregate growth as a social objective has increasingly being called into question”.

The idea that economic growth has a dynamic impact on inequality is based on the income mobility concept of Kuznets.\(^4\) High economic growth creates opportunities for more work and increased income. The demands for unskilled labour are also magnified with such growth. A dynamic economy, where technological change is rampant causing continuous changes in the composition of technologically upgrading and stagnant industries, generates as well as destroys productive employment opportunities. In the process, some people move into lower income groups relative to where they were at the beginning of the growth process (downward income mobility) and some people move into higher income-groups (upward income mobility). In the rapid growth process, as is usually argued, opportunities for upward mobility, far outweighs the downward mobility. Rapid economic growth, therefore, is pro-poor on the balance. However, if

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the poor cannot access the opportunities for upward mobility generated through the growth process, the potential favourable impact on poverty is far from realized (Tendulkar, 1992). Kuznets, who links the evolution of the Gini coefficient to the average income level of an economy. He thus considers per capita GDP as the independent variable and inequality as the dependent variable. Kuznets claims that, in the first stages of the growth process, when per capita income is still low, inequality is moderate, too. In the following phases, however, inequality must rise in order to make capital accumulation possible through savings. Kuznets refers to the Keynesians hypothesis of greater marginal propensity to save for those individuals who earn the highest incomes. The rise in inequality in this stage would be brought about by the workers’ transition from the primary to the secondary sector. Kuznets supposed that the agricultural sector, due to its inferior productivity, is characterized by a lower average income and a lower income dispersion (variability) than the manufacturing sector. Thus, the expansion of the manufacturing sector causes an increase in inequality within an economic system. In the following phases, once a certain income threshold has been met, inequalities begin to shrink due to a combination of several factors, such as legislation (e.g. the introduction of capital, inheritance or capital revenue taxes) or the dynamic characteristic of a growing economy, which favours the career of young entrepreneurs (Kuznets 1955). Kuznets used time-series data relative to United Kingdom, France and United States and theorized a non-linear relationship between the inequality level and the per capita GDP level, in the form of an inverted “U”. This is why some scholars believe that economic growth may help in reducing inequality in income distribution; for example, Dollar and Kraay title their paper: “Growth is Good for the Poor” (2002). It is important to notice that Kuznets assumes a quadratic type relationship between inequality and growth, while most of the empirical work on this theme try to estimate a linear function.

The uneven income distribution dastards the essence of growth. This is so because economic growth and income distribution are closely related to people’s lives and social stability. Economists have long sought to understand the links between economic growth and income distribution. The main issues, which have important policy

implications for developing countries are: Does economic growth result in a more unequal distribution of income in connection with low level of income and is it necessary for per capita income to reach a certain minimum level before income inequality begins to decrease? Do countries with unequal income distributions experience slower economic growth than more egalitarian countries? Should governments consider adopting redistributive policies to improve the situation of the poor?

To address this issue number of studies have been conducted starting from classical era to present day. Already presented in Ricardo’s work, this topic was at the center of the economic debate in the 1960’s. But, like the miniskirt, income distribution went out of fashion in the mid 1970’s, and for more than a decade, it found very little space in the academic literature. The 1990’s however, witnessed a resurgence of interest of the subject. The main reason for this renewed interest comes from the experience of the East Asian countries where the low level of income inequality seems to have played role in economic growth. (World Bank 1993).

The theoretical relationship between economic growth and income distribution generally turns out to be a complex one. It will be prudent to look at the theoretical models of economic growth to find out if there is any discussion on growth and income distribution. The Cambridge models of Kaldor (1956) and Pasinetti (1974) have discussed the relationship between growth and distribution in the framework of equilibrium growth. Two important parameters in these models are the workers’ and the capitalists’ propensities to save. In Kaldor’s model equilibrium is attained if the warranted rate of growth of income, which is the ratio between the average of the two savings propensities ($s$) and the incremental capital output ratio ($v$), is equal to the natural rate of growth which, in the absence of any technological change, is exogenously determined by rate of population growth. In steady state, the per capita income stops growing and its value is determined in such a way that $s/v$ is equal to the rate of growth of population. If per capita income happens to exceed its steady state value, then the actual growth rate of income ($\Delta Y/Y$) will be less than $s/v$, which also means that $\Delta Y/Y$ is less than the rate of population growth resulting in a fall in the per capita income. In the process of income contraction, investment ($v\Delta Y$) falls short of
total savings (s.Y) which, under the condition of full employment, will lead to a fall in the price level and a rise in the real wage rate as well as the share of wages in national income. Thus, the decline in per capita income in the adjustment process is associated with an improvement in the income distribution. Conversely, if per capita income is less than its steady state value, investment will exceed total savings, the price level and the share of profit in national income will rise, as per capita income rises to approach its steady state value. Both Kaldor and Pasinetti, particularly the latter, insisted on the irrelevance of workers’ propensity to save. But the overall relationship between the growth of income and the extent of equality in the distribution of income between wage earners and capitalists is a negative one.6

Another important aspect of Cambridge growth models as well as the neoclassical growth models is that in the process of income redistribution the real rewards going to the various economic classes do not remain constant. Both in the Cambridge models and the neo-classical models one finds a relationship between growth and distribution only when the economy is off the steady state path. If one assumes that the economy is always on the steady state path, the rate of growth of income is determined by the exogenously given rate of growth of population with no change in income distribution as neither the factor shares nor the real returns to factors change. An introduction of technological change will however, change all this because it may cause a shift in the steady state path of income growth. Technological progress will also change income distribution even if it is of the Hicks-neutral type.7 The effect of technological progress on growth is unquestionably positive, but its effect on income distribution depends on the nature of the technological progress. For instance, a technological progress occurring in the capital-intensive industry may change income distribution in favour of capital.


7 A technical progress will shift the pre-worker production function upward. This technical progress is said to be labour-saving if at any given value of capital-labour ratio, the ratio of marginal productivity of capital to the marginal productivity of labour has increased. If this ratio decreases for a given value of capital-labour ratio, the technical progress is said to be capital-saving, and if the ratio stays the same it is Hicks-neutral.
The subsequent work on income distribution and growth has become a part of development economics with the contribution of Kuznets (1955) and Williamson (1965) who have built up both the conceptual and empirical basis of the ‘inverted-U hypothesis’. According to this hypothesis during the initial stages of economic development, growth of income raises income inequality but reduces it in the later stages. Kuznets argues that this is due to a shift of labour from low-productivity to high-productivity sectors in the early stage of development, which results in an increasing disparity in wages. Later, however, the high productivity sector comes to dominate the economy, and wage inequality decreases. There have been a large number of studies regarding the above hypothesis with contradicting and non-conclusive conclusions. Studies in the 1960s and 1970s in general supported the hypothesis, the centre piece of such studies comprising articles by Adelman & Morris Chenery, Ahluwalia, etc.\(^8\)\(^9\) However, this hypothesis has been challenged and several empirical studies found that there is no significant relationship between inequality and per capita income (for example, Anand and Kanbur, 1992). Li et al. (1998a, b) find that Kuznets’s curve works better for a cross-section of countries at a particular point of time rather than for the evolution of inequality over time within countries.\(^10\) Recently, there has been a revival of interest in the relationship between growth and distribution. Persson and Tabellini\(^11\) have used an overlapping generation model to show that a reduction of income inequality raises the growth rate of income, assuming that the median income class in the population makes all the political decisions relating to income transfers that are uniform. An income transfer is defined as uniform if income is transferred from the above average earners to below average earners in proportion to the difference between the income earned and average income. They implicitly assume that the median income exceeds the arithmetic mean, which implies that the income distribution is negatively skewed with the longer tail falling on the lower range of income. The median class will

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vote for a transfer if and only if the transfer does not curtail their incentive to accumulate more productive assets. Since by definition a transfer will benefit at least fifty percent of the population who would accumulate more productive assets, one tautologically gets a positive relationship between growth and equity. The model simply provides an alternative explanation of the forces behind the falling segment of the inverted-U curve, where there is no conflict between growth and reduction of income inequality. However, the most restrictive assumption of this model is the constancy of the rate of return accruing to the asset holders in the process of income transfers.

There is as yet no consensus among the economists on the relationship between income inequality and growth. Economic theory does not predict unambiguously the direction of dependence of inequality on economic growth. However, this direction and scale of dependence is very important for policy decision and evaluation. If inequality does not change systematically with growth, only then government can stop worrying about inequality and devote all efforts to promote aggregate growth, because it would benefit all segments of economy. But in reality countries face trade-off between reducing inequality and improving growth performance. There is also a possibility of virtuous circle in which growth leads to lower inequality and which in turn leads to rapid growth. But it is not the rate of growth or stages of economic development but the kinds of economic growth that affect inequality. Certain inequalities are particularly bad in so far as these do not only generate higher poverty now but also impede future growth and poverty reduction. These bad inequalities include social exclusion, discrimination, restrictions on migration, constraints on human development, lack of access to finance and insurance, corruption—all these are sources of inequality and limit the prospect for economic advancement among certain segments of population, thereby perpetuating poverty. “More rapid poverty reduction would require more growth, a more pro-poor

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pattern of growth, and success in reducing the antecedent inequalities that limit poor people’s access to economic opportunities.”

For an economist, the first notion of inequality that comes to the mind is that of economic inequality. Unequal distribution of earnings among individuals and a growing rich-poor divide has been of concern to many economists. Besides economic inequality, deep-rooted political and social inequalities also exist in today’s society, in all countries, among all races. Lack of political voice and low social recognition often leads to lack of opportunities that result in low economic standing in a society, which further diminishes social and political standing. Inequality and deprivation are often regarded as the main obstacle to social cohesion. Making growth more pro-poor really requires a combination of more growth, a more pro-poor pattern of growth and reduction in the antecedent inequalities that limit the prospects for poor people to share in the opportunities unleashed in a growing economy. The right policy prescription is to combine policies that promote economic growth and policies that redistribute income in favour of poor. But these two types of policies are likely to be contradictory; hence the choice of policy is reduced to the question of right mix. It follows from the aforesaid discussion that there is legitimate role for public policy in the promotion of fairness and in the pursuit of equity. Particularly, public action should aim to expand the opportunities of those who in the absence of policy interventions have the least resources, voices and capabilities. The situation in India is no different from other developing countries.

1.1 Growth and Inequality in Indian Context

Rising inequality has emerged as one of the most important problems confronting societies across the world. Within the Asian region, South Asia has experienced rapid increases in income/consumption inequality during the recent period of its rapid growth. This is quite evident in case of India, the largest economy in the region with over a billion people. Inequalities in India are observed in terms of income, health, education and other dimensions of human development as well as between the states, rural and urban areas and different social groups. Besides economic factors, there are certain sociological factors that affect inequalities in India. Since independence Indian economy has thrived hard for improving its pace of economic development.

After independence the first three decades of meagre growth rate of 3.5 percent which was termed as ‘Hindu rate of growth’, the country’s economy grew at 6 per cent a year from 1980 to 2002 and at 7.5 per cent a year from 2002 to 2005 making it one of the world’s best performing economies. It is well recognised that the main objective of our development planning immediately after independence were the eradication of poverty, ignorance and the inequality of opportunities. There has been an evolution of policy strategies from time to time since independence towards this direction. But ironically even after sixty eight years of independence about one-third of our total population still suffer from abject poverty and a large section of poverty afflicted people is entangled by the poverty trap i.e. they suffer from chronic poverty. The incidence as well as intensity of poverty has also been reflected in its various dimensions viz. the social, regional, occupational, ethnical etc. in both rural and urban areas of our economy albeit with some degree of variations.

From time to time the government has made changes in the policy strategies towards the objective of alleviation of poverty and inequality depending on the dynamic behaviour of our macroeconomic scenario during the plan period. In fact up to the early 70s we actually followed the strategy of growth mediated development policies on the

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basis of the expectation of the operation of the” Trickle Down Hypothesis” such that the fruits of economic growth would automatically percolate amongst all sections of people irrespective of region, religion, caste etc. But astonishingly the proportion of people lying below the poverty line remained well above 50% up to mid-70s which was followed by a declining trend thereafter albeit with some degrees of fluctuation. Because of this pessimistic experience of the failure of trickle down hypothesis, our Govt. has made a radical shift of her policy strategy towards the direct attack on poverty by pursuing various workfare and welfare programmes viz. different employment generating programmes like IRDP, SJGSY (latter renamed as SGSY) and other social security programmes like MGNREGA etc. so that the benefits of this programmes could reach the target group. These policies were followed up to the end of 1980s. Of course this has led to the deceleration of poverty not only at the national level but also at the inter-state level. In fact the incidence of poverty declined up to 39 % at the national level. Majority of the states also experienced declining trends in poverty in varying degrees. Later in the early 90s i.e. since 1991 we have introduced the policy of economic reforms. This on-going process of reforms in various spheres viz. trade, investment and finance, have indeed led to gradual withdrawal of the public sector coupled with the increasing reliance on the market fundamentalism. Interestingly, since 90s the Govt. has been pursuing the policy of growth cum public action –led development strategy with its major focus on the participatory developmental process vis-a-vis the inclusive growth which has later been carried forward to the 12th five year plan (2012 to 2017) as its principal objective of faster sustainable inclusive growth. As a fall out of this policy evolution the incidence of poverty has declined both at the national level (29.8% in 2009-10 as per Planning commission) and also at the inter-state level in varying degrees albeit at a lower magnitude. But unfortunately as per estimate of the Planning Commission about 354.6 million of our total population (278.2 million in rural areas and 76.5million in urban areas) still suffer from abject poverty in 2009-10.\footnote{Ghosal R. (2012). Growth, Poverty and Inequality Paradox in India: A Panel Data Approach, Paper Prepared for the 32nd General Conference of The International Association for Research in Income and Wealth Boston, USA, Boston, USA, August 5-11, 2012}
On the other hand, one cannot of course deny the fact that Indian Economy since independence has gradually been moving towards the achievements of faster rate of growth of GDP after surpassing the long term (1950 – 75) persistence of Hindu Growth rate. We have indeed moved to the trajectory of high growth path by experiencing a sharp increase in our national income (i.e. about 7% to 9% during 2000 to 2007) which has made our country recognised as one of the fastest growing countries in the globe. Of course most of the states have also experienced sharp increase in their SDP during the same period. But this growth has mainly been informal service sector –led growth which is basically predatory and job destroying. The usual perception is that this elite centered as well as service sector driven growth process has led to the increase in both absolute and relative inequality in the distribution of income which in turn has led to boost the growth vis-a-vis the persistence of the inequality and poverty. The persistence of the trajectory of high growth both at the national and inter-state level and the higher incidence of poverty as well as inequality is indeed puzzling. So how can one reconcile between the persistence of high growth rate of our national income and the staggering dimensions of chronic poverty even after the pursuance of growth mediated and public action –led development strategies since 80s. As a fall out of this policy evolution the incidence of poverty has declined both at the national level (29.8% in 2009-10 as per Planning commission) and also at the inter-state level in varying degrees albeit at a lower magnitude. But unfortunately as per estimate of the Planning Commission about 354.6 million of our total population (278.2 million in rural areas and 76.5 million in urban areas) still suffer from abject poverty in 2009-10. The latest estimates of poverty are available for the year 2011-12. These estimates have been made following the Tendulkar Committee methodology and The Expert Group (Rangarajan) methodology, using household consumption expenditure survey data MRP and MMRP. For 2011-12, the Tendulkar Committee estimated the percentage of persons living below the poverty
line is estimated as 25.7 percent in rural areas, 13.7 percent in urban areas, and 21.9 percent for the country as a whole.\textsuperscript{26} The Expert Group (Rangarajan) therefore estimates that the 30.9\% of the rural population and 26.4\% of the urban population was below the poverty line in 2011 -12. The all-India ratio was 29.5\%. In rural India, 260.5 million individuals were below poverty and in urban India 102.5 million were under poverty. Totally, 363 million were below poverty in 2011 -12.\textsuperscript{27}

It is against this backdrop that an attempt is made in present study to examine the relationship between economic growth and inequality with special focus on few northern states of India.

1.2 Study Area

The present study is restricted to a comparative analysis of the trends in economic growth and income inequality across Indian states/union territories in general and three selected northern states in particular. The growth performance, level of income inequality and the convergence has been worked-out in all states and union territories. However, for regional comparison three northern states viz. Jammu & Kashmir, Himachal Pradesh and Punjab have been selected on the basis of their peculiar features. The performance of northern states is reflected in a number of areas and has important implications on the ability of their economies to climb further up on the ladder of development. The average per capita income of northern states has fallen below that of the southern region. A major factor responsible for such a phenomena has been the highest population growth in the northern region. It is the only region where the rate of population growth did not fall in the last decade i.e. from Census 2001-2011. The northern region’s GDP growth has slowed down in the 1990s. The northern region is socially much behind from the southern and western regions. The poverty ratio in northern states remains above the national average. Northern states have vast economic potential. The realisation of this potential is a matter of management at the political and bureaucratic levels by offering better governance and an atmosphere for investment.


Introduction

The different demographic features of these states also present a strong base for comparative study. Area-wise Jammu & Kashmir figures first with an area of 222,797 sq. km. followed by Himachal Pradesh 55,500 sq. km. and that of the Punjab as 50362 sq. km. So far as the GSDP is concerned Punjab as per estimates of 2013 having GSDP of 31911721 crores is leading the other northern states. The GSDP of Himachal Pradesh and J&K have been estimated as 8258534 and 4539945 crores respectively. As per census 2011 among the three Punjab is the most populous state, followed J&K and Himachal Pradesh. In case of population density Punjab is again ranked first followed by J&K and Himachal Pradesh, the figures being 550, 124 and 123 persons per sq. km. respectively. The study covers the period of 1991-92 to 2012-13.

1.3 Objectives

The main objective of the present study is to examine the relation between economic growth and income inequality and the specific objectives are:

1. To study the changes in the pattern of income distribution across Indian states.
2. To examine the extent of income inequality across Indian States and selected Northern States.
3. To study the impact of economic growth on income inequality in all Indian states in general and in selected Northern States in particular.
4. To find out the convergence across Indian States in terms of per capita incomes.

1.4 Hypotheses

Keeping in view the above objectives, the following hypotheses are put to test in present study.

1. Income inequality has narrowed down across Indian states over the period.
2. Economic growth of northern states has no direct impact on the level of income inequality.

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1.5 Research Methodology

1.5.1 Data sources

The study is predominantly based on secondary sources of data. The main data sources used in the present study include states time series data (GSDP per capita) of Central Statistical Organisation, various publications of National Sample Survey organisation, Handbook of Statistics of Reserve Bank of India (RBI), various issues of Economic survey and the micro-level unit data of 68th Consumption Expenditure Round (NSSO). The data on GSDP per capita was available on two different constant prices i.e. 1993-94 and 2004-05 prices and an adjustment factor method has been used to convert the data on same base year prices of 2004-05. The GSDP per capita data of 30 states/union territories has been taken into account to test the convergence across states/union territories and rest of states/union territories has been dropped because the time series data was not available for them. The unit-level data on Consumption Expenditure Data of 68th Round Type 1 and Type 2 has been purchased from NSSO, New Delhi and has been used to estimate income (consumption) inequality across Indian states/union territories. There are certain limitations concerned with the authenticity of data used, as the whole data set is secondary in nature, so the limitations of authenticity of secondary data bear implications in the entire thesis. Particularly, many questions are raised by economists from time to time about the NSSO data and its technicalities regarding survey period, uniform reference, mixed reference and modified mixed reference periods. The other limitation is that we have only used 68th consumption expenditure round for calculating income inequality, while as for a comprehensive study it would have been opt to measure the changes in income inequality over the period by comparing different rounds of NSS consumption expenditure. We are conscious about these limitations but given the nature and area under study this was found most relevant sources of data, on the basis of which trends have been worked out for whole country, within stipulated time frame of the present study.

29 For details see Chapter on “Convergence Analysis across Indian States”.
30 For details see chapter on “Income Inequality across Indian with Special Reference to Selected Northern States.”
1.5.2 Research Techniques

In order to estimate inequality, growth rate, convergence test and for measuring the relationship between economic growth and income inequality various Econometric and Statistical tools have been used. The major methods used in present study are: Gini Coefficient, Theil mean Log Deviation Index, Theil Entropy Indices, Atkinson Index, Lorenz Curve, Coefficient of Variation, Test of U hypothesis, σ Test of Convergence β Test of Convergence Cross Section Regression, Panel Regression, Compound Growth rate, Annual average Growth rate (per cent per annum), t-test, etc. The Research Methods and techniques are described in detail, from chapter fourth onwards of the present study.

1.5.3 Rationale for Sample Study

As per one traditional view there is a trade-off between equity and growth. This view suggests that a higher rate of growth is likely to be associated with more unequal distribution because (a) higher-income persons save at a higher rate and accumulate more assets and, thus, receive a larger proportion of increased income, and this disparity is accentuated with a higher growth rate; (b) conversely, more inequality implies greater saving and investment and, thus, a higher growth rate; (c) higher growth is associated with greater entrepreneurial activity and, thus, with a larger share of the incremental income going to a small group; and (d) introduction of new technology, which typically accelerates growth, may benefit relatively limited segments of the populace. This view holds good to a large extent in case of three Northern states selected for the present study. Some specific features of these states are: (1) Agriculture is primary occupation and share of this sector to GSDP is almost same in all the three states. (2) Jammu & Kashmir and Punjab have a historical importance in terms of trade and commerce and Himachal Pradesh being part of the erstwhile Punjab enjoys this importance as well. (3) These states have different demographic characteristics like area, Population, Density, etc. so it is important to investigate that how for level of income inequality vary among them due to variation in demographic features. (4) All the three states are predominantly dependent on agriculture and allied activities but Punjab is more developed than J&K.

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31 The research methods and techniques used in the present study are disused in detail in individual chapter.
and HP, so a comparative study will pave way for some measures to bring J&K and HP at par with Punjab in-terms of development. (5) These states have same topology and almost identical climatic condition. (6) All the three states has a very rich legacy of producing traditional handicrafts. (7) These states fall in medium HDI value. (8) There is infrastructure gap between selected states as Punjab has best infrastructure in India while J&K and Himachal Pradesh has low infrastructure and hilly terrain. (9) The share of industrial sector to GSDP is highest in Himachal Pradesh i.e. 36% while as in J&K and Punjab, it is almost same i.e. 24.93% and 23.61%. (10) The share of services sector to GSDP is highest in J&K i.e. 51.70% while as in Himachal Pradesh and Punjab it is 43.75% and 49.28%. Thus all the three states which have been selected for study have certain similarities as well as dissimilarities as stated above. In this backdrop the researcher has made an attempt to add something new to existing literature, as no such study has been conducted so far on these sample states.

1.6 Period of Study

An attempt has been made in the present study to find out trade-off between equity and growth during last two decades i.e. 1993-94 to 2012-13. As per need, at some places the whole study period has been divided into two sub periods ranging from 1993-94 to 2002-03 (First Sub period) describing reform period and 2003-04 to 2012-13(Second Sub period) describing the late post reform period. The study period has been taken from 1993 onwards because of non-availability of time series data for some states before 1993. The year 2004-05 is taken as base year because of the change of base year’s prices in the same year.

1.7 Schematic Arrangement of the Study

The present study consists of seven chapters including introduction. The second chapter presents the review of literature on the subject in order to highlight the significance and empirical evidence on the relation among income inequality and economic growth. It has been divided into two sections. In section I some international research studies have been reviewed and in section II, some investigations which have been carried out in many states of India and also at national level have been reviewed in order to understand and compare the trends of growth and income inequality over the period of last 68 years of independence. The third chapter is about the conceptual and theoretical framework
of economic growth and inequality. A detailed conceptual frame work and historical relationship between these two terms have been presented and analysed in order to understand various theoretical and methodological issues that are the subject matter of the present study. The chapter fourth based on secondary sources of data, deals with the analysis of patterns of growth and income distribution across Indian states/union territories. The fifth chapter is devoted to measurement of income inequality across states, using selected measure of inequality it explains the relation between economic growth and inequality. This chapter has been divided into four sections, section I presents the conceptual frame work of inequality, section II deals with the methodological issues, section III is devoted to estimate income inequality in Indian states/union territories and in section IV income inequality within selected northern states have been estimated using Micro-level unit data of NSSO 68th Consumption Expenditure Round. An analysis of convergence test across states has been presented in sixth chapter. This chapter has also been divided in three sections, section I is devoted to explanation of concepts and approaches pertaining convergence, section II deals with the test of convergence among different states/union territories and in section III convergence test have been applied to sample northern states. Finally summary and conclusions and, some policy recommendations have been given in last chapter.