Chapter I

A SURVEY OF LITERATURE ON POVERTY AND INEQUALITY
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Introduction:

Of late theoretical and empirical explorations in development studies have focussed attention on the distributional aspects of economic growth. This is sought to be understood in terms of the interrelationship between economic growth, income inequality, poverty and welfare obtaining among the various regions and the socio-economic groups therein at national and international levels.1

Traditionally "development" has been associated with high rates of growth in aggregate and per capita incomes. As such in the earlier approaches to development problems during the decades of 50s and 60s exclusive emphasis was laid on raising the aggregate rates of growth of domestic product. This tendency was reinforced by international aid agencies which set growth targets and devised 'performance' indicators.

indicators on the basis of which assistance was allocated. This focus on aggregate growth rates was prompted by the belief that rapid industrialization and structural transformation would spread the benefits of growth throughout the various strata of society eventually by 'trickle down' process. It was assumed that "reduction of poverty could only be tackled after a certain level of GDP had been reached - first the cake had to be produced and made bigger before it could be equally distributed," once high income levels were attained distribution would exert its levelling effect with greater ease through rapid percolation. Hence greater inequality in earlier stages was postulated as a necessary pre-condition for rapid growth in the various influential growth models. This initial trade-off between the objectives of growth and distribution was viewed as a transitional cost of successful development before their eventual complementarity was securely established.


4/ Leibenstein - Galenson Model is an example.
But the development experience of a number of under-developed countries during the past quarter of a century did not uphold this expectation. Accumulated experience has cast doubt on the proposition that a skewed distribution of income would encourage saving and investment and therefore more rapid economic advance. Through growth rates did accelerate in many post-colonial countries it soon became apparent that they provided no guarantee of a secular rise in the material well-being of the masses. On the other hand many countries of the third world experienced a widening of inequalities among the regions and socio-economic groups and a worsening in the levels of living of the people, sometimes absolute, at the bottom of the socio-economic pyramid. Even in rapidly growing economies


6/ See for example V.M. Dandekar and Rath: Poverty in India (Bombay 1971). There is some evidence that real wages in Indian agriculture were higher in 1950-51 than in '63-'65. See S.V. Sethuraman: "Employment and Labour Productivity in India since 1950", Economic Development and Cultural Change, July 1974. For Bangladesh for instance there is unmistakable evidence that between a third and 40% of rural households have suffered a sharp decline in their standard of living. See A.R. Khan: "Bangladesh: Economic Policies since independence" in South Asian Review, 1971, p.21; in the case of Pakistan see Keith Griffin and A.R. Khan (ed.) Growth and Inequality in Pakistan, Macmillan, 1972.
Large number of people have failed to share the benefits of growth and only served "to absorb the political economic and political costs of change and growth".²

The gradual realisation that a large percentage of population in developing countries has been by-passed by economic growth led to the awareness that growth in average GDP is not a reliable indicator of improvements in economic well-being.² Further the growth of massive unemployment²

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² For instance a given rate of growth has drastically different implications depending on whether it is concentrated in say the 20% of the population with the highest or lowest income. See Simon Kuznets: Population, Capital and Growth (New York, W.W. Norton & Co., 1973) and Hollis Chenery et. al: Redistribution with Growth, 1974. Also the distorted weighing implicit in relying solely on the rate of increase of GDP is emphasised even more when attention is focussed on specific deprivation associated with poverty, most notably the prevalence of malnutrition, infectious and parasitic diseases among low income families.

² In the first half of the 1960s a rate of concern, often bordering on disillusionment could be observed among the most ardent industrialisation advocates. The dynamic sector of the economy was not absorbing labour at a satisfactory rate". See Ezer D. and V. Harve: "Employment and Industrialisation in Developing Countries", Quarterly Journal of Economics, 1966 pp.82-89.
observed in these countries in the face of rapid population growth and the resulting erosion in the levels of living and participation in economic activity led development analysts to question the erstwhile strategies of growth. It became evident that economic growth, to be meaningful, must be attended by increasing participation of masses as it is the only meaningful way of transferring purchasing power and raising the general level of well being.\textsuperscript{10} This led to a search for development paths that would result in growth with equity and elimination of poverty.\textsuperscript{11} As a consequence emphasis on studies of income distribution, employment and growth has come to be increasingly laid in the current studies.

\textbf{Scheme of Presentation:}

The presentation of the content under review is organised on the following lines. Section I focuses briefly

\textsuperscript{10} Among others, see Nirupam Kumar Bose: \textit{Selections from Chandl, Navjivan Publishing House, Ambedkar, 1957, pp.46-48.} In reply to Rabindranath Tagore's criticism of Svadeshi Movement Chandl writes: "True to his poetical instinct, the poet lives for the morrow and would have us do like wise. But I have had the pain of watching birds who for want of strength could not be coerced even into a flutter of their wings. The hungry bird under the Indian sky gets up weaker than when he pretended to retire. For millions it is an eternal vigil or an eternal trance... The hungry millions ask for one poen-invincigating food. They cannot be given it. They must earn it and they can earn only by the sweat of their brow".

on the studies and generalizations drawn from the international experience bearing on the behaviour of inequality with economic development. This is followed by a survey of studies (Section II) on income and expenditure inequalities in India. The third section summarizes the evidence revealed by various studies on poverty in the Indian context. The last section (IV) sets out the problem under study in its regional context commenting on the relevance of such explorations.

Section I: Distribution and Development - International Experience:

Systematic work on the distribution of income by size at different stages of development is of very recent origin. The works of Kuznets, Irving E. Kravis, Nicholson, Selton, Stark, Weisbass, and Michlow focus on the trends in


income inequalities in a number of countries. In fact our early insights into the relationship between economic development and income distribution were provided by Kuznets.12/

Kuznets clarified a number of conceptual issues involved in interspatial and intertemporal comparisons of income distribution and provided tentative answers to the question of changes in income distribution in the process of development. In a classic discussion of historical trends in income distribution he pointed out that a marked feature of economic growth was a shift from the agricultural sector to the non-agricultural sector to be accompanied by an increase in inequality. He examined the shift in terms of inter-sectoral differences, in average incomes, distribution of income within each sector and the migration of work force from agriculture to the non-agricultural sector. The tendency for income distribution to worsen in the earlier phases of development is accounted for by two reasons. The higher per capita incomes in the non-agricultural sector grew faster than in the agricultural sector and the inequality of incomes in the former is greater than in the latter and may grow faster. He pointed out the various factors instrumental

in widening the inequalities and argued that the greater proportional accumulation of assets by the rich than by the poor and the urbanization associated with development tend to concentrate distribution over time with reversal coming only later as low income groups gain political influence. He concluded that there probably was "a long swing in the inequality characterizing the secular income structure widening in the early phases of growth when the transition from the pre-industrial to the industrial civilization was rapid, becoming stabilized for a while, and then narrowing in the latter phases. Kuznets did not assert that this period of increasing inequality, lasting some fifty to seventy years, must be repeated by the developing countries. But he pointed out that the underdeveloped countries might have a degree of inequality greater than the advanced countries have now, and that many of them were much poorer than the advanced countries were when they embarked on industrialization. So if the less developed countries experience the same growth in inequality during industrialization, the hardships the poor may have to undergo are likely


Kuznets' hypothesis sparked many empirical explorations into the relationship between economic growth and inequality. Kravis made an early attempt to compare income inequality across nationally and to search for reasons why income inequality generally appeared greater in less developed countries than in developed ones and confirmed Kuznets' hypothesis of greater inequality in developing countries. Kravis computed four measures of inequality for pre-tax income among consumer units for ten developed and developing countries in the early 1950s; taking the United States as the basis of comparison, he found that in three countries there was less inequality (Denmark, Netherlands and Israel); in three other countries there was about the same degree of inequality (Great Britain, Japan and Canada) and in four countries inequality was considerably greater (Italy, Puerto Rico, El Salvador and Sri Lanka). He concluded that the degree of equality tends to be positively correlated with the level of per capita income but that the correlation was not

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24/ These measures were quintile shares, the Gini concentration ratio, coefficient of variation and the standard deviation of the logs of income.
a simple one. Kravis was able to confirm Kuznets' statement that the share of the lowest income groups tends to be higher in the poor countries than in the developed ones. The explanation of the greater inequality in developing countries was therefore to be sought in the greater dispersion in the upper part of the distribution scale.  

Harry T. Oshima joined the debate with a fourfold classification of the stages of development - underdeveloped, underdeveloped, semi-developed and fully developed - and suggested that inequality was generally low at the underdeveloped stage and that the dispersion of income groups as countries advance to the next stage. He further suggested that inequality increases during the semi-developed stage, but reaches its peak there and declines during the fourth stage. The main contribution of Oshima's article was that it laid the blame for income inequality on the shoulders of dualism. In his words, "the major determinant of the dispersion of quintile shares between countries is the weight of farm or rural sector in the total economy" as well as the extent to which the agricultural and urban areas are economically integrated. Secondly, he found that within the  


rural and urban sectors the standard deviation of quintile shares was largely influenced by the dispersion of land holdings within the rural sector and the dispersion of capital per worker in the urban sector. In an attempt to compare income distributions cross-nationally, Kuznets recentered the discussion in 1963 by generating usable data on sixteen countries, nine of them developing. Classifying pretax family income in these countries by quintiles he made the following observations.22/

(a) The share of the upper income groups was distinctly larger in the underdeveloped than in the developed countries. This finding was very clear in the case of the top 5 per cent of the families which typically accounted for 30 per cent of the total income or more in developing countries and for only 20 or 25 per cent in developed countries, and it still held good even if the top 10 per cent or indeed the top 20 per cent of families was taken into account.

(b) The income share of the lowest quintiles is about the same in developed and developing countries. The poorest 60 per cent of families in developed countries received about 22-33 per cent of income, while in less developed countries they received 25-32 per cent.

From these two findings followed a third one, namely that with greater concentration of income in the top group in the developing than in the developed countries and with the share of the lowest group being about the same in both, the share of the middle group was lower in the developing than in the developed countries and that, generally, in the developing countries income distribution was more equal below the level of the top 5 or 20 per cent of families.

A number of studies comparing income distribution in countries at different levels of economic development followed. Paukert\textsuperscript{23} examined data on income distribution in fifty-six countries and found a sharp increase in inequality (as revealed by Gini indices) as one moved from the lowest per capita GDP countries up to those in the $300-$500 per capita range. (The $300-$500 range represents those countries with the most extreme inequality). As higher per capita income levels were approached, inequality became progressively less. He pointed out that one should not generalize from the simple fact that the share of the poorest 20 per cent of families in countries below $500 per capita falls as income increases. Subsistence certainly sets a floor to family income; and, in each of these countries, if the poorest 20 per cent are at subsistence level, their share of total income must fall as income increases.

\textsuperscript{23} Felix Paukert, 1973, op.cit.
It has also been observed that countries experiencing the cost rapid rates of economic growth suffer from increasing inequality: Adelman and Morris point to the increasing inequality accompanying rapid growth in Brazil in the late 60s and Annet finds similar trends in Indonesia. Trends towards greater inequality along with economic growth have been witnessed by Chenery et al. in many countries.

Adelman and Morris examined data for forty-three


23/ Albert Fishlow, op.cit.


25/ H.W. Arndt: "Development and Equity: The Indonesian Case", World Development, Nos. 2 and 3, February-March 1975. Also see Dwight Y. King and Peter F. Helson: "Income Distribution and Levels of Living in Java: 1963-70", Economic Development and Cultural Change, July 1977, pp.699-711. Relying on a number of measures such as Gini Coefficient of Variation, Cili Index, quintiles and supplementing income data with rice consumption as an indicator of level of living (They adopted poverty lines in terms of 'Rice equivalent' of 240 kg and 360 per capita per year for rural and urban areas respectively in 1969-70) they found a general picture of worsening distribution and deterioration in the real level of living for (approximately) the bottom 40% of the population.


developing countries, searching for relationships between patterns of income distribution and thirty one indices of economic, political and social forces which could be expected to influence it. Their findings confirm the hypothesis that, at the lowest levels of development, growth tends to increase inequality. Broadly speaking, in the poorest countries, growth works against the poorer segments of the population. The allocation of income to the poorest 60 per cent of the population is best explained by the extent of socio-economic modernization and the expansion of educational services. Of the variables found important in the Adelman and Morris study, improvement of human resources and direct government economic involvement seem to offer the most promise for greater equity in income distribution.

Ahluwalia's study, a summarised version of the recent work by the World Bank, gave some weak evidence that increasing inequality did not necessarily accompany economic growth. He compared the growth in income of the poorest 40 per cent income recipients with the GNP growth rate in

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35/ H.S. Ahluwalia: "Income Inequality: Some Dimensions of the Problem" in Chenery et al.
In addition, cross section regression analysis were run on data representing sixty-five countries where income recipients were divided into three groups - top 20 per cent, middle 40 per cent and lower 40 per cent - and their respective income shares were used as dependent variables. The finding that the growth rate of GDP was positively related to the share of the lower 40 per cent of income recipients suggests that the dual objectives of growth and equity may not be in conflict. However, when regressions were run again, separating countries by income level, it was found that the share of the poorest 40 per cent did decline with growth, up to the point where a per capita income level of about $1000 was reached. After that, the share of this group continued to increase; concurrently the share of the top 20 per cent moved in an exactly opposite way, and that of the middle income group remained unaffected. It is of interest that the World Bank study turned up two variables related to the quantity and quality of human resources as being most closely related to relative income shares. The level and availability of education was positively related to the income shares of the poorest 80 per cent. Primary-school enrolment rates most significantly explained the share of the poorest 40 per cent, and the rates of enrolment in secondary schools played a similar role for the middle 40 per cent of income recipients. In a study of inequality
in Asian countries, Oshima\textsuperscript{36} found that changes in income distribution are not a result of economic growth per se. Using his quintile deviation measure he was able to calculate the share of inequality attributable to each economic sector. He noted that changes in economic structure - i.e. shifts from a rural to an urban focus of economic activity as growth proceeds - were more important than growth per se in explaining changing income distribution.

His main conclusion was that undue policy emphasis on industrialization can lead to unemployment, excessive urbanization, regional imbalance and widening inequality. Thus he laid the blame for inequality squarely in the lap of dualistic development.

Section II: Evidence on Income and Expenditure Inequality in India:

Most of the early studies on income distribution in India relied on income tax data. But their reliability is vitiated by the narrow coverage of population and kind of income; also because of widespread evasion these estimates are of limited value from the point of view of overall distribution.\textsuperscript{32} In spite of the absence of official figures


on income distribution, several attempts have been made by institutions as well as individuals, to work out patterns of distribution on a wider base with the increasing availability of data on consumer expenditure collected by the National Sample Survey. Some of these studies have confined only to consumer expenditure while others have tried to derive size distribution of personal incomes by incorporating simple hypothesis about saving behaviour.

Lydell estimated the distribution of income in India for the year 1955-56 by linking the income tax data with the consumer expenditure data of the National Sample Survey. He performed this exercise by assuming that the Pareto law of distribution of incomes applies to India to the same extent as it does in most other countries. By comparing the pre and post tax fractile shares of income in India with U.K., he reached the conclusion that the final distribution of real income is a good deal more unequal in India.

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39/ The income tax statistics employed are those for individuals and Hindu undivided families; the sample survey figures derived from the 10th Round of NSS refer originally to households. For the purpose of relating these two sets of figures he put the survey data on a 'per person' basis.

40/ These are the shares of the top 1%, 5%, 10%, 20% and bottom 50 per cent.
Iyenger and Mukherjee made an attempt to study the distribution of household income for the years 1951-52, 1953-54, and 1956-57 using National Sample Survey and Reserve Bank of India data. Their estimates suggested that the top 10 per cent and the bottom 50 per cent of the population increased their share in the total income, implying thereby that the position of the middle income group has worsened over the period.

The Reserve Bank of India study by Ojha and Shatt is the first of its kind in building a meaningful pattern from unrelated data from different sources. It relied on integrating income tax data with the consumer expenditure data from NSS in its method of estimation. Analysing the income structure in terms of three groups and comparing the pattern of income distribution in India with some of the developed as well as underdeveloped countries in terms of the concentration ratio, the study indicated that "contrary to general impression, the degree of inequality in income...

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43/ The three fold division is: (i) Households with income upto Rs.3000/- (ii) Households with yearly income between Rs.3001 and Rs.75,000/- and (iii) Households with yearly income above Rs.75,000/-. 
distribution in India does not seem to be higher than in some of the advanced countries.\textsuperscript{14} This conclusion has been found to be at variance with the findings of the previous empirical studies\textsuperscript{15} and the limitations underlying the concept of income and the methodology employed in the study have been brought out.\textsuperscript{16}

The National Council of Applied Economic Research conducted two comprehensive studies, one on the urban income and saving and the other on rural income and saving. The former was undertaken for the year 1960 and the latter for 1962. Subsequently the two were put together and the size distribution of income for the country as a whole was estimated. The results of the two studies briefly, are as follows:\textsuperscript{17}


\textsuperscript{16} "The study is marred by lack of appreciation of the need for an appropriate concept of 'personal income', and incorrect use of NSS data for deriving size distribution of households in the income and by what seems to be a methodological error which has resulted in overestimation of households in the high income group". Ramesh, for details see U. R. Ramesh: "The 'Equity' of Income in India", \textit{Bulletin, Oxford University Institute of Economics and Statistics,} May 1965, pp. 119-134.

Among the rural household the top 10 per cent of the population had a share of 72 per cent of the total household income not very much different from the share of the bottom 50 per cent which had 22.7 per cent to its credit; to put it another way, the top 1 per cent of the rural households had a per capita income which was 12 times the per capita income of the poorest 5 per cent of the households.

In the urban areas also the results showed a similar situation. While the top 10 per cent of the urban households had a share of more than 40 per cent of the total household income the share of the bottom 50 per cent was of the order of 17.5 per cent.

Another study by NCAER in 1961 provided data on income distribution for both rural and urban areas. If these data are compared with the data for 1962 it would appear that the inequality in income in the rural areas had somewhat declined. In the urban areas, on the other hand, there seemed to be no definite indication of a change. The broad conclusion from this data would be that while there is some trend towards reduction in inequality in rural areas, this is not true in the case of urban sector. But for the country as a whole the changes are so small that no definite conclusion can be drawn.

In an elaborate study focusing on the trends in income distribution, (1953-54 to 1959-60) Ranade indicated two
broad conclusions.

1. The income structure in India is comparable to that in other underdeveloped countries. The contention that Kuznets' hypothesis of greater income inequality in the underdeveloped countries than in the developed countries is not borne out in the case of India does not seem to be valid.

2. Ten years of planning has not had any impact on the income structure in the direction of narrowing the dispersal. It needs to be borne in mind that our estimates relate to the size distribution of money income and makes no allowance for the possibility of differential increases in the cost of living. Given the generally held belief that the impact of rising cost of living has been more severe on the low income groups, the fact that during the period covered in the study, the richest 2 per cent have improved their relative position would therefore merit further scrutiny.

This has been followed up by another study where she estimated various measures of inequality for income and consumption expenditure separately for all India with rural

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The main sources of her data base are (1) NSS data on Consumer expenditure, (ii) Savings estimates of the RBI and the NCAER and (iii) All India Income tax Statistics published by the Central Board of Revenue.
In another study Ahmed and Bhattacharya estimated the personal income distribution in India for three different periods 1956-57, 1960-61 and 1963-64 by integrating the size distribution of consumer expenditure obtained from NSS with the size distribution of income before tax obtained from income tax data on certain simplifying assumptions. They followed the technique developed by Lydall. Their estimated distributions of per capita personal income (at current prices) indicated a decline in disparities between 1956-57 and 1963-64.

In a cross section study focusing on inequalities in personal income distribution in India, Sarna found

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40/ K.R. Banadive: "Distribution of Income: Trends Since Planning", 1971 (mimeo). The measures of inequality adopted are (1) the concentration ratio, (2) the standard deviation of logarithms, (3) Coefficient of variation, (4) Share of the lowest decile and (5) the share of the highest decile.


51/ H.F. Lydall, op.cit.

higher income disparities in the urban household sector than in the rural. He looked into the income concentration among various socio-economic groups also. Further, in an inter country comparison of income distributions he found the degree of concentration of income in India higher than in the economically advanced countries, a finding in conformity with Kuznets earlier results. Examining the changes in income distribution among rural households in India during 1968-69 to 1970-71, Sarma found a decline in inequality over time. His Gini concentration ratios are 0.63 for 1968-69, 0.39 for 1969-70 and 0.38 for 1970-71.

Table 1.1 summarizes concentration ratios of personal incomes estimated in various studies in India. It may be noted that very few studies have investigated the relationship between inequality and growth in a rigorous

53/ Of the five measures of disparity adopted, viz., Lorenz Index, Gini of Log, coefficient of variation, shares of bottom and top quintiles, three measures indicated income distribution in India to be relatively more concentrated. The two limitations to be noted are (1) the basic unit of analysis differed from country to country, (2) the data used do not belong to the same reference period, see T.N.K. Sarma: "Inequalities in Personal Income Distribution in India", Earnings, October, 1973, pp.119-145.

<table>
<thead>
<tr>
<th>Period</th>
<th>Rural</th>
<th>Urban</th>
<th>NCAER</th>
<th>Qha and Shatt</th>
<th>Ranadive</th>
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<tr>
<td>1956-57</td>
<td>0.39</td>
<td>-</td>
<td>0.34</td>
<td>0.52</td>
<td>0.34</td>
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<tr>
<td>1959-60</td>
<td>0.48</td>
<td>-</td>
<td>0.40</td>
<td>0.44</td>
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<tr>
<td>1962-63</td>
<td>0.51</td>
<td>-</td>
<td>0.55</td>
<td>0.51 - 0.57</td>
<td>0.51</td>
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<tr>
<td>1963</td>
<td>0.32 - 0.33</td>
<td></td>
<td></td>
<td></td>
<td>0.32 - 0.33</td>
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* Two different estimates of savings have been made.

nanner or offered an explanation for the variations in incidence of inequalities across space or time. Further none of the studies have adjusted for the price movements which may have different intensities on various income groups. The fact that arriving at income distribution from the consumer expenditure data bristles with assumptions which are mostly subjective should not be lost sight of the in this context.

Focussing on the consumer expenditure distribution we may begin with the study of Swezy.55/ He examined the trend in the household consumer expenditure inequalities over the first decade of planning when there was price stability and the economy registered considerable growth. Menting the various measures of inequality56/ he concluded that the size distribution of income or consumer expenditure widened over the fifties. "The share in consumer expenditure of the lowest 5 per cent, the share being calculated in current prices declined from 0.9 per cent in the plan I period to 0.8 per cent in plan IV period. Also the share of the top 5 per cent rose from 17 per cent to 19 per cent; thus the


56/ There are Kuznets' Index, Lorenz concentration ratio, coefficient of variation and quintile shares.
size distribution "stretched" at least at its end points, indicating a possible widening of inequality in the all India size distribution... The Lorenz ratio has shifted away from the line of equality, the index rose from 0.37 in the plan I to 0.39 in the plan II. (The coefficient of variation and Kuznets' index showed similar rises).\textsuperscript{52}

He attributed 35 per cent of this increase in the size distribution of consumer expenditure to structural changes and the rest to intersectoral changes.

Kanta Ranadive's\textsuperscript{53} estimates of consumer expenditure inequalities, spanning a period of fifteen years are presented in Table 1.2. Four of her measures indicate a decline in the expenditure inequality between 1953-54 and 1968-69. The fall in the share of the bottom decile the fifth measure, suggests an increase in equality between all four groups above the poorest whose position worsened. The studies by Pundan, Vaidyanathan, Gajha and That published in Sankhya also broadly indicate a decline in the expenditure inequality measured by Gini ratio.\textsuperscript{54}

In an extensive study Radhakrishna and Atul Sarma estimated the disparities in consumer expenditure over a long period for 17 different years (1952-53 to 1968-69).

\begin{footnotesize}
\begin{itemize}
\item[52] Subrahmanya Swamy, \textit{Income Distribution}, p. 162.
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<td><strong>Rural</strong></td>
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<td>0.311</td>
<td>0.304</td>
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<td>0.232</td>
<td>0.228</td>
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<td>0.226</td>
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<tr>
<td>Coefficient of Variation</td>
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<td>0.622</td>
<td>0.608</td>
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<td>0.536</td>
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<td>3.84</td>
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<td>26.15</td>
<td>25.81</td>
<td>24.57</td>
<td>22.61</td>
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<td><strong>Urban</strong></td>
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<td>0.393</td>
<td>0.374</td>
<td>0.353</td>
<td>0.338</td>
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<td>0.294</td>
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<td>Coefficient of Variation</td>
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<td>0.729</td>
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<td>2.77</td>
<td>3.18</td>
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<td>28.99</td>
<td>32.07</td>
<td>29.11</td>
<td>28.37</td>
<td>25.79</td>
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<th>Table 1.2 contd.</th>
<th>1953-54</th>
<th>1956-57</th>
<th>1961-62</th>
<th>1964-65</th>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>Concentration Ratio</strong></td>
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<td>0.333</td>
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<td><strong>Standard Deviation of Loss</strong></td>
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<td><strong>Coefficient of Variation</strong></td>
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<td>0.676</td>
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<td><strong>Share of the Lowest Decile</strong></td>
<td>3.15%</td>
<td>3.69%</td>
<td>3.60%</td>
<td>3.49%</td>
</tr>
<tr>
<td><strong>Share of the Highest Decile</strong></td>
<td>27.09%</td>
<td>27.77%</td>
<td>26.61%</td>
<td>25.37%</td>
</tr>
</tbody>
</table>


adopting quintile shares and Gini concentration ratio for both rural and urban India separately. The inequality measures have been computed for total expenditure at current prices as well as at constant prices; adjustments were also made for differential price impact across decile classes. They concluded that "differential price effects have started operating against the bottom decile classes at a progressively higher pace down the rung ever since 1963-64. As against this trend differentials, while the average per capita expenditure of all classes at current prices has been increasing both for rural and urban India, the real per capita expenditure in urban areas has fallen and that in rural areas has increased marginally. Inequalities in the level of living considered in terms of current prices have narrowed down whereas those measured at constant prices (Base: 1952-53) taking into account price differentials have widened in the period beginning from 1963-64. With no appreciable improvement in real per capita expenditure on the one hand and widening disparities on the other, the level of living of the people in the bottom decile classes has fallen in absolute terms."

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60/ T. Radhakrishna and Atul Sarma: "Inflation and Disparities in Level of Living", (mimeo), 1974.

Section III: Evidence on Poverty in India

Poverty is not a recent phenomenon in India.62/ Ample evidence of its abject incidence among the masses is found in the literary and descriptive accounts of the precolonial and colonial times.63/ The debate on Indian poverty in the last century vividly brought out the socio-economic conditions of the time and the mercenary impact of the British rule in deepening the poverty of the masses.64/

After the advent of independence sustained attempts have been made at planned development and the elimination of


63/ Of the many literary accounts, Mukundaram Chakravarti's early 19th century verses on the economic distress of the times, is a case in point; for a lucid account of a profile of poverty of the masses during the early period of the colonial rule based on the missionary travelogue and administrative accounts of Holwell, Thomas Colebrooke, Bishop Heber, Marston and Rajaram Mohan Roy's survey of the agricultural changes in India, see "A Historical-genetic perspective of the levels of living" in P.N. Ganguli and D.R. Gupta: Levels of Living in India", S. Chand & Co., 1976, pp.192-273.

structural imbalances and constraints in improving the levels of living of the masses. Also evaluations of the impact of the policies of development have been undertaken from time to time.65/

In the recent past various empirical studies bearing on the measurement of poverty in India have relied on 'absolute poverty' as the frame of reference and adopted an objective boundary poverty line,66/ defined in terms of per capita household consumer expenditure 67/ (See Table I.b). In 1962, a distinguished study group recommended that a per capita consumption of Rs. 20 per month at 1960-61 prices (excluding expenditure on health and education, both of which "are expected to be provided by the state according to the constitution and in the light of its other commitments") should be deemed as the nationally desirable minimum level of

65/ Report of the committee on distribution of income and levels of living. Government of India, planning commission.

66/ For an earlier adoption of these objective boundaries viz., poverty line, destitution line, etc. and the discussion of the problems involved in their determination see D.R. Gadgil: Kisan: A Socio-Economic Survey, Part I, College Institute of Politics and Economics, Publication No. 12, 1965 and D.R. Gadgil: Urdiur City: Socio-Economic Studies, Asia Publishing House, 1965.

67/ The optimus of the choice cannot be overemphasised in a country like India where the level of material living is so low that in a majority of cases disposable income is synonymous with household consumer expenditure.

consumer expenditure. This per capita consumption of Rs. 20 per month has been adopted as the poverty line and the proportion of people below this standard has been investigated in various studies. Sometimes the lines have been slightly redrawn say at Rs. 150/- or Rs. 200/- per capita per year at 60-61 prices, making a rural and urban distinction also.

Adopting the national averages of per capita consumption at 60-61 prices worked out by Tiwari and applying the NSS ratio of rural to urban consumption, Minhas estimated the per capita overall consumption in rural India in 60-61 prices. Using the NSS estimates of percentage shares of different fractile groups of the population in total consumer expenditure, he derived the

50/ The norm did not make any distinction between rural and urban areas.


21/ The unsatisfactory nature of this procedure is realised by him in view of the persisting differences between NSS and official estimates of total consumption.

average per capita consumption (60-61 prices) of each
fractile group of population year by year. His estimates
of the number and percentage of persons in rural India
consuming less than Rs. 240 as well as Rs. 200 per annum at
60-61 prices are presented below.23 (Table I.3).

The number of people below the poverty line (Rs. 240)
did not change much while the proportion of such people
below the poverty lines declined steadily. This decline
is largely explained by the growth in the average per
capita consumption in real terms rather than by the slight
fall in the concentration index of consumer expenditure
(60-61). Minhas' estimates of poverty have been seriously
contested. Indeed Tiwari's computations seem to have
exaggerated the rise in real per capita consumption.2b/

Ojha's 25 estimates showed a rise in the proportion
of poor people. Adopting a caloric norm of 2250 per capita
per day for an average Indian, he assumed that 66 per cent
of this must be obtained from food grains, cereals and
pulses, in urban areas; 80 per cent was the corresponding
figures for the rural sector. These percentages worked out

2b/ N. Mukerjee, N. Bhattacharya and G.S. Chatterjee:
"Poverty in India: Measurement and Amelioration";

torces, August 19, 1972.

25/ P.T. Ojha: "A Configuration of Indian Poverty: Inequality
and Levels of Living", Reserve Bank of India Bulletin,
January 1970.
### Table I.3

**Rural India: Poverty Estimates**

<table>
<thead>
<tr>
<th>Year</th>
<th>Below Rs.210 per annum</th>
<th>Below Rs.200 per annum</th>
<th>Per capita Consumption (°) at 60-61 Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage</td>
<td>Millions</td>
<td>Percentage</td>
</tr>
<tr>
<td>1956-57</td>
<td>65.0</td>
<td>215</td>
<td>52.4</td>
</tr>
<tr>
<td>1957-58</td>
<td>63.2</td>
<td>212</td>
<td>50.2</td>
</tr>
<tr>
<td>1959-61</td>
<td>59.4</td>
<td>211</td>
<td>46.0</td>
</tr>
<tr>
<td>1961-62</td>
<td>56.4</td>
<td>206</td>
<td>43.6</td>
</tr>
<tr>
<td>1963-64</td>
<td>57.8</td>
<td>221</td>
<td>44.2</td>
</tr>
<tr>
<td>1965-66</td>
<td>51.6</td>
<td>202</td>
<td>39.2</td>
</tr>
<tr>
<td>1967-68</td>
<td>50.5</td>
<td>210</td>
<td>37.1</td>
</tr>
</tbody>
</table>

to 518 gm. and 432 gm. per person per day in rural and urban areas respectively. Ojha\textsuperscript{26} adopted these standards for studying the incidence of poverty and found that nearly 52% of all persons in rural areas (18\textsuperscript{1} million) and 8% in urban areas (6 million) fell below the poverty line. For the year 67-68 he concluded that 70\% of the rural population were below the minimum level of foodgrains consumption.

Pandekar and Rath\textsuperscript{22} based their estimation of poverty on a method similar to Ojha with two differences. They used the NSS estimates of consumption of foodgrains (and substitutes) without any correction; secondly they assumed a yield of 200 calories per capita per day from other items of food. They found that for rural areas, in 1966-61, an annual per capita consumer expenditure of Rs. 170/- was needed to ensure a diet adequate at least of 2250 calories per capita per day. The equivalent annual per capita expenditure was Rs. 271/- for urban areas, about 60 per cent higher than the corresponding figure for rural households. It was accordingly estimated that in 66-61, about one third (23.12) of the rural population and nearly half (43.64) the urban population lived on diets inadequate even in respect of calories.

\textsuperscript{26} He employed NSS 16th round data (July 60 - August 61) and corrected the NSS estimates of food grain consumption for overreporting in the light of official estimates of availability.

\textsuperscript{22} V. S. Pandekar and Balkanatha Rath: "Poverty in India", Indian School of Political Economy, 1971.
In difference to the annual minimum of £. 260/- per person suggested by the study group (N.R. Gadgil et al.), Pandekar and Rath revised their rural minimum, slightly upwards to £. 160/- per annum and the urban minimum to £. 270/- per person per year. It was found then that about 40 per cent of the rural population and about 50 per cent of the urban population lived below the poverty line, the desirable minimum in 1960-61. Their estimates of the changes in the incidence of poverty during the sixties depend on the controversial revisions they applied to NSS data on consumer expenditure for 1967-68. Also their use of the national income deflator to convert

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28/ It should be remembered that NSS consumer expenditure estimates for 67-68 and 68-69 are based on quick tabulations of unscrutinised data though they have been used in many exercises on levels of living. Pandekar and Rath found the NSS data for 67-68 incredible for a couple of reasons:

(i) They noted that the NSS estimate of rural per capita consumption in 67-68 (deflated by the national income deflator with 66-61 as base) was about 7% below the corresponding NSS estimate in 66-61 and about 11% below the corresponding estimate for 67-68 derived from official national accounts data; (ii) they found (using the national income deflator) that the average per capita consumption of the lowest 5 per cent rural fractile group in 67-68 was 98% of that in 66-61 whereas for top 5% fractile group, the 67-68 estimate was only 73% of that in 66-61. Such a large differential fall in the per capita consumption of the richest 5% was against their a priori judgement. Hence they revised the NSS estimates of per capita consumption in different sections of the rural population to conform with the official estimate of average rural consumption. But many scholars have opposed this view as without an intensive study as the discrepancy between the two sources of consumption data, it is not possible to conclude in favour of either.
convert the current price data into 1960-61 prices is open to objection.29/

Bardhan's30/ time series profile of the rural poor showed a sharp rise in the incidence of poverty over time. He worked out the proportion of the rural people below an annual per capita expenditure of Rs. 180 at 1960-61 prices. His estimates are:

29/ National income includes both consumption and investment goods and there is no reason why consumption should be deflated by national income deflator. Secondly the national income deflator covers the prices of both agricultural and manufactured commodities. Over the last decade prices of agricultural commodities rose at a much sharper rate than those of finished manufactures. But since the weight of the manufactured commodities in the budget of the rural poor is likely to be much lower than the national average (which includes the rich the poor, the urban as well as the rural sector), the national income deflator is very much likely to have understated the rise in the prices paid by the rural poor. Even within the class of agricultural commodities, particularly cereals, there is evidence that the average price paid by the poor rose at a faster rate than that by the rich (Mahalanobis' committee on levels of living gives empirical evidence to this effect). Further since the weight of services in the budget of the rural poor is likely to be low, the national income deflator which includes the price of services (whose index has grown at a relatively small rate) is likely to understate the general price rise for the rural poor.

### Table

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of poor in rural population</th>
<th>Consumer price Index</th>
<th>Current value of goods worth Rs. 15 (per month) at 60-61 prices (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>36</td>
<td>100</td>
<td>15.0</td>
</tr>
<tr>
<td>1964-65</td>
<td>45</td>
<td>144</td>
<td>21.6</td>
</tr>
<tr>
<td>1967-68</td>
<td>53</td>
<td>200</td>
<td>30.0</td>
</tr>
<tr>
<td>1968-69</td>
<td>54</td>
<td>196</td>
<td>27.4</td>
</tr>
</tbody>
</table>

**Source:** P.K. Bardhan (1970).

In the absence of consumer price index number for the rural poor, Bardhan\(^{31}\) used the official agricultural labour consumer price index for deflating the consumption of the rural poor and the official working class consumer price index for deflating that of the urban poor. The former\(^{32}\) is


\(^{32}\) The main objection against the use of Agricultural Labour Consumer Price Index for deflating the consumption of the rural poor in that they include not only agricultural labourers but also the more numerous small farmers. (It has estimated that the agricultural labourers formed only one-third of the poor and small farmers over one half); also the consumption weights for various commodities may possibly be different for the rural poor in general from that of the agricultural labourers and that the latter may be more dependent on cash purchase at retail price than the small farmers.
constructed on the basis of rural retail prices and the weighing diagrams worked out by the second agricultural labour enquiry. In absolute numbers, Bardhan found a 'staggering' rise in the number of rural poor from about 135 million to 230 million between 60-61 and 68-69. The high incidence for the year 67-68 was understandable in view of the proceeding exceptionally bad crop years; but the consumer price indices must have been partly responsible for the high percentage of 68-69. Bardhan defended these indices by computing several alternative indices and showing their agreement. His index was evidently more appropriate than the national income deflator implicitly used by Mirnas.23/

When Bardhan computed the cost of minimum diet recommended for an adult in moderate activity by the Central Government employees pay commission (57-59) with slight modification,24/ its cost (at current prices) in rural areas worked out to Rs. 9.61 in 66-61. This approach too led to a similar conclusion regarding the incidence of poverty; the percentage of rural poor below the alternative minimum went up from some what less than 30% in 60-61 to about 54% in 68-69.

23/ M. Mukherjee, N. Bhattacharya and C.S. Chatterjee, op. cit.
24/ This diet bundle included 15 oz. of cereals, 3 oz. of pulses, 4 oz. of milk, 1.5 oz. of sugar and gur and 1.25 oz. of edible oils per day. There are groundnuts (1 oz.) and vegetables (6 oz) in the bundle ignored by Bardhan in the computation of the cost because of the non-availability of retail prices.
Vaidyanathan worked out the proportion of the rural population with per capita consumption below Rs. 20 per month at 1960-61 prices. His estimates are:

<table>
<thead>
<tr>
<th>Year</th>
<th>NSS</th>
<th>Official Series</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>59.5</td>
<td>58.6</td>
</tr>
<tr>
<td>1964-65</td>
<td>60.4</td>
<td>56.9</td>
</tr>
<tr>
<td>1967-68</td>
<td>67.8</td>
<td>57.8</td>
</tr>
</tbody>
</table>


The estimates based on wholly NSS data showed a considerable rise during the sixties though the degree of inequality in distribution declined. The second column based on a combination of official estimates of per capita consumption and the pattern of inequalities revealed by the NSS showed a mild fall in the proportion of rural population below the poverty line cited earlier. The price indices were computed for each fractile group by using official wholesale price relatives for ten commodity groups and combining them by NSS based weights. We may note that for 1960-61 the price index (base: 60-61) was about 190 for


the first five or six decile groups.

Focusing on NSS 13th round (September 57 - May 58) consumption data for rural India, Chatterjee and al. found about 53 per cent of the population to fall below the norm of 2400 calories per capita per day. The estimation was based on fairly detailed calculations.

Focusing on the NSS distribution data (study of the effectiveness of employment in rural India) for 1969-69 Bhatty found that about 70 per cent of the population in rural India were below the poverty income level of Rs. 30 per capita per month in that year. He adopted both Sen's poverty Index and the traditional head count in quantifying the incidence of poverty among the various rural occupational groups and found the incidence to be maximum among the agricultural labourers (63%) followed by non-agricultural workers (70%) and cultivators (62%).

Vyas found a decline in the incidence of rural

---


89/ The other poverty lines adopted by him are Rs. 15, 20, 25 and 35 income per capita per month.

poverty during 1950s and traced this to the combined impact of major institutional changes and considerable agricultural growth during the period. The proportion of rural poor below the poverty line (e.g., 246 per capita per annum) fell from 45% in 1951-52 to 35% in 1960-61. The period after 60-61 witnessed neither agricultural growth nor institutional change but an increase in poverty.

In a recent study Ahiwalia examined trends in the incidence of rural poverty for fourteen different years spanning the period 1956-57 to 1973-74 for India as a whole (Table 1.4) as well as for the individual states. The time series showed fluctuations in the incidence of poverty in response to variations in real agricultural output per head though no significant time trend was discernible. He found a statistically significant inverse relationship between rural poverty and agricultural performance for India as a whole. This relationship was also observed in several states but there was also evidence of other factors at work which tended to increase the incidence of poverty independently of variations in agricultural output per head.

21/ Montek S. Ahiwalia: "Rural Poverty and Agricultural Performance in India", The Journal of Development Studies, April 1978, pp.239-232. The poverty line adopted was the per capita consumer expenditure of Rs. 15/- for 30 days at 60-61 rural prices; equivalent poverty lines for different years were derived by using consumer price indices for agricultural labourers (as Tarshan did). Both Sen's poverty index and the traditional head count were adopted.
### Table 1.b

**Estimates of Poverty in India**

<table>
<thead>
<tr>
<th>Definition of poverty</th>
<th>Period</th>
<th>Percentage of population below the poverty line</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Urban</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Bhaluvalia</td>
<td>180</td>
<td>1956-57</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1960-61</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1965-66</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1967-68</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1970-71</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1973-74</td>
</tr>
<tr>
<td>Bardhan P.</td>
<td>120</td>
<td>1960-61</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1964-65</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1967-68</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1968-69</td>
</tr>
<tr>
<td>Dandekar V.M. and Rath N.</td>
<td>180 (Rural)</td>
<td>1961-62</td>
</tr>
<tr>
<td></td>
<td>270 (Urban)</td>
<td></td>
</tr>
<tr>
<td>Hirbas P.</td>
<td>200</td>
<td>1960-61</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1964-65</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1967-68</td>
</tr>
</tbody>
</table>
Table 1.4 contd.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ojha P.N.</td>
<td>2250 Calories per day</td>
<td>1960-61</td>
<td>37.0</td>
<td>52.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1961-62</td>
<td></td>
<td>70.0</td>
</tr>
<tr>
<td>Ranadive K.R.</td>
<td>240</td>
<td></td>
<td>55.0</td>
<td>38.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1956-57</td>
<td></td>
<td>33.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1961-62</td>
<td></td>
<td>37.0</td>
</tr>
<tr>
<td>Vaidyanathan A.</td>
<td>240</td>
<td>1960-61</td>
<td></td>
<td>99.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1961-62</td>
<td></td>
<td>60.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1967-68</td>
<td></td>
<td>67.8</td>
</tr>
<tr>
<td>Vyas V.S.</td>
<td>180</td>
<td>1956-55</td>
<td></td>
<td>65.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1960-61</td>
<td></td>
<td>63.2</td>
</tr>
<tr>
<td>Phatty (ICAR)</td>
<td>300 (1968-69: 100)</td>
<td>1968-69</td>
<td></td>
<td>93.4</td>
</tr>
<tr>
<td></td>
<td>360 (1968-69: 100)</td>
<td>1968-69</td>
<td></td>
<td>67.1</td>
</tr>
</tbody>
</table>


Mulherjee prepared a map of India delineating clusters of regions relatively homogeneous in respect of level of living and the incidence of poverty. He looked at the aerial distribution of poverty over 50 regions. Ranking persons by per capita expenditure he formed a group comprising the poorest 10 per cent of India's rural population and then examined how many of these poor fell in different regions. Judging both the rural and urban segments of the states as a whole on the criteria of density of the poor, density of the rich and per capita expenditure, he found Orissa, Kerala, Bihar, Kysore and Andhra Pradesh among the poorer states in 1963-64.

In a wide ranging study, the Centre for Development Studies focussed on 'economic evaluation of selected measures against poverty and unemployment and their implication for development policies' with reference to Kerala. It examined

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24/ "For Kerala while Dandekar and Rath indicate the extent of poverty to be 91 per cent in the rural areas, an alternative estimate suggests the extent of poverty in Kerala to be 43 per cent.... The Centre also undertook a diet survey for 1973 for Trivandrum region according to which the extent of poverty worked out to 66 per cent. Yet another source (A project: Nutrition gap: its Measurement) of consumption data for the year 1971 for Kerala suggests the extent of poverty in the rural and urban areas together for adult males and females to be 68 and 74 per cent respectively", C.M. Shah: "Growth and Inequality in Indian Agriculture", Indian Journal of Agricultural Economics, October-December 1976, p. 74.
the incidence of poverty and food intake (from the food balance sheets covering a period 1960-61 to 1970-71) and found from a cross section analysis across states in India that the average per capita calorie intake for the urban population was directly related to the per capita income and per capita output of food grains in the state; on the other hand the per capita calorie intake of the rural population was not explained by the per capita income but was directly related to per capita food production in the state and inversely related to the level of inequality in ownership holdings. This was attributed to "the limited power of relatively poor and scattered rural communities to attract supplies of food grains from a distance after covering the marketing costs and distributive margins".\(^{35}\)

Hence it found that raising the level of income in rural areas through public works programmes was by itself unlikely to bring about significant reduction in poverty in the absence of both growth of production and of reduction in inequalities in rural areas.\(^{36}\)

In a regional study of changes in rural poverty and inequality over the decade of sixties Indira Bajarsee.\(^ {27}\)

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found a deterioration in the absolute levels of living and a rise in the incidence of poverty. She measured poverty by the percentage of population below the poverty line worked out specifically for the region using linear programming techniques. She concluded that "these was a significant deterioration over the ten year period not merely in terms of the relative distribution of total consumption, but more seriously, in the absolute consumption levels of the poorest 25 per cent of the population. The finding assumes an added significance when it is seen to have occurred during a period of growth and a generally rising mean consumption level".  

Deepakal found a decline in the incidence of poverty among rural labour households in five states between 1956-57 and 1970-71. He adopted three alternative estimates of the state level poverty lines of Pandekar and Rath and Parshad and utilised the rural labour enquiries

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100/ Of the six states Maharashtra, Orissa, Rajasthan, Punjab, Uttar Pradesh and Mysore, he found decline in poverty in the former five states.
of the NSS for 1956-57 and 1970-71. He noticed a significant negative correlation between the percentage change in the proportion of sample households below the poverty line and the percentage change in the average household income for the sample group as a whole; further the former was also correlated (though at a fairly low level of significance) with the percentage change in the cereal output of the period.

Parthasarathy examined the economic conditions of rural labour and found 60 per cent of the labour households below the poverty line of Rs. 150 per capita annual income at 1972-73 prices. The proportion varied between landless and landed labour households; it was 66 per cent among the former while the corresponding percentage among the landed was 63. In another study Sarvesara Rao highlighted the higher incidence of poverty and inequality in a more developed rural region.

In a study of poverty and rural development focusing on a tribal area Desai et al. found more than 80 per cent of the population in abject poverty. Finally, Bhat-


Krishna et al. in an elaborate case study of urban poverty and slums found the incidence to be rampant among the urban vulnerable social groups. In estimating the proportion of households below the poverty thresholds defined in terms of nutritional requirements, they adopted the caloric norms advocated by Colin Clark and Tandekar. Even under the liberal norm of 1800 calories (per capita per day) they found more than 75 per cent of the Adivasi households below the poverty line.

Thus our review of various studies on inequality and poverty in the Indian context revealed that their major focus has been on the aspects of measurement. None of them, in fact, examined the conceptual issues underlying the definition of poverty or explored into the causal links in depth between the various factors underlying the phenomenon. Even in the aspect of measurement there are many issues to be resolved. Though the price dimension does not figure in cross-section studies, it poses a serious problem in


time-series explorations. The choice of a relevant price deflator is one of the thorny problems in these exercises when one works out estimates of poverty over time. As different socio-economic groups will, in general, be differently affected in real terms by the movements of prices, the quantification of poverty at an aggregate level ceases to be meaningful unless the focus is on clearest analytical socio-economic groups like the fractile classes and occupational groups. Perhaps the most satisfactory way of resolving this issue is to adopt fractile price indices for the respective categories.

To dwell for a while on the other issues raised above: In most of the measurement exercises precision in quantification is confined mostly to the food component while no satisfactory method has yet been evolved in estimating the basic needs under non-food with precision. The current practice is to adopt the observed proportion of nonfood expenditure for the nonfood component of the poverty line. This implies a circularity as what is observed is indicated as the defined need in arriving at the poverty line in measurement exercises. As for the focus on the causation side the field is still virgin with immense scope for explorations.

Section IV: The Study and Its Relevance

The current cross-section study is analytical in nature and makes an attempt towards understanding the
interrelationship between economic development, inequality and poverty in a regional context. It examines these issues across the three distinct regions, Coastal Andhra, Rayalaseema and Telangana of Andhra Pradesh, a state located in South India. Further, it examines these problems separately for rural and urban segments with a special focus on vulnerable groups (weaker sections: scheduled castes, scheduled tribes and agricultural labourers) at the bottom of the socio-economic pyramid. The study draws heavily on the 26th round of the National Sample Survey (1971-72) on household consumer expenditure for basic data.

The relevance of this regional exercise needs a word of explanation. Global estimates in general end up

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106/ The distinct nature of these regions has been widely recognised in their historical context and well established in the many exercises on regional development based on various socio-economic indicators. For descriptive details and analyses of these exercises by the Planning Commission and the State Government in identifying the backwardness of the regions see Planning and Development Committee for Rayalaseema, Agenda Items, 25th May, 1974. Finance and Planning wing, A.P. and Fourth Five Year Plan Working Papers, Vol. 1, Planning Department, Govt. of A.P., Hyderabad.

107/ See Appendix I for information about the Regions and the State under study along with data sources and material.

108/ Apart from the three regions already cited, the analysis has been extended to the District, an administrative unit where basic data is compiled. Of the 21 districts of Andhra Pradesh, eight are found in Coastal Andhra, 11 in Rayalaseema and the rest in Telangana. In general on average, Coastal Andhra is considered to be more developed while Rayalaseema and Telangana are classified as less developed in that order. Supporting evidence is found in the exercises carried out by the State Government with varied mix of indicators as well as in the NCAER study: "The Survey of Backward Districts of Andhra Pradesh".
in abstract averages and they are less useful in studies focussing on down to earth problems like poverty and incidence of inequality among 'target' groups. Further they conceal the wide differences between regional units marked by horizontal and vertical contrasts.\textsuperscript{109} Exercises such as this with focus on specific socio-economic groups and their problems bearing on levels of living and poverty in the context of development, have immense relevance from the point of view of policy formulation and devising strategies in implementing them towards the eradication of poverty and related problems. The choice of consumer expenditure as the index of level of living and welfare is widely accepted in studies on poverty. Also in a state marked by rampant poverty\textsuperscript{110} and high incidence of nutritional deficiencies,\textsuperscript{111} the differential between disposable income and consumer expenditure would be negligible in a majority of the cases.

\textsuperscript{109} This refers to differentials among income, occupation and caste groups along the socio-economic pyramid.


\textsuperscript{111} B.N. Ganguli and Devendra P. Gupta: "Levels of Living in India: An Intestate Profile", S. Chand & Co, 1976, p.64.