

# **Poverty and Inequality in Post Liberalization India: the Road Map for Inclusive Growth**

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# Objectives

- **To look in to the trajectory of India's growth and inequality over the years since its birth as free nation and to understand the long run dynamics of poverty and inequality in India .**
- **To Examine the nature of diversity in the level of Per-capita Income across states During 1970-71 to 2012-13.**
- **To examine the nature of Inequality across states since liberalisation on the basis of the estimation of Gini coefficients of MPCE from NSSO unit level data.**
- **To examine the relation between growth performance and annual rate of decline in head count poverty ratios across 14 major states for two periods: (i)1983-2004-05 7 (ii) 2004-05-2011-12.Graphically.**
- **To examine the nature of under nutrition of children for the year 2005-06.**
- **Explanation & highlights on Inclusive Growth.**

# Author's View

- **Given the performance, (from low Hindu Av growth rate of 3.5% p.a upto late eighties, India moved to a high growth path 5-6% since the adoption of Neo-liberal economic policy since 1991), India has become macro economically stable but with high level of poverty ,human deprivation and inequality across states in varying degrees.**
- **The structural break in the trend in GDP was recorded in 1987-88.**
- **The service sector led growth witnessed slow growth in agriculture, low quality employment, poor education, insufficient health infrastructure, rural urban divide and regional disparity.**

# Author's View

- The Growth has created a huge potential for economic advancement but it has given rise to various vulnerabilities and insecurities and Sharp regional imbalance.
- Traditionally Poor states like BIMARU states remain almost at same level after liberalisation.

Year	1970/71 to	1980/81 to	1990/91 to	2000/01 to	2007/08 to	2010/11 to
	1972/73	1982/83	1992/93	2002/03	2009/10	2012-13
Andhra Pradesh	585(9)	1504(8)	2078(8)	17042(8)	34767(8)	38636(8)
Bihar	402(14)	933(14)	1106(14)	6402(14)	10626(14)	13198 (14)
Gujarat	829(3)	2011(4)	2704(4)	18312(6)	45463(3)	56535(3)
Haryana	877(2)	2419(3)	3476(3)	25603(2)	51250(2)	61188(2)
Karnataka	641(7)	1563(6)	2193(7)	17623(7)	36419(7)	41819(7)
Kerala	594(8)	1487(9)	1858(10)	20804(4)	43148 (5)	52866(5)
Madhya Pradesh	484(12)	1369(10)	1617(12)	11248(11)	18616(12)	23281(12)
Maharashtra	783(4)	2452(2)	3573(2)	22532(3)	53877(1)	61986(1)
Odisha	478(13)	1265(12)	1463(13)	10468(12)	22706(11)	24558(11)
Punjab	1070(1)	2818(1)	3829(1)	25978(1)	41314(6)	46316(6)
Rajasthan	651(6)	1261(13)	1891(9)	12942(10)	22905(10)	29318(10)
Tamil Nadu	581(10)	1555(7)	2290(5)	19910(5)	43687(4)	56320(4)
Uttar Pradesh	486(11)	1299(11)	1631(11)	9733(13)	15442(13)	18012(13)
West Bengal	722(5)	1727(5)	2236(6)	17012(9)	28581 (9)	32552(9)

# Observations from the table

- **All the state states have experienced increase in their level of per-capita income in varying degrees from 1970-71 to 2011-12.**
- **The relative positions of the states ( judged by their respective ranks) have changed over time : Bihar and MP retain rank 14 & 12 all through**

# Inequality(Gini)across states

- **Table presents Rural ,Urban & Overall Gini INQ across states.**
- **While some of the states like Kerala ,Gujarat, Odisha Punjab have experienced increase in rural inequality in varying degrees ,all the states reveal tremendous increase in urban inequality with highest increase is seen for Kerala(0.30 to 0.53)followed by Odisha(0.25.to 0.40),Maharashtra, W.B etc during 1993-04 to 2009-10.**
- **At the all India level also the same increasing trend is found albeit with lower rate.**

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**Gini**                      **1993-94**                                      **2004-05**                                      **2009-10**

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**States**

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**Rural**                      **Urban**                      **Total**   **Rural**                      **Urban**                      **Total**   **Rural**                      **Urban**                      **Total**

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**Andhra**

**Pradesh**                      **0.290**                      **0.323**                      **0.312**   **0.294**                      **0.375**                      **0.345**   **0.286**                      **0.395**                      **0.364**

**0.225**                      **0.309**                      **0.253**   **0.213**                      **0.355**                      **0.259**   **0.234**                      **0.358**                      **0.273**

**0.240**                      **0.291**                      **0.279**   **0.271**                      **0.310**                      **0.334**   **0.261**                      **0.338**                      **0.343**

**Haryana**                      **0.314**                      **0.284**                      **0.311**   **0.339**                      **0.366**                      **0.355**   **0.310**                      **0.368**                      **0.339**

**Karnataka**                      **0.270**                      **0.319**                      **0.309**   **0.266**                      **0.369**                      **0.361**   **0.240**                      **0.341**                      **0.350**

**Kerala**                      **0.301**                      **0.343**                      **0.316**   **0.381**                      **0.410**                      **0.393**   **0.439**                      **0.527**                      **0.473**

**Madhya**

**Pradesh**                      **0.280**                      **0.331**                      **0.315**   **0.277**                      **0.407**                      **0.357**   **0.297**                      **0.367**                      **0.351**

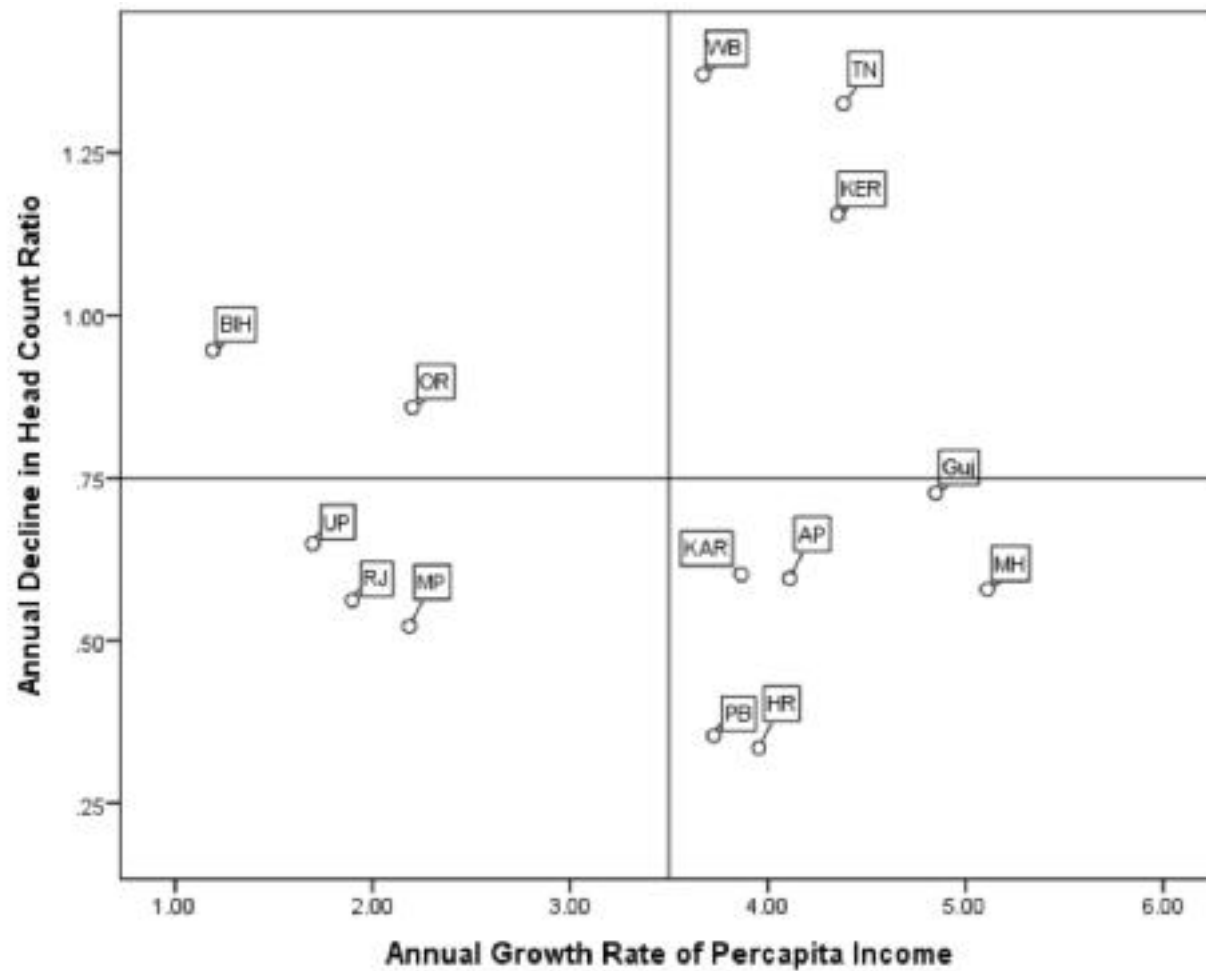
**Maha**                      **0.307**                      **0.357**                      **0.376**   **0.312**                      **0.378**                      **0.393**   **0.276**                      **0.423**                      **0.409**

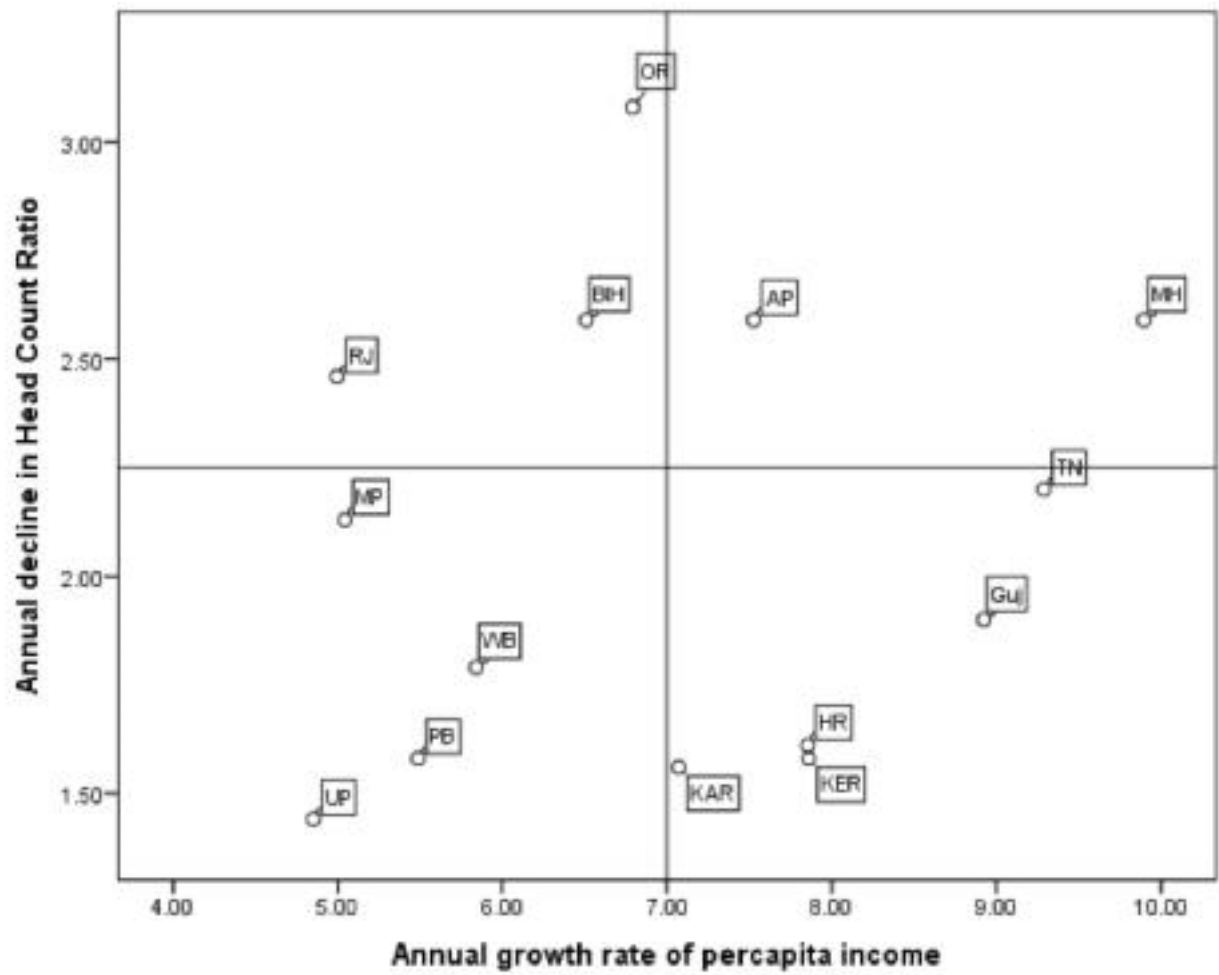


<b>Odisha</b>	<b>0.246</b>	<b>0.307</b>	<b>0.282</b>	<b>0.285</b>	<b>0.353</b>	<b>0.324</b>	<b>0.268</b>	<b>0.401</b>	<b>0.326</b>
<b>Punjab</b>	<b>0.281</b>	<b>0.281</b>	<b>0.285</b>	<b>0.294</b>	<b>0.402</b>	<b>0.351</b>	<b>0.297</b>	<b>0.382</b>	<b>0.339</b>
<b>Rajasthan</b>	<b>0.265</b>	<b>0.293</b>	<b>0.280</b>	<b>0.250</b>	<b>0.371</b>	<b>0.303</b>	<b>0.230</b>	<b>0.396</b>	<b>0.300</b>
<b>Tamil Nadu</b>	<b>0.312</b>	<b>0.348</b>	<b>0.344</b>	<b>0.323</b>	<b>0.361</b>	<b>0.379</b>	<b>0.271</b>	<b>0.340</b>	<b>0.342</b>
<b>Uttar Pradesh</b>	<b>0.282</b>	<b>0.326</b>	<b>0.302</b>	<b>0.291</b>	<b>0.367</b>	<b>0.327</b>	<b>0.281</b>	<b>0.367</b>	<b>0.322</b>
<b>West Bengal</b>	<b>0.254</b>	<b>0.339</b>	<b>0.308</b>	<b>0.274</b>	<b>0.383</b>	<b>0.353</b>	<b>0.245</b>	<b>0.393</b>	<b>0.338</b>
<b>All India</b>	<b>0.286</b>	<b>0.344</b>	<b>0.326</b>	<b>0.305</b>	<b>0.376</b>	<b>0.363</b>	<b>0.300</b>	<b>0.393</b>	<b>0.370</b>

**whether economic reform had succeeded in reducing poverty in India (based on official estimate).**

- **Relation between annual rate of decline in head count poverty ratio and the annual rate of growth of PCI (status of states in terms of Scatter plot ) for two phases : (i) 1983 – 2004-05 & (ii) 2004-05—2011-12.**
- **Decline in the proportion of poor below poverty line but the rate of decline is not uniform across the states during 1<sup>st</sup> phase**
- **Some states like Kerala (Ker), Tamil Nadu (TN) and West Bengal (WB) have attained higher per capita income growth along with higher decline in poverty ratio over the years. The reverse occurs for states like Maha, Guj, A.P, Punjab, Har, Bihar , Odisha .**





## Poverty decline and annual growth

- In the 2<sup>nd</sup> phase however Odisha, Bihar, MP and Rajasthan have higher rate of decline in poverty coupled with lower rate of growth of PCI. The reverse is seen for Kerala, Karnataka, Harayana and Guj.
- AP, Maharashtra & TN reveals Higher growth with higher rate of fall in poverty ratio.
- => No unique relation between growth and rate of decline in poverty across states.
- Author's argument from the findings of Himansu, Dev & Ravi that regional concentration of poverty and steady increase in urban poverty.

## **Nature of Under Nutrition & per capita Income**

- **Relation between level of PCI and nature of under nutrition across the states on the basis NFHS data for 2005-06 through arbitrary classification of states as High Income  $>Rs\ 33960$ , Middle  $>Rs\ 19445 \leq Rs\ 33960$  and Low income  $\leq Rs\ 19445$ .**
- **Contrast between richness of states and health indicators in 2004-05: in Maharashtra, Gujarat, Haryana, the high income states, the % of severely stunted, wasted, men and women with thin body mass are not relatively low as compared to other middle and low income states.**

State	Children [% below -3 SD]			Body Mass Index			Per capita Income (2005-06)	Category
	Height-for-age (Severely Stunted)	Weight-for-height (Severely Wasted)	age	[<18.5(total thin)]				
				Women	Men			
	(6)	(7)	(8)	(9)	(10)	(11)		
Haryana	19.1	5.2	11.9	36.2	33.5	40947	High Income	
	(6)	(7)	(6)	(8)	(6)	(1)		
	19.4	5.0	14.2	31.3	30.9	40313		
	(7)	(5)	(9)	(4)	(5)	(2)		
	25.5	5.8	16.3	36.3	36.1	36102		
Kerala	(11)	(9)	(11)	(9)	(11)	(3)	Income	
	6.5	4.1	4.7	18.0	21.5	34837		
	(1)	(3)	(1)	(1)	(2)	(4)		
Tamil Nadu	10.9	8.9	6.4	28.4	27.1	34126		
	(2)	(13)	(2)	(3)	(3)	(5)		
Karnataka	17.3	2.1	8.0	18.9	20.6	33960		
	(3)	(1)	(3)	(2)	(1)	(6)		
	20.5	5.9	12.8	33.5	33.9	29231		
	(9)	(10)	(7)	(5)	(7)	(7)		
Andhra Pradesh	18.7	3.5	9.9	33.5	30.8	27486	Middle Income	
	(5)	(2)	(4)	(6)	(4)	(8)		
Rajasthan	17.8	4.5	11.1	39.1	35.2	23808		
	(4)	(4)	(5)	(11)	(8)	(9)		
	22.7	7.3	15.3	36.7	40.5	19445		

	(10)	(11)	(10)	(10)	(13)	(10)
	19.6	5.2	13.4	41.4	35.7	17964
<b>Odisha</b>						
	(8)	(8)	(8)	(12)	(10)	(11)
						Low
	26.3	12.6	27.3	41.7	41.6	15927
<b>Madhya Pradesh</b>						Income
	(12)	(14)	(14)	(13)	(14)	(12)
	32.4	5.1	16.4	36.0	38.3	13443
<b>Uttar Pradesh</b>						
	(14)	(6)	(12)	(7)	(12)	(13)
	29.1	8.3	24.1	45.1	35.3	7798
	(13)	(12)	(13)	(14)	(9)	(14)



# Inclusive growth.

- **Inclusive growth is only defined as per 11<sup>th</sup> plan but there is no measurement.**
- **“ a process which yield broad-based benefits and ensures quality of opportunity for all” .**
- **Explanations : some normative statements with emphasis on India's lower rate of investment as % of GDP on Edu(3.3%) & health (1.2%) in 2013.**
- **Conclusions: (i) high growth of PCI with high inequality and regional disparity ;(ii) inclusive growth calls for reducing social and economic disparities that would only result in sustainable growth**

# Discussant's View

- This paper is interesting indeed as it has focused on the most contemporary issue of Indian economy i.e high growth with the persistence of high level of poverty, inequality and regional disparity. The attempt of the author to understand the long run dynamics of poverty ,inequality and growth is surely laudable.
- **Limitations:**
- Logical structure of the paper is very poor :it is full of some normative statements without any quantitative as well as logical substantiation. Logics are given from other's study. ??
- There are no concrete hypotheses. ??

# Limitations

- It is mainly concerned with already established propositions.
- The relations of causality are not established through the use of any kind econometric / statistical techniques. ??
- It is not mentioned : whether the levels of PCI across states are real or nominal; whether the gini are computed from NSSO MPCE data with MRP/URP; Are the estimations done by author?.
- The scatter plot on relation between growth & rate of fall in poverty gives only the status of the states but not the relation of causality between the two.. So many target group oriented workfare programmes of both the state and Central Govt are there.
- Author is supposed to look for the crucial explanatory factors to this dynamism using some econometric technique.

# Limitations

- **No valid conclusion regarding the relation between the level of PCI and nature of under nutrition should be drawn from the data base for a particular point of time which is also dated.**
- **What is the basis of classification of the states??**
- **In the section “looking for Explanation” there are no logical explanations.??? Excepting some normative statements.??.**
- **The author needs to establish whether growth is inclusive or not. There is no inclusiveness Index-----definition and % of GDP expended on Edu& health are not at all sufficient to this end.**
- **Where is the road map??.Conclusion must emerge from own analysis.**
- **On the whole the structure of this paper, the methodology and analytical part are very poor.**