INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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STATEMENT OF THE PROBLEM

OBJECTIVES

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RESEARCH METHODOLOGY

RESULTS & DISCUSSION

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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CONSUMPTION POVERTY PROFILE OF INDIA: EVIDENCES FROM NSS UNIT LEVEL DATA (2005-2012)

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ABSTRACT

The study find outs that poverty HCR has declined across both rural and urban India during the period 2005-12 considering the selected 25 states. The rate of decline in poverty is found to be faster in urban than in rural areas. The severity of poverty, as measured by poverty gap ratio has declined during the study period. The decline is more in urban than rural India. The rural poverty is much more severe than urban poverty. Considering poverty by geographical regions across India, it is found that in rural India, the most vulnerable regions are Central (Madhya Pradesh, Chhattisgarh) and Eastern (Bihar, Jammu & Kashmir, West Bengal, Orissa) followed by North-East (Arunachal Pradesh, Assam, Manipur, Mizoram, Nagaland, Tripura). At the urban level, Southern region (Karnataka, Andhra Pradesh, Tamil Nadu, Kerala) has the least incidence of poverty HCR followed by Western region (Rajasthan, Maharashtra, Gujarat). Although, all regions have been able to reduce the incidence of poverty, the North Eastern and Northern states experienced an increase in poverty which is quite alarming. This regional inequality might be due to the differential treatment and attention received by the respective states from the centre owing to the differences in political affiliations. It is also said that a lot of fund allocated for development purposes remain unutilized in certain states or areas either due to lack of proper administration or implementation or man-power. Considering the micro factors, it is found that in terms of poverty by Household head's employment status, which has been recategorized, at the rural level, all the three categories of employment, namely regular, casual and inactive have experienced a decline in poverty HCR figures. This is definitely a big achieve-ment for the economy. At the urban level, poverty was found to increase during the study period for those inactively employed. Considering poverty by level of education with respect to the household head, it is found that poverty among rural illiterates is more than urban illiterates across all the years although poverty over time has declined across all the categories of education. The study finds that returns to education is positive which is as expected. Higher the level of education an individual receives, lower is the incidence of poverty and vice-versa. Considering poverty in terms of asset holdings (land ownership), in rural India poverty HCR has drastically declined compared to the urban India. Across all quintiles of land holdings poverty is found to decline. Urban poverty HCR is found to be distinctly low compared to the rural India owing to less land holdings among the urban population. Moreover, the incidence of poverty is widespread among the rural population than the urban population. From the inequality figures, urban inequality has marginally declined during the period 2005-12 whereas urban inequality in consumption has increased during the period 2005-12. In terms of the spread of consumption inequality across regions Gini coefficient has declined in Western, Central, Southern and Eastern region remarkably. But surprisingly, consumption inequality has increased in the Northern and North-Eastern Region during the period 2005-12. To conclude, it can be said that although the poverty with respect to the poverty line has declined over the three rounds of consumption expendi-ture the inequality has marginally declined (0.5%) over the period. The share of rural India in the total inequality is much more compared to the share of urban India where inequality has declined marginally. Thus, more targeted measures and programs have to be taken in order reduce the spread of poverty and inequality.

1. INTRODUCTION

Whenever the fruits of Globalization are discussed for any economy, the inherent emphasis lays on the extent to which the country's economic growth has reduced its poverty. The Indian economy is no exception to this phenomenon. The Indian economy has long been struggling to get itself out of the vicious trap of poverty. The economy is characterized by a massive labour force, mostly unskilled and mostly involved in the unorganised sector. When economic growth benefits everyone in equal proportion, the incomes of the poor grow at the same rate as that of the rich as well as the growth rate of average income of the population. But such a situation is completely far from reality for a country like India. The fraction of the population whose incomes are below a specified poverty line must then decline with growth, although the rate at which it declines depends on the position of the poverty line in the income distribution, with growth in the mean generating more rapid poverty reduction the greater the fraction of the population who are near the poverty line. If economic growth is unequally distributed among the population classes, the effects of growth on poverty reduction will be less (or more) depending on whether the incomes of the poor grow by less (more) than average[1]. Thus, it is important to measure and assess whether the economic growth percolates into all the sections of the society in equal intensity or not and hence the need to measure poverty arises. It measures the extent to which the economy has been able to provide its citizens a certain minimum standard of living irrespective of their varied ethnic and socio-economic backgrounds.

Thus to define poverty in simple terms, it is the deficiency of income needed to acquire the minimum necessities of life and hence the standard of living. In practice, poverty is an extremely complex phenomenon, which manifests itself in a range of coinciding and intertwined economic, political and social deprivations. These include lack of assets, low income levels, hunger, poor health, insecurity, physical and psychological hardship, social exclusion, degradation and discrimination, and political powerlessness and disarticulation[2].

1.1 IMPORTANCE OF THE STUDY
Poverty profiles are extremely useful in framing the most effective economic and social policies to combat poverty, which can be used to formulate poverty eradication policies aiming to raise and maintain parity in the standard of living. In this study, the poor are identified by some socioeconomic characteristics, such as geographic location of households, age of the household head, education of the household head, family size and composition including the number of children, the land holding, the employment status, and other characteristics of the poor.

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[1] http://www.piketty.pse.ens.fr/files/Deaton2003b.pdf
[2] https://mpra.ub.uni-muenchen.de/62400/1/MPRA_paper_62400.pdf

1.3 POVERTY PROFILE ACROSS SEVERAL MICRO AND MACRO FACTORS

Poverty is a multi-dimensional concept which is not only caused by a shortfall of income to afford the basic minimum necessities of life but by various kinds of deprivations faced across the primary spheres of the society like health, education, employment, social security, participation in democratic decision making and various others. Thus, we mainly focus on the first three poverty measures of the so-called FGT class (Foster, Greer, and Thorbecke 1984), namely the headcount, the poverty gap, and the squared poverty gap.

1.4 OBJECTIVES OF THE STUDY

1. To estimate the overall poverty for the selected states across both rural and urban areas over the selected rounds of consumption (2004-05, 2009-10 and 2011-12). The poverty figures give an idea of the existing state of human development. When traced over time, figures give an idea whether the situation has improved or worsened over time.
2. To assess poverty variations across Geographical Regions and their gradual performance over time study period.
3. To assess the poverty across the broadly defined categories of Employment status of the head of the household.
4. To study the variation of the poverty figures across different categories of education. It is said that returns to education is always positive. So, it is essential to find out whether it is true across both rural and urban areas which are structurally different in terms of infrastructure and employment opportunities.
5. To analyze the spread of poverty among households varied by household sizes. It might be that a nuclear family incurs more cost of living in an urban area than a similar family with similar income living in rural area which ends up with more savings. As household size increases, given income, the per capita availability of expenditure also declines. On the other hand, as household size increases, for families belonging to upper expenditure classes, the expenses also increase. Thus, it is important to study the effect of average household size on poverty figures.
6. To study the variation in poverty figures by land ownership. Land is a chief asset and a measure of economic and social security. In rural areas, arable land ownership generally implies food grains security. So, it is expected that more the volume of land ownership less would be the incidence of poverty.
7. To estimate Gini coefficient of consumption expenditure inequality across various geographic regions over the selected years of study. This gives an idea about the spread of consumption inequality across regions.
8. To calculate Gini Coefficient of inequality across different sectors of the selected 25 states together.

2. REVIEW OF LITERATURE

Himanshu and Sen (2004) executed a detailed re-examination of the poverty and inequality figures based on the 55th round of consumption expenditure. The 55th round of the NSS, which used a different methodology from all previous NSS rounds and arrived at lower poverty estimates, has confused about what happened to poverty and inequality in India during the 1990s. A consensus from earlier NSS rounds that poverty reduction had been setback during the 1990s was challenged. This was bolstered apparently by some 'adjustments', which although agreeing that the 55th round had overestimated poverty reduction, claimed that the number of poor had nonetheless fallen by 30-45 million. They reconfirmed that poverty and inequality has increased during 1990s. They arrived at the conclusion that economic inequality increased sharply during the 1990s in all its aspects and, as a result, poverty reduction deteriorated markedly despite higher growth. They also suspected that the number of poor increased during the decade.

Sen and Himanshu (2005) provided striking evidence about increased inequality in India in the post-reform period. Based on indices of real Mean Per Capita Expenditure (MPCE) by fractile groups, Sen and Himanshu showed that whereas the consumption level of the upper tail of the population, including the top 20 per cent of the rural population, went up remarkably during the 1990s, the bottom 80 per cent of the rural population suffered during that period.

Deaton and Dreze (2002) using NSS data found three distinct trends of changing patterns of inequality during the 1990s. They showed that there is strong evidence of divergence in per capita consumption across states. Secondly, their estimates of state-wise per capita expenditure revealed that rural-urban inequality in per capita expenditure significantly increased at an all-India level. They also found strong evidence of increased rural-urban inequalities within states between 1993-1994 and 1999-2000.

Jha (2004) also concluded that in both rural and urban sectors, all-India level inequality was higher during the post reform period than it was during the crisis period of the early 1990s. Jha examined the empirical relationship among inequality, poverty and economic growth in India. Using data on consumption from the 13th to the 55th Rounds of the National Sample Survey, the author computes, for both rural and urban sectors, the Gini coefficient and three popular measures of poverty. A sharp rise in rural and, particularly, urban inequality and only a marginal decline in poverty have characterized the post-reform period. The rise in inequality is explained in terms of an increase in the relative share of output going to capital as compared to labour, a drop in the rate of labour absorption and the rapid growth of the services sector. The rise in inequality has diminished the poverty-reducing effects of higher growth. The reforms have also been characterized by widening regional inequality. This is especially true in the case of the incidence of rural poverty, but also, to a lesser extent, urban poverty. Statistical convergence among states in terms of inequality, poverty and real mean consumption is weak.

Mishra and Parikh (1992) in their attempt to decompose household consumer expenditure inequalities in India by regions (states) and sectors (urban-rural) for the years 1977-78 and 1983 based on the National Sample Survey data used a class of Generalised Entropy measures. Their results consistently indicate that the inequality within states contributed much more towards national inequality and within-sector inequality explains a large part of state level inequality. The inequality at state levels showed a decline from 1977-78 to 1983 due to a better monsoon season in 1983, and anti-poverty programmes. They concluded that reduction in inequalities within the states can be very important and effective in reducing all-India inequality. Besides, national factors such as good weather, an active policy towards reducing inequalities through federal transfers can facilitate the reduction in inequality at a state level.

Subramanian and Jayaraj (2014) undertook an assessment of the evolution of inequality in the distribution of consumption expenditure in India over the last quarter-century, from 1983 to 2009-10, employing data available in the quinquennial 'thick' surveys of the National Sample Survey Office. They found that plausible adjustments to the data, along with an emphasis on 'centrist' rather than 'rightist' or 'leftist' inequality measures, lead to a picture of widening over-time inequality in the distribution of consumption expenditure, which is at odds with the impression of more or less unchanging inequality conveyed in some of the literature available on the subject in India.

Pal and Ghosh (2007) analysed the nature and causes of the patterns of inequality and poverty in India. Since the economic liberalization in the early 1990s, the evidence suggests increasing inequality (in both spatial and vertical terms) as well as persistent poverty. The macroeconomic policies possibly responsible for these trends include—fiscal tightening, regressive tax policies and expenditure cuts; financial sector reform that reduced institutional credit flow to small producers and agriculturalists; liberalization of rules for foreign and domestic investment, leading to more regional imbalance and skewed investment patterns, and trade liberalization, which has affected livelihoods and employment generation.

Bhalla (2003) reported that both urban and rural Gini coefficients declined between 1993-1994 and 1999-2000. According to his calculations, rural inequality decreased in 15 out of 16 major states of India, and urban inequality declined in 8 of the 17 states over this period. He therefore concluded that inequality had not worsened in India during the period of reform.

Another study by Singh and others (2003) could not find strong evidence of increases in household inequality for the period 1993-1994 to 1999-2000. According to Singh and others (2003:12), "there are some indications of increases in regional inequality, but they are neither uniform nor overly dramatic". Singh and others also studied convergence of economic performance at a sub-state level. Using a set of five variables (petrol sales, diesel sales, bank credit, bank deposits and cereal production), their study found that during the post reform period, some states experienced increasing within-state inequality.

The GoI National Human Development Report (2001) published the state-wide Gini coefficients for the years 1983, 1993-1994 and 1999-2000. These coefficients were estimated using the 38th, 50th & 55th rounds of Household Consumer Expenditure survey conducted by the National Sample Survey (NSS) of India. Comparing the level of inequality between 1993-1994 and 1999-2000, among the 32 states and union territories reported showed that seven states experienced an increase

in rural inequality and fifteen states experienced an increase in urban inequality. There were five states where both urban and rural inequalities increased. It is interesting to note that all these five states were in the North-Eastern part of India[3].

Tripathi (2016) estimates the Regression based inequality decomposition (Morduch and Sicular, 2002; Fields, 2003; Fiorio and Jenkins, 2007) by considering unit level National Sample Survey data on consumption expenditure for the years 2004-05 and 2011-12 for rural and urban India separately. The main objective behind this exercise was to investigate the relevant household level characteristics which stand as the major source of consumption inequality in India. The decomposition-based regression analysis finds that household size is responsible for the maximum share of inequality in the total inequality of the average MPCE and predicted MPCE in the both urban and rural areas in 2004-05 and 2011-12. In addition, factors like higher level of education, share of workers engaged in less productive jobs (such as, casual labour and agricultural worker), regular salary earning member of a household, higher level of land possessed by the households, and house-holds having hired dwelling unit are also contributing to the higher level of inequality in the total inequality of the average MPCE and predicted MPCE.

Therefore, several studies suggest that poverty although has declined in the post reforms era, but there is a visible incidence of inequality. Thus an attempt has been made to study the existing situation of poverty and inequality over the recent three rounds of consumption expenditure.

3. DATA AND RESEARCH METHODOLOGY

This study spans over the recent most available three NSS rounds of consumer expenditure data (2004-05, 2009-10 and 2011-12). The unit level data has been used in order to measure the coefficients of poverty and inequality. The methodological complications on the selection of appropriate measures of poverty and inequality have not been dealt and therefore the standard and the most popular measures have been used to compute the figures. This study covers the recent-most three rounds of consumption expenditure, namely 61st Round (2004-05), 66th Round (2009-10) and 68th Round (2011-12). The NSS lays more weightage to rural sample size due to the varying and complex occupational backgrounds of the households. On the contrary, the urban samples are less compared to the rural ones as the household characteristic aren't much diverse as in the case of rural India. Here, under the study, 25 major States of India have been considered except all the union territories. The union territories were excluded as their consumption pattern is widely represented by their neighbouring states. Thus, the sample size under study is nearly 95 % of the NSS sample population which can well be considered as a representative of the national population.

In this study, there are two re-categorizations which have been executed: *first*, the states have been clubbed together and recategorized into six distinct regions based on their geographic location; and *second*, since different rounds have different classifications of the occupation, based on which the household types are considered, we broadly recategorize them into three categories of employment. In case of urban and rural India, the household type denoting the occupation of the household has been considered to be major occupation of the household head. This has been done as NSS surveys of consumption expenditure do not take into account the occupation of each of the members of the family roster. Moreover, the occupation categories also vary across rural and urban areas and slightly between rounds. Thus such manipulation was necessary to represent the data in one single frame. Under '**regular employment**' category, 'self-employed' and 'regular wage/ salary earning' has been clubbed for urban areas and for rural areas 'self-employed' in agriculture and non-agriculture and 'regular wage/salary earning' have been included. For '**casual employment**', the irregularly paid casual labours in both agriculture and non-agriculture have been considered. The rest have been categorized under '**inactive employment**.'

The unit level data for all three rounds of consumer expenditure have been extracted and selected for the 25 states which have been categorized into six distinct geographical regions as follows.

TABLE 3.1: REGIONAL CLASSIFICATION OF THE SAMPLE STATES

Western	Rajasthan, Maharashtra, Gujarat
Central	Madhya Pradesh, Chhattisgarh
Northern	Uttar Pradesh, Jammu &Kashmir, Himachal Pradesh, Uttarakhand, Punjab, Haryana
Southern	Karnataka, Andhra Pradesh, Tamil Nadu, Kerala
Eastern	Bihar, West Bengal, Orissa, Jharkhand
North-Eastern	Arunachal Pradesh, Assam, Manipur, Mizoram, Nagaland, Tripura

Accordingly, the household data with respect to the head of the household has been taken under consideration and the standard tools of measuring poverty and inequality were applied. The results have been enumerated in the following section.

4. RESULTS, ANALYSIS AND DISCUSSIONS

For the 25 Indian states taken all together, poverty head count ratio, poverty gap and squared poverty gap has been calculated separately for both rural and urban India spanning the period 2005-12.

4.1 OVERALL POVERTY: HEAD COUNT RATIO, POVERTY GAP AND SQUARED POVERTY GAP

FIGURE 4.1: POVERTY ACROSS RURAL AND URBAN INDIA, 2005-12
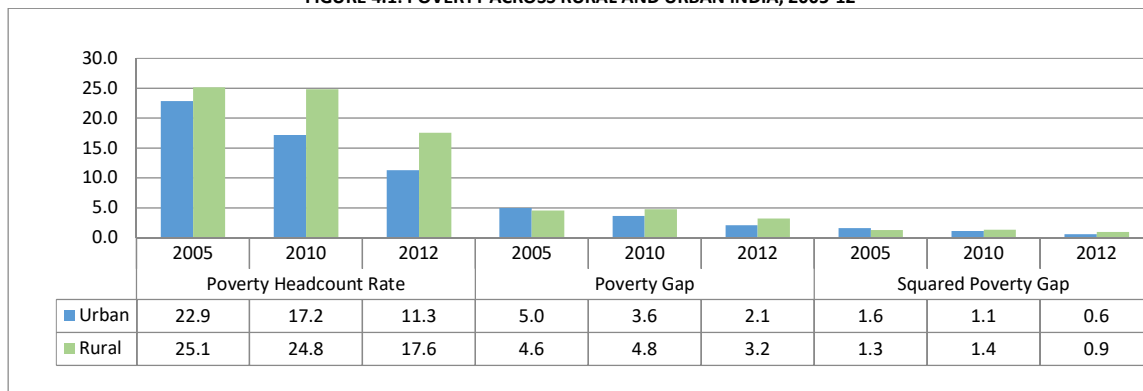
	Poverty Headcount Rate			Poverty Gap			Squared Poverty Gap		
	2005	2010	2012	2005	2010	2012	2005	2010	2012
Urban	22.9	17.2	11.3	5.0	3.6	2.1	1.6	1.1	0.6
Rural	25.1	24.8	17.6	4.6	4.8	3.2	1.3	1.4	0.9

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

The **Headcount Index** (P_0) measures the proportion of the population that is poor. It is popular because it is easy to understand and measure. But it does not indicate how poor the poor are. From the figure 4.1, it is evident that during the period of study 2005-2012, poverty has declined across both rural and urban India for the selected 25 States The decline in poverty is found to be rapid in urban areas than in rural areas. The primary reason being that the social protection schemes aimed at poor reach the urban poor at a faster pace than the distant rural areas. Secondly, the urban poor have more opportunities and benefits of in the urban

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[3] States and Union Territories where Rural Inequality has increased: Assam, Manipur, Mizoram, Nagaland, Sikkim, Chandigarh, Dadra and Nagar Haveli and Aruna-chal Pradesh. States and Union Territories where Urban Inequality has increased: Assam, Bihar, Gujarat, Haryana, Karnataka, Manipur, Mizoram, Nagaland, Punjab, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Daman and Diu. Both urban and rural inequality has increased in Assam, Manipur, Mizoram, Nagaland and Sikkim.

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cities which have multiple options of employment. On the other hand, rural population is less informed and gets less exposure to the unorganized sector which employs a huge section of less educated unskilled labourers.

The **Poverty Gap Index** (P_1) measures the extent to which individuals fall below the poverty line (the Poverty Gaps) as a proportion of the poverty line. The sum of these poverty gaps gives the minimum cost of eliminating poverty, if transfers were perfectly targeted. The measure does not reflect changes in inequality among the poor. From the figure 4.1, it is found that the rate of decline in poverty gap is more for urban than in rural areas.

The **Squared Poverty Gap Index** (also known as the Poverty Severity Index, P_2) averages the squares of the poverty gaps relative to the poverty line. It is one of the Foster-Greer-Thorbecke (FGT) classes of poverty measures that allow one to vary the amount of weight that one puts on the income (or expenditure) level of the poorest members in society. The FGT poverty measures are additively decomposable.
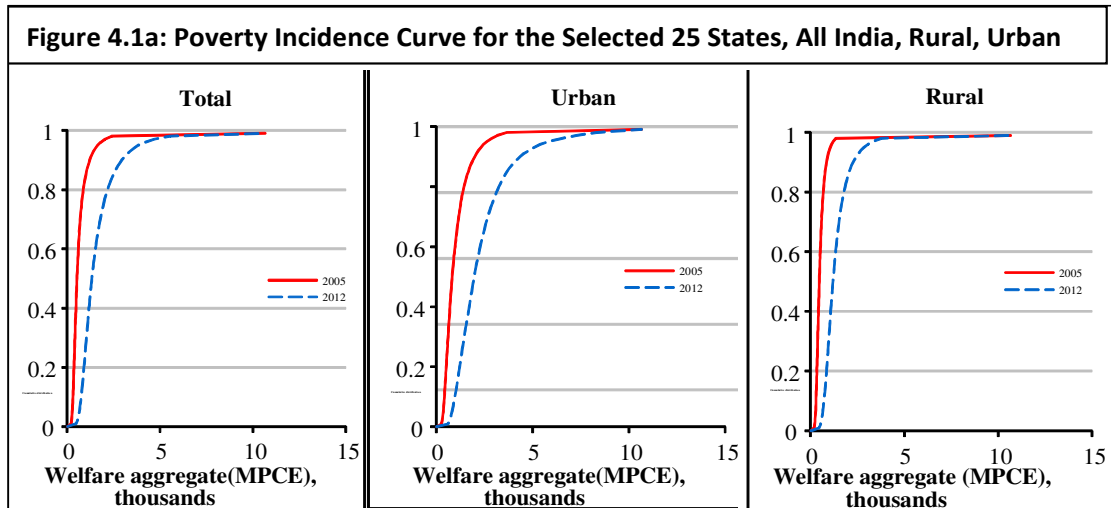
Figure 4.1a: Poverty Incidence Curve for the Selected 25 States, All India, Rural, Urban

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

From the figure 4.1a, it is evident that between the years 2005-12 poverty has declined at both rural and urban level. The decline is found to be more in urban India than in rural India. The incidence of poverty is higher in rural India than in urban India. Here for every possible choice of poverty line, the poverty rate in 2012 is below than that in 2005.

POVERTY GAP RATIO (DEPTH OF POVERTY)

Poverty gap estimates the average shortfall in consumption relative to the poverty line and thus overcomes the first limitation of the headcount which is explained shortly. It implies that the average deficit in consumption in each urban household is 5 % below the poverty line in 2004-05 which has reduced to 2.1 % in 2011-12 if the non-poor are considered to have a zero shortfall. For rural India, it implies that the average deficit in consumption in each rural household is 4.6 % below the poverty line in 2004-05 and 3.2 % below the poverty line in 2011-12. Poverty gap index estimates the depth of poverty by considering how far, on the average, the poor are from the poverty line.

Figure 4.1b: Poverty Deficit Curve for the Selected 25 States, All India, Rural, Urban

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

SQUARE POVERTY GAP RATIO (SEVERITY OF POVERTY)

Unlike the headcount or poverty gap, this measure is sensitive to the distribution of consumption among the poor. That is if a transfer occurs from one poor household to a richer household, the level of poverty should increase. Even when the poverty incidence and poverty gap may be unaffected, severity indicator will increase.
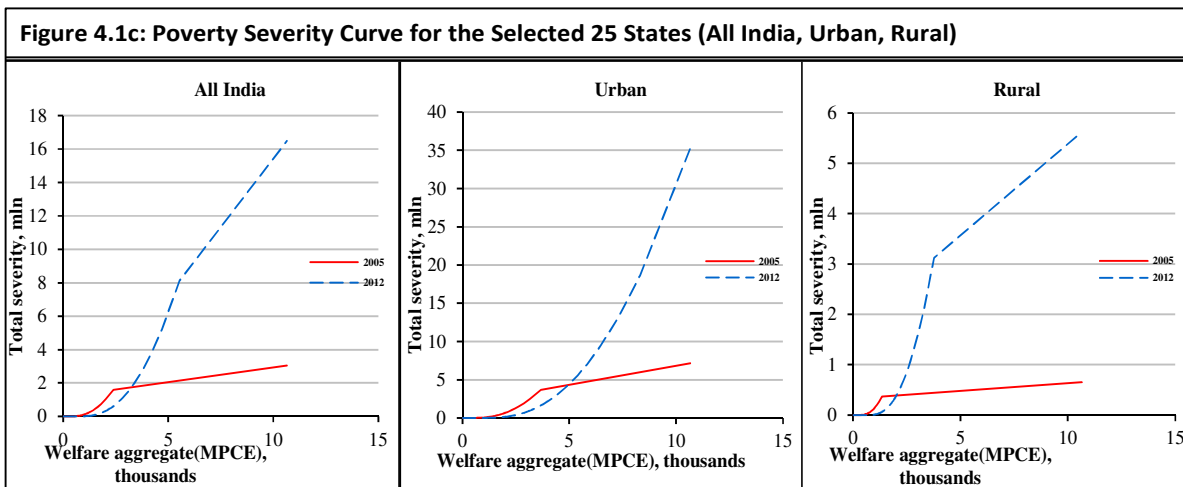
Figure 4.1c: Poverty Severity Curve for the Selected 25 States (All India, Urban, Rural)

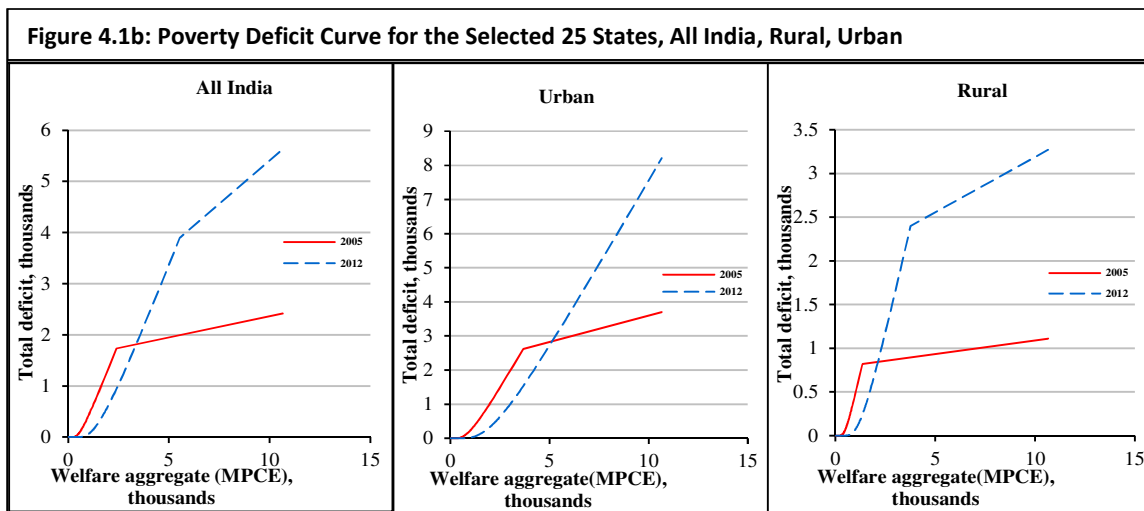Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

From the figure 4.1, we find that the severity of poverty is 1.6 % in urban and 1.3 % in rural India in 2004-05. The severity of poverty as measured by Squared Poverty Gap Index has declined over time. In 2011-12, the poverty severity was found to be 0.6 % in urban India and 0.9 % in in rural India. It is obvious that rural poverty is more severe than urban poverty as the rural poor population is much larger than the urban poor population.

4.2.1 DIVERSITY IN POVERTY FIGURES ACROSS VARIOUS MICRO AND MACRO FACTORS

The consumption expenditure pattern varies from person to person depending on a complex set of micro and macro level factors which govern it. The factor intensity of these micro and macro components also varies widely across households and even across individual consumers. The micro factors include average age of the household, family size, composition, gender of the household head, maximum education level in the household, income class, number of breadwinners, and occupation of the household head and so on. On the other hand, the macro factors affecting a household include the socioeconomic and the demographic factors, the regional influence on the lifestyle and consumption pattern across varied expenditure classes. In the forthcoming sub-sections some of the factors have been addressed in terms of poverty measure.

4.2.1.1 POVERTY ACROSS GEOGRAPHICAL REGIONS

FIGURE 4.2.1.1: POVERTY HEAD COUNT RATIO BY REGIONS, 2005-12
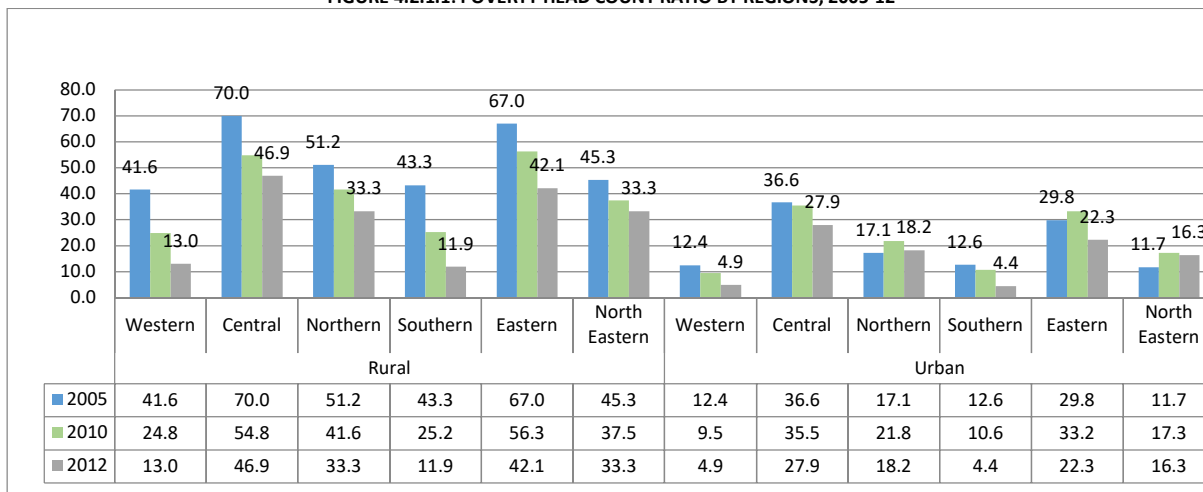
	Western	Central	Northern	Southern	Eastern	North Eastern	Western	Central	Northern	Southern	Eastern	North Eastern
				Rural						Urban		
2005	41.6	70.0	51.2	43.3	67.0	45.3	12.4	36.6	17.1	12.6	29.8	11.7
2010	24.8	54.8	41.6	25.2	56.3	37.5	9.5	35.5	21.8	10.6	33.2	17.3
2012	13.0	46.9	33.3	11.9	42.1	33.3	4.9	27.9	18.2	4.4	22.3	16.3

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

The status of poverty varies from region to region. The selected States under study have been categorized into six distinct regions based on their geographic location. From the figure 4.2.1.1 it is evident that in rural India, the most vulnerable regions are the Central Region consisting of Madhya Pradesh and Chhattisgarh and the Eastern Region consisting of Bihar, Jharkhand, West Bengal and Orissa followed by the North-Eastern Region. At the urban level as well, the same trend follows. If the performance of the Regions in terms of reducing poverty is assessed, it can be said that except the Southern Region consisting of Karnataka, Andhra Pradesh, Tamil Nadu and Kerala, all other Regions have still a substantial percentage of the population living below the poverty line. An alarming observation from this study is that, while over time all the Regions have been able to reduce their poverty levels, at the urban level, poverty is found to have increased in the Northern and North-Eastern Regions which is a matter of concern. This is probably due to the negligence of the Government in terms of its ability to bring the poor under its social security schemes and benefits net.
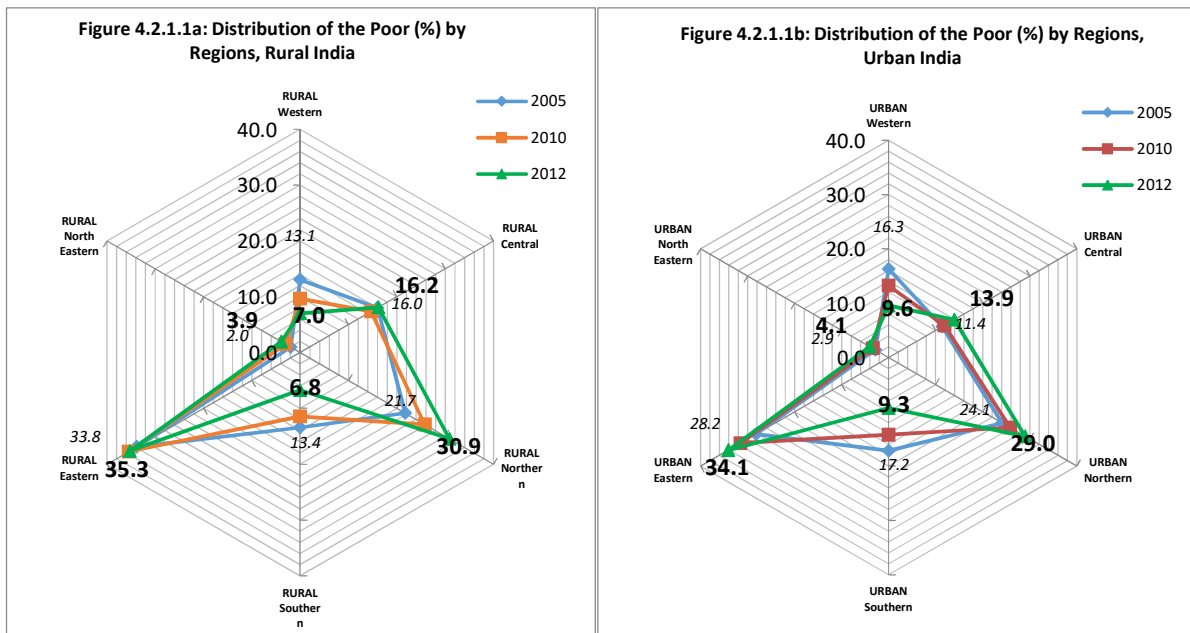
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Figure 4.2.1.1a: Distribution of the Poor (%) by Regions, Rural India

Figure 4.2.1.1b: Distribution of the Poor (%) by Regions, Urban India

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

From the figures 4.2.1.1a and 4.2.1.1b, we can infer that more than one third of the Indian poor are concentrated in the four States of Eastern Region. In fact, these states were once a part of the famous weak states 'BMORU'. Rajasthan and Orissa have exceptionally done well in pulling themselves out of the trap. If we compare the status of the regions over years, we can see that Western Region and Southern Region have well been able to reduce the proportion of poor at both rural and urban level between 2005 and 2012. On the other hand, Eastern and Northern regions have emerged to be the shelter of more than one third of the entire poor across both rural and urban India.

4.2.1.2 POVERTY BY HOUSEHOLD HEAD'S EMPLOYMENT STATUS

In developing countries like India, where families are suffering from the vicious circle of poverty, each household's consumption pattern are distinctly governed by the characteristics of the main bread-winner of the family like the age of the household head, the occupation of the head, the education level of the head etc. and certain features of the household like asset holdings, household size etc.

FIGURE 4.2.1.2: POVERTY HEAD COUNT RATE BY OCCUPATION STATUS OF HH HEAD

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

From the figure 4.2.1.2, it is evident that in rural areas, poverty has declined remarkably across all three classes of employment. The decline is highest in case of casual employment in rural areas. This category includes the casual labourers who commute regularly and gets employment in urban sector. The rapid urbanization and growth of the real estates in the urban India caters very lucrative wages to the prospective casual labourers. Thus, their income standards have improved and hence the poverty among the rural casual labourers has declined from 63.4 % in 2004-05 to 18.8% in 2009-10. Compared to the 66th Round, in the 68th Round, the poverty HCR has increased for those inactively employed in both rural and urban India. This implies that other than regular and casual employment, other employment categories are worse off.

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4.2.1.3 POVERTY BY HOUSEHOLD HEAD'S EDUCATION STATUS
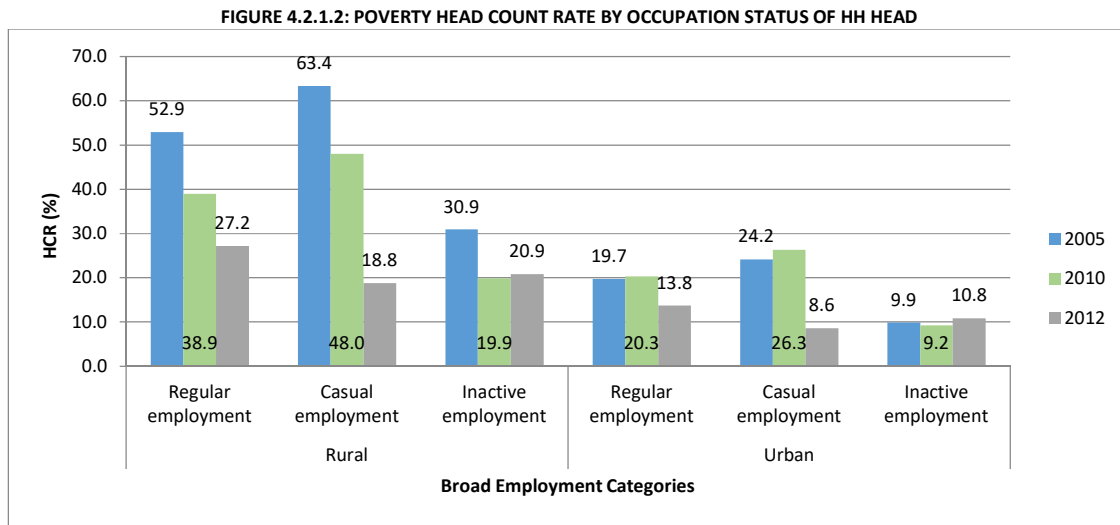

FIGURE 4.2.1.3: POVERTY HCR BY EDUCATION LEVEL OF THE HOUSEHOLD HEAD

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

From the figure 4.2.1.3 it is observed that across the selected 25 States, at the rural level, illiteracy of the household head brings more poverty than in urban areas. This is simply because of the fact that urban areas have many employment opportunities. For rural India, which mainly involves its people in agriculture and certain non-agricultural activities, education is not a criterion for such forms of employment. But such employment opportunities as that of unorganised sector are very few in rural areas. Hence, poverty among rural illiterates is more than urban illiterates in terms of poverty HCR. The returns to education are very much positive. This fact is implied from the HCR figure which keeps on declining as the education level improves, both across rural and urban India. Thus, the poverty among the 'Graduates' and 'Post Graduates & Above' that are very low both across rural and urban India.

Considering the change in the poverty HCR figures over time, we can see that across all categories of education, the poverty HCR has declined over time except in 2010 in higher education categories in urban India, where advancement in household head's education did not lead to decline in poverty HCR. In fact, in case of rural India, the poverty HCR has increased in 2010 over 2005 which has reduced to some extent in 2012. To be precise, poverty in urban India has increased during 2005-12 for education categories up to 'Graduate' except for 'Diploma and Certificate Courses' which enables them to find jobs in the skilled labour market. It appears that only among the Post Graduates in urban and rural area, poverty has declined over time. In urban areas, educated unemployment has become a common phenomenon and thus the proportion in poverty-stricken population is increasing over time. But the returns to education are positively consistent over time in case of both rural and urban India.

4.2.1.4 POVERTY BY SIZE OF THE HOUSEHOLD

A household's position in the economic ladder is also determined by the size and composition of the household. Even if two households are earning same level of income, one may be dipped in poverty due to its large family size while the other might be well above the poverty line owing to its small family size.
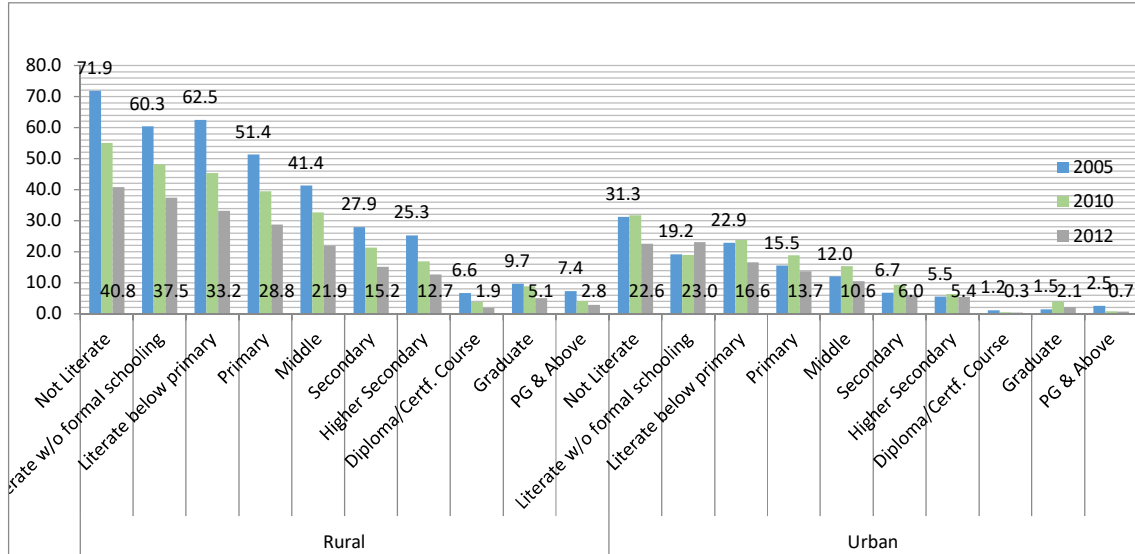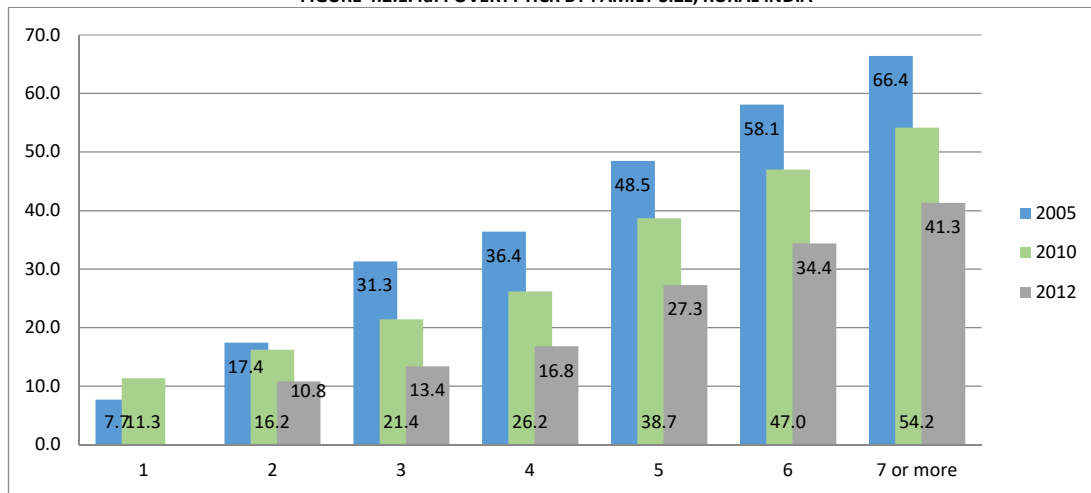

FIGURE 4.2.1.4a: POVERTY HCR BY FAMILY SIZE, RURAL INDIA

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

From the figure 4.2.1.4a, it is evident that incidence of poverty keeps on increasing with increasing household size. In rural India, across the selected 25 States, it is found that for one-member household, poverty HCR increased during 2005-10. But for all other household categories, it is found that poverty has declined over the study period. Considering any particular year of study, we find that the incidence of poverty keeps on gradually increasing with more number of family members. Greater the number of family members more is the pressure on the income earning member of the family to ensure their well-being. In India, where households generally have single income earner, the per capita share of consumption keeps on declining with increasing number of family members until and unless it is offset by an increase in income earning members in the family.

But across the poorest of the deciles in rural India, the income of a single member of the household who are generally employed in the agricultural sector is so low and irregular that it requires most of its able family members including women and children to go out to work in order to sustain their daily consumption needs.

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FIGURE 4.2.1.4b: POVERTY HCR BY FAMILY SIZE, URBAN INDIA

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

In case of urban India, it is found that poverty HCR has increase across all family sizes in 2010 than in 2005. But in 2012, the poverty HCR has declined effectively. This implies that in urban India, there were more people living below the poverty line in 2010. In the 2011-12 NSS Survey, it is found that across family size categories with family size greater than or equal to 3, the proportion of population living below the poverty line has declined with respect to 2004-05. Poverty head count ratio is found to increase with increasing family size as income is limited for any household. The more the family members, more is the pressure on the family budget and hence less per capita share of each member in the household.

4.2.1.5 POVERTY BY LAND OWNERSHIP OF THE HOUSEHOLDS

India has been primarily an agriculture-based country which has gradually transformed into an economy with advancing secondary and tertiary sectors. Thus, ownership of land as an asset continues to be considered as a measure of confidence. A household with substantial land holdings but with some income is still considered to be superior to a household with same income but with no land holdings. Land is typically considered as an asset which never depreciates, therefore land ownership is found to be common across both rural and urban households. In fact, in the recent years, proportion of households holding land were reportedly more in urban areas than in rural areas. For the rural population now, which is affluent, land is a good factor of investment as paced urbanization has led to an increase in the value of real estate holdings rapidly in the recent years.

FIGURE 4.2.1.5: POVERTY HCR BY LAND OWNERSHIP

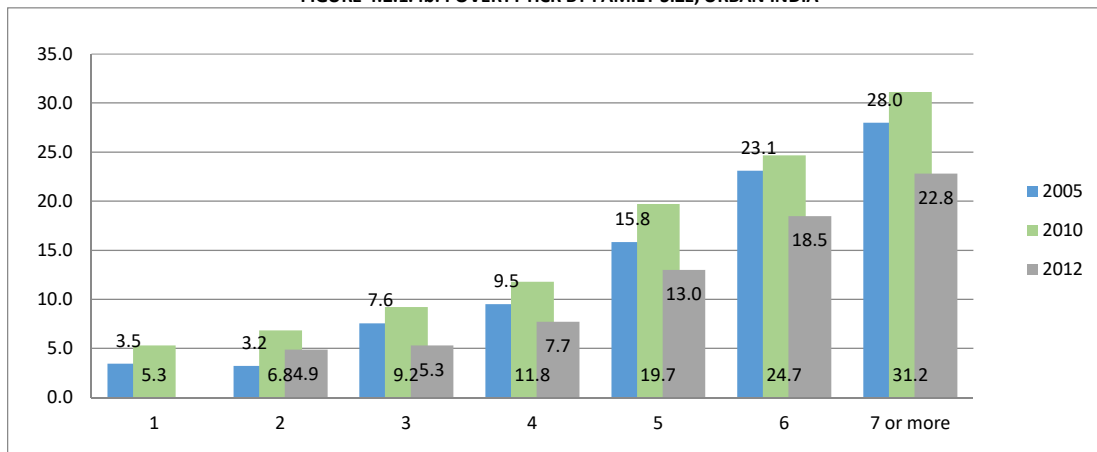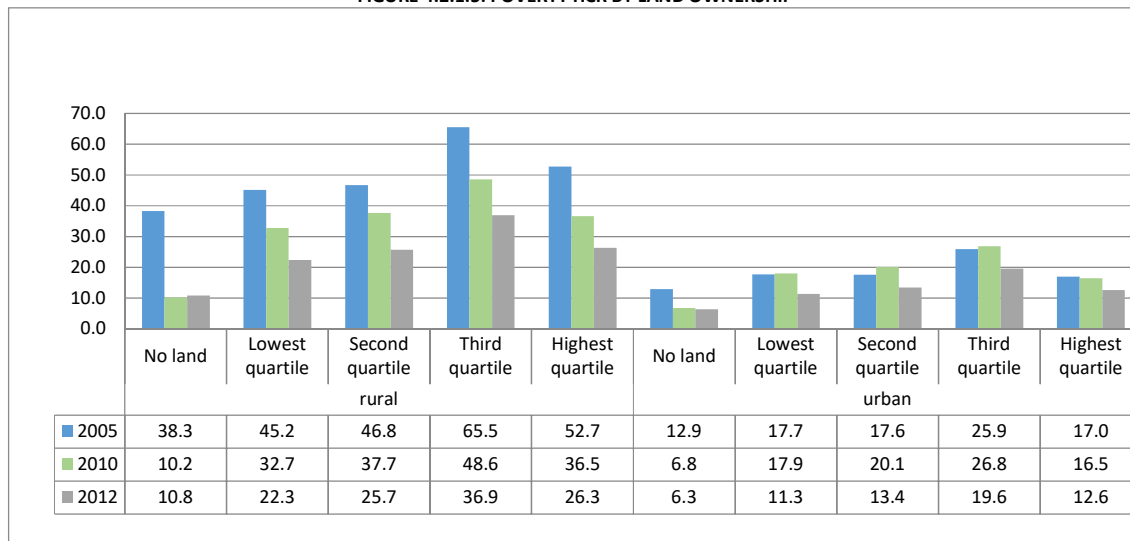|	No land	Lowest quartile	Second quartile	Third quartile	Highest quartile	No land	Lowest quartile	Second quartile	Third quartile	Highest quartile
			rural					urban		
2005	38.3	45.2	46.8	65.5	52.7	12.9	17.7	17.6	25.9	17.0
2010	10.2	32.7	37.7	48.6	36.5	6.8	17.9	20.1	26.8	16.5
2012	10.8	22.3	25.7	36.9	26.3	6.3	11.3	13.4	19.6	12.6

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.
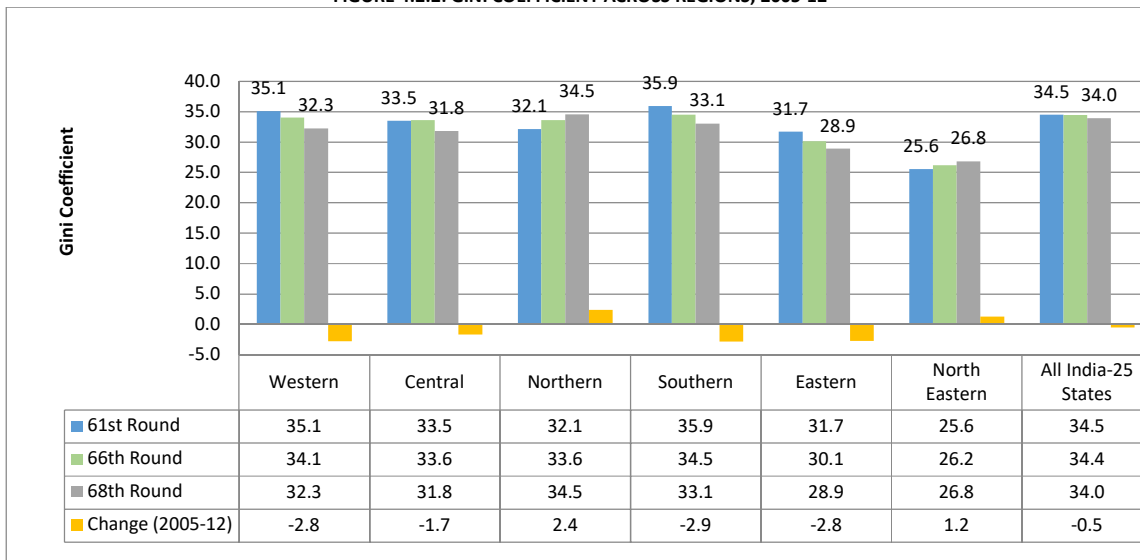
From the figure 4.2.1.5, we find that poverty HCR is greater in rural than in urban India. In rural areas, poverty is found to increase with greater land holdings. But it's only the top 20 % of the rural land owners who are found to have less HCR compared to the previous class. Thus, with fragmentation of land holdings now it has become uneconomic for households to own small pieces of land. For households with largest 20 % land holdings, poverty is found to decline in 2011-12. Although land holding is an important asset, it is found that for rural areas, land holding has become uneconomical for comparatively small and medium pieces of land. Thus, poverty is found to decline only for the largest land quintile in rural areas on which cultivation is economic. Fragmentation of land reduces land productivity especially in case of agriculture. In case of urban population, for which land is not as important as that of the rural population, the same trend is found. In urban areas as well, the poverty head count ratio increases with increasing land holdings across all the years of study.

Thus, to conclude, we can say, that poverty over time has declined but the decline has been more pro-urban than pro-rural. Thus, poverty being a phenomenon in itself has its impact on the lives of the people. One primary impact and conversely the major cause of poverty is the inequality in the distribution of income. Since NSSO Surveys of consumption expenditure does not record the incomes of the individuals which generally individuals tend to understate when asked, the conventional measure is considered where the inequalities in consumption are traced to have an account of the extent of consumption inequality which results into poverty.

4.2.2 GINI COEFFICIENT ACROSS REGIONS

FIGURE 4.2.2: GINI COEFFICIENT ACROSS REGIONS, 2005-12

	Western	Central	Northern	Southern	Eastern	North Eastern	All India-25 States
■ 61st Round	35.1	33.5	32.1	35.9	31.7	25.6	34.5
■ 66th Round	34.1	33.6	33.6	34.5	30.1	26.2	34.4
■ 68th Round	32.3	31.8	34.5	33.1	28.9	26.8	34.0
■ Change (2005-12)	-2.8	-1.7	2.4	-2.9	-2.8	1.2	-0.5

Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

From the figure 4.2.2, it can be inferred that the Gini coefficient of consumption inequality has declined in Western, Central, Southern and Eastern region remarkably. But surprisingly, consumption inequality has increased in the Northern and North-Eastern Region during the period 2005-12. The decline in consumption inequality is found to be highest in the Southern region states followed by western and eastern regions. In general, the pace of decline in inequality was very slow in between the 61st Round and 66th Round of consumption expenditure.

FIGURE 4.2.3: GINI COEFFICIENT ACROSS SECTORS, 2005-12
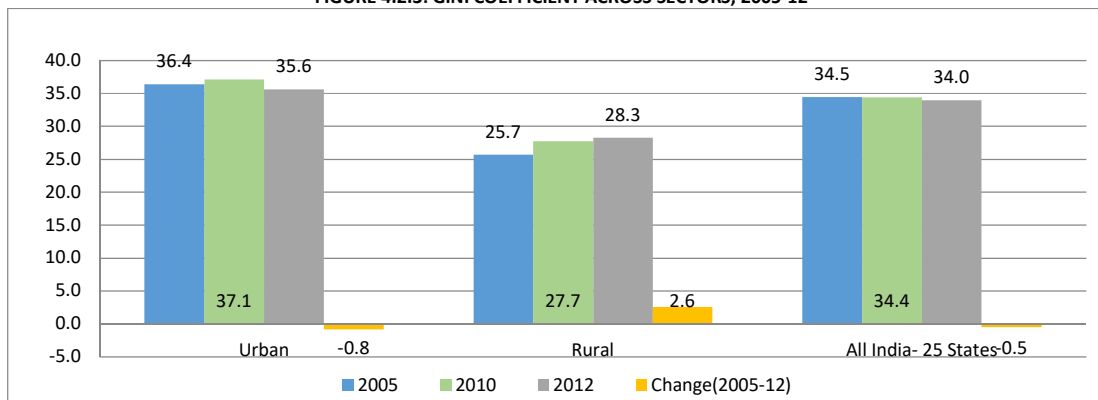
Source: Computed from NSS Unit Level Data for the Selected 25 States, 2004-05, 2009-10, 2011-12.

From the figure 4.2.3, it is clear that the inequality in consumption as measured by Gini coefficient has increased in rural India by 2.6 points whereas in urban areas the inequality has declined marginally by 0.8 points over the period 2005-12. In between the 61st and 66th round of consumption expenditure rural urban gap was 10.7 % which has considerably reduced by 7.3 % points in between the 66th and 68th round. So, it can be said that the decline is fastest during the period 2009-10 and 2011-12.

To summarize, considering all the 25 States as a whole, Gini coefficient of consumption expenditure inequality has marginally declined by 0.5 % over the period 2005-12. Over the study period, rural inequality has increased by 2.6 % whereas urban inequality has declined y 0.8 %. One possible reason for this phenomenon might be due to the pro-urban development policies by creation of employment and income earning activities and the extensive growth of the private sector which generates huge opportunities for the urban mass. But rural masses have not received such opportunities which has led to widening the gap between the rich and the poor thus giving rise to greater inequality.

5. CONCLUSION

To summarize, poverty HCR has declined across both rural and urban India during the period 2005-12 considering the selected 25 states. The rate of decline in poverty is found to be faster in urban than in rural areas. The severity of poverty, as measured by poverty gap ratio has declined during the study period. The decline is more in urban than rural India. The rural poverty is much more severe than urban poverty.

Considering poverty by geographical regions across India, it is found that in rural India, the most vulnerable regions are Central (Madhya Pradesh, Chhattisgarh) and Eastern (Bihar, Jammu & Kashmir, West Bengal, Orissa) followed by North-East (Arunachal Pradesh, Assam, Manipur, Mizoram, Nagaland, Tripura). At the urban level, Southern region (Karnataka, Andhra Pradesh, Tamil Nadu, Kerala) has the least incidence of poverty HCR followed by Western region (Rajasthan, Maharashtra, Gujarat). Although, all regions have been able to reduce the incidence of poverty, the North Eastern and Northern states experienced an increase in poverty which is quite alarming. This regional inequality might be due to the differential treatment and attention received by the respective states from the centre owing to the differences in political affiliations. It is also said that a lot of fund allocated for development purposes remain unutilized in certain states or areas either due to lack of proper administration or implementation or man-power.

Considering the micro factors, it is found that in terms of poverty by Household head's employment status, which has been recategorized, at the rural level, all the three categories of employment, namely regular, casual and inactive have experienced a decline in poverty HCR figures. This is definitely a big achievement for the economy. At the urban level, poverty was found to increase during the study period for those inactively employed.

Considering poverty by level of education with respect to the household head, it is found that poverty among rural illiterates is more than urban illiterates across all the years although poverty over time has declined across all the categories of education. The study finds that returns to education is positive which is as expected. Higher the level of education an individual receives, lower is the incidence of poverty and vice-versa.

Considering poverty in terms of asset holdings (land ownership), in rural India poverty HCR has drastically declined compared to the urban India. Across all quintiles of land holdings poverty is found to decline. Urban poverty HCR is found to be distinctly low compared to the rural India owing to less land holdings among the urban population. Moreover, the incidence of poverty is widespread among the rural population than the urban population.

From the inequality figures, urban inequality has marginally declined during the period 2005-12 whereas urban inequality in consumption has increased during the period 2005-12. In terms of the spread of consumption inequality across regions Gini coefficient has declined in Western, Central, Southern and Eastern region remarkably. But surprisingly, consumption inequality has increased in the Northern and North-Eastern Region during the period 2005-12.

To conclude, it can be said that although the poverty with respect to the poverty line has declined over the three rounds of consumption expenditure the inequality has marginally declined (0.5%) over the period. The share of rural India in the total inequality is much more compared to the share of urban India where inequality has declined marginally. Thus, more targeted measures and programs have to be taken in order reduce the spread of poverty and inequality.

6. LIMITATIONS OF THE STUDY

- The variation in consumption expenditure pattern among Indian households over time across states and regions has been captured with the help of NSSO Unit Level Data on household consumption expenditure. Only the change in consumption expenditure can be captured for various commodities over time.
- The sample households that NSS has considered are not same in each of the rounds. So, it has to be assumed that they are a representative of a particular class of population. Hence a balanced panel data could not be formed. Instead data was pooled assuming they are a representative of the local population varying over time (rounds).
- To compare between rounds, the consumption expenditures have been converted to constant prices of 1987-88 which may seem unrealistic.
- In all, the study covers 25 Major States of India and ignores the smaller states and union territories, but they represent about 95 % of the total sample population.
- Data on income is not given hence, expenditure is considered to be a proxy of income.
- Data on employment status of the members of the household are not given, which if available would have gained better results.
- Data for HES and UES cannot be merged together as both the surveys though conducted at the same point of time cover different households.

7. SCOPE FOR THE FURTHER RESEARCH

There is ample scope of further research in this area. Studies may be undertaken to study the causal factors of consumption poverty and inequality. The depth and extent of poverty can be further studied considering the amenities received.

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With sincere regards

Thanking you profoundly

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Sd/-
Co-ordinator

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