

Quadrant II - Notes

Paper Code: ECC105

Module Name: Regional Characteristics of Income Distribution and Poverty in India

Module No: 19

Notes

OUTLINE

- Brief Introduction
- Regional Characteristics of income distribution and Poverty in India
- Conclusion

LEARNING OUTCOMES

The students will be able to:

- Explain the regional characteristics of Indian economy in terms of income distribution.
- Describe the regional characteristics of Indian economy in terms of Poverty.
- Analyse the regional disparities which exist in term of income distribution and poverty in India.

Regional Characteristics of Income Distribution and Poverty in India

Introduction

Balanced regional growth is necessary for the harmonious development of a federal State like India. However, in India there are wide regional variations in the interregional and inter-state growth.

The extent of regional disparities and unequal development of different regions in India can be realised on the basis of various indicators such as differences in the per capita income, differential growth rates, extent of poverty, disparities in physical quality of life, unequal development of health and education services, differences in industrial growth, unequal agricultural development etc.

A: Regional Characteristics: State Wise Income Distribution in India

Income Distribution refers how the national income is distributed amongst individuals and households in a society. In an economy there can be equal and unequal income distribution of income. Unequal income distribution indicates the disparity in distribution of income among people.

The indicators reflecting state wise Income Distribution in India are:

1. Per Capita Income of Indian States

As per the CSO estimates of state-wise per capita income figures for the period 1980-81 to 1993-94 reveal that:

- The five top ranking states with respect to per capita income were Punjab, Haryana, Maharashtra, Gujarat and Himachal Pradesh.
- The five poorest states with respect to per capita income during the same period were Bihar, Orissa, Madhya Pradesh, Uttar Pradesh and Rajasthan.
- The relative ranking of the most of the states on the basis of per capita income has not shown any significant change.
- In case of States like Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan, Assam and Orissa have shown a relative change in its ranking.
- The inter-state disparity with respect to per capita income has widened.
- The disparity ratio between the richest state-Punjab and the poorest state—Bihar which was 2.91: 1 in 1980-81 gradually increased to 3.44 : 1 in 1993-94.

2. Per Capita Net State Domestic Product at current Prices(2011-12 series)

As per the Economic Survey estimates of the Per Capita Net State Domestic Product at current Prices (2011-12 series) for the period 2012-2019 reveals that:

- The top five States with highest per capita income among 33 Indian states and union territories, first is Goa and then it is followed by Sikkim, Delhi, Chandigarh, and Haryana. Among these five richest economies of India, three are states, and two are union territories.
- Among top richest States/Union Territories, five States have a population of less than two crores and one has a population below three crores.
- Karnataka ranked 6th in respect of higher capita income but it has the highest population i.e more than three crores.
- The top five poorest states are Bihar, Uttar Pradesh, Jharkhand, Manipur, and Assam.
- NSDP Per capita of Goa and Sikkim are three times above India's average income.
- NSDP Per capita of Bihar is three times lower than of India's average income.

3. Gross State Domestic Product at current Prices (2011-12 series)

- As per the estimates of the Gross State Domestic Product at current Prices (2011-12 series) provided by Ministry of Statistics and Programme Implementation for the period 2012-2019 reveals that:
- Maharashtra has the highest GSDP among 33 Indian States and Union Territories.

- States with less than 10 per cent BPL population include Goa, Kerala, Himachal Pradesh, Sikkim, Punjab and Andhra Pradesh.
- In 2018-19, the top five States with respect to the contribution to India's GDP at current prices were Maharashtra (13.9%), followed by Tamil Nadu (8.6%) Uttar Pradesh (8.4%), Gujarat (7.9%) and Karnataka (7.9%).
- India's largest state Rajasthan is at number 7, next is West Bengal, Delhi is at 12th position and Bihar is at 14.
- The top 5 states contribute 46.6% to India's GDP.
- Five states of South India together account for almost 30% of India GDP and the eight states of North-East India contribute 2.8% to India's GDP.
- Andaman and Nicobar Islands contributes lowest to India's GDP.

The above data on Income distribution depicts a clear indication that:

- The income distribution in the Indian economy is highly inequitable.
- At one end there are very few high-ranking States known as forward states, they constitute a very small percentage of the total population and make large contribution to the national income and command high per capita income.
- The large number backward States, constitute a large percentage of population and make a very small contribution to in the national income and have low per capita income.

B: Regional Characteristics: Poverty in India

1. As per estimate made by the Planning Commission on the basis of NSSO data in the year 2011-12 reveals that:

- The proportion of people living below the poverty line in India has declined from 37.2 per cent in 2004-05 to 21.9 per cent in 2011-12.
- The rural poverty ratio declined from 41.8 per cent in 2004-05 to 25.7 percent in 2011-12, the urban poverty ratio declined from 25.7 per cent in 2004-05 to 13.7 per cent in 2011-12.
- The poverty differentials among different states of the country still persists at a wide level.
- In case of rural poverty, above 40 per cent BPL population exists in Jharkhand and Chhattisgarh.
- Rural poverty is also acute in states like Arunachal Pradesh, Manipur, Assam, Mizoram, Bihar, Odisha, Madhya Pradesh and Uttar Pradesh where more than 30 to 40 per cent of the population are lying below the poverty line (BPL).
- However, in respect of rural poverty less than 10 per cent BPL population exists in Goa, Punjab, Himachal Pradesh, Kerala and Sikkim.
- The state with more than 30 to 40 per cent BPL population include—Madhya Pradesh, Assam, Odisha, Bihar, Arunachal Pradesh, Manipur, Jharkhand and Chhattisgarh.

- States with more than 20 to 30 per cent BPL population include Mizoram, Karnataka and Uttar Pradesh.
- States with more than 10 to 20 per cent BPL population include Jammu & Kashmir, Haryana, Uttarakhand, Tamil Nadu, Meghalaya, Tripura Rajasthan, Gujarat, Maharashtra, Nagaland and West Bengal.

2. As per the Niti Aayog Multi-dimensional Poverty Index (MPI) 2021 reveals that:

- Bihar has the highest level of multidimensional poverty, around 51.91% of the state's population are multidimensionally poor.
- Jharkhand, Uttar Pradesh, Madhya Pradesh and Meghalaya in the top five poorest states.
- Kerala, Goa, Sikkim, Tamil Nadu and Punjab are the top 5 lowest poverty states across India.
- Kottayam in Kerala is the only district that registered zero poverty across the country.

The above data on poverty gives a clear indication that:

There are poverty differentials among different states in India.

Though state wise poverty ratio witnessed a decline at macro level, rural-urban, interstate level but the incidence of poverty varies from state to state.

Conclusion

Indian Economy is beset with economic inequalities. The planning process followed in India has failed in fulfilling one of its basic objectives of removing regional imbalances and maintaining balanced regional development throughout the country.

Though regional disparity cannot be terminated completely but can be balanced through better planning and through proper implementation of policies especially in the backward States of India.