UNIT-I
RESOURCE BASE AND STRUCTURE OF INDIAN ECONOMY

> Economic Geography of India – Basic features - Human Resource: Demographic Features, extent of unemployment, poverty, and inequality: Recent trends and conceptual issues. HDI of India.- Trend in National Income and Per capita income. Sectoral composition (output and employment), Primary, Secondary and Tertiary Sectors.

Economic Geography

Contemporary economic geographers tend to specialize in areas such as location theory and spatial analysis (with the help of Geographical Information System), market research, geography of transportation, real estate price evaluation, regional and global development, planning, Internet geography, innovation, social networks. Economic Geography is the analysis of spatial organizations of economic activities which are directly or indirectly related to the physical or human resources of a country and its levels of development. As economic geography is a very broad discipline, with economic geographers using many different methodologies in the study of economic phenomena in the world some distinct approaches to study have evolved over time:

- Theoretical economic geography focuses on building theories about spatial arrangement and distribution of economic activities.

- Regional economic geography examines the economic conditions of particular regions or countries of the world. It deals with economic regionalization as well as local Economic Development.

- Historical economic geography examines the history and development of spatial economic structure. Using historical data, it examines how centers of population and economic activity shift, what patterns of regional specialization and localization evolve over time and what factors explain these changes.

- Critical economic geography is an approach taken from the point of view of contemporary Critical geography and its philosophy.

- Behavioral economic geography examines the cognitive processes underlying spatial reasoning, locational decision making, and behavior of firms and individuals.

Economic geography is sometimes approached as a branch of anthropogeography that focuses on regional systems of human economic activity. An alternative description of different approaches to the study of human economic activity can be organized around spatiotemporal analysis, analysis of production/consumption of economic items, and analysis

of economic flow. Spatiotemporal systems of analysis include economic activities of region, mixed social spaces, and development.

Alternatively, analysis may focus on production, exchange, distribution and consumption of items of economic activity. Allowing parameters of space-time and item to vary, a geographer may also examine material flow, commodity flow, population flow and information flow from different parts of the economic activity system. Through analysis of flow and production, industrial areas, rural and urban residential areas, transportation site, commercial service facilities and finance and other economic centers are linked together in an economic activity system.

Economic geography can be divided into these sub disciplines:

1. Geography of agriculture
2. Geography of industry
3. Geography of international trade
4. Geography of resources
5. Geography of Transport and communication

Economists and Economic Geographers

Economists and economic geographers differ in their methods in approaching similar economic problems in several ways. An economic geographer will often take a more holistic approach in the analysis of economic phenomena, which is to conceptualize a problem in terms of space, place and scale as well as the overt economic problem that is being examined. The economist approach, according to some economic geographers, has the main drawback of homogenizing the economic world in ways economic geographers try to avoid.

New Economic Geography

With the rise of the New Economy, economic inequalities are increasing spatially. The New Economy, generally characterized by globalization, increasing use of information and communications technology, growth of knowledge goods, and feminization, has enabled economic geographers to study social and spatial divisions caused by the arising New Economy, including the emerging digital divide. The new economic geographies consist of primarily service-based sectors of the economy that use innovative technology, such as industries where people rely on computers and the internet. Within these is a switch from manufacturing-based economies to the digital economy. In these sectors, competition makes technological changes robust. These high tech sectors rely heavily on interpersonal relationships and trust, as developing things like software is very different from other kinds of industrial manufacturing—it requires intense levels of cooperation between many different people, as well as the use of tacit knowledge. As a result of cooperation becoming a necessity, there is a clustering in the high-tech new economy of many firms.

Economic Geography of India-Basic features

Despite the fact that India started with economic planning as early as 1951 and now has compelled to 15 years planning instead of 5 years, little attention has been paid to spatial aspects of social and economic development. However, many good basic surveys both regional and topical have been published now.

Human Resource

The present day economies considered as the greatest wealth of an economy is the human resource of a nation. Human being is not only the instruments of production but also ends in themselves. The qualities of them are crucial in the developmental process of a nation. That is why most of the nations put much on Human capital development. A country should concentrate more on the developmental aspect of its people and put all its efforts upon it. In this respect it is necessary to know the size and growth of the population and also its compositions.

Demographic Features of India

India, with 1,21,01,93,422 people is the second most populous country in the world, while China is on the top with over 1,350,044,605 people. India possesses about 2.4% of the total land area of the world but support 17.5% of the world population, which means one out of six people on this planet live in India. Although, the crown of the world's most populous country is on China's head for decades, India is all set to take the China's position by 2030. With the population growth rate at 1.58%, India is predicted to have more than 1.53 billion people by the end of 2030.

Even though the first census in India is under taken in 1871 it was not considered as scientific. Therefore the first scientific complete general census in India was conducted in the Year 1881. India's census is decadal census. In 1891 the population of India is just 23.6 crores; while it rose to 121 crores in 2011 census.2011 census is the 15 th and 7 th after independence. The growth of India's population can be analysed into four phases:

I. 1891-1921: Stagnant Population

II. 1921-1951: Steady Growth of population

III. 1951-1981: Rapid growth of population

IV. 1981-2011: High growth with definite signs of slowing down.

During the first phase the population of India is stagnant and she is in the first stage of Theory of Demographic Transition. The year 1921 is called the 'Year of Great Divide' because in this year India entered in the second stage of Theory of Demographic Transition. During this period the population growth rate is steady.

It is in the third phase India faces a population explosion, where there is a rapid growth of population.

The fourth stage shows the definite signs of slowing down of population and it is believed that India will enter soon in the third stage of Theory of Demographic Transition.

India going through the second stage of Theory of Demographic Transition witnesses lot of change introduced by Frank Notenstien. In different aspects of demography of India there are changes.

Table 1.1

Rank	State or Union Territory	Population	Density (per km²)	Sex Ratio
Population of India-2011				
1	Uttar Pradesh	199,581,477	828	908
2	Maharashtra	112,372,972	365	946
3	Bihar	103,804,637	**1102**	916
4	West Bengal	91,347,736	1029	947
5	Andhra Pradesh	84,665,533	308	992
6	Madhya Pradesh	72,597,565	236	930
7	Tamil Nadu	72,138,958	555	995
8	Rajasthan	68,621,012	201	926
9	Karnataka	61,130,704	319	968
10	Gujarat	60383,628	308	918
11	Odisha	41,947,358	269	978
12	**Kerala**	**33,387,677**	**859**	**1,084**
13	Jharkhand	32,966,238	414	947
14	Assam	31,169,272	397	954
15	Punjab	27,704,236	550	893
16	Haryana	25,353,081	573	877
17	Chhattisgarh	25,540,196	189	991
18	Jammu Kashmir	12,548,926	56	883
19	Uttarakhand	10,116,752	189	963

20	Himachal Pradesh	6,856,509	123	974
21	Tripura	3,671,032	350	961
22	Meghalaya	2,964,007	132	986
23	Manipur	2,721,756	122	987
24	Nagaland	1,980,602	119	931
25	Goa	1,457,723	394	968
26	Arunachal Pradesh	1,382,611	17	920
27	Mizoram	1,091,014	52	975
28	Sikkim	607,688	86	889
UT1	Delhi	16,753,235	9,340	866
UT2	Puducherry	1,244,464	2,598	1,038
UT3	Chandigarh	1,054,686	9,252	818
UT4	Andaman &Nicobar Islands	379,944	46	878
UT5	Dadra & Nagar Haveli	342,853	698	775
UT6	Damman & Diu	242,911	2,169	618
UT7	Lakshadweep	64,429	2,013	946
Total	India	**1,210,193,422**	**382**	**940**

Source: Census of India, 2011.

1. Size and Growth of Population

Out of the total population, male population in India is 623724248 (51.53%) and female population is 586489174 (48.47%). The state Uttar Pradesh stands top in total population with199,581,477 and Sikkim is in the bottom with a population 607,688.This is shown in the Table 1.1and the size and Growth of India's population from 1891 to 2011 is in the Table 1.2.

Table 1.2
Size and Growth of India's Population

Census Year	Population In Crores	% increase or decrease
1891	23.6	--
1901	23.84	0.0
1911	25.20	+5.75
1921	25.13	-0.3
1931	27.89	+11.0
1941	31.86	+14.2
1951	36.10	+13.3
1961	43.92	+21.64
1971	54.81	+24.80
1981	68.33	+24.66
1991	84.64	+23.87
2001	102.87	+21.54
2011	121.02	+17.64

Source: Census Report 2011

2. Birth Rate and Death Rate

Actually the growth rate of population is the function of birth rate and death rate. Consequently the variations in these affect the population growth rate. The average annual birth rate and death rates are given in the Table 1.3

Table 1.3
Average Annual Birth Rate and Death Rates

Decade	Birth Rate per 1000	Death Rate per 1000
1891-1901	45.8	44.4
1901-1911	48.1	42.6
1911-1921	49.2	48.6
1921-1931	46.4	36.3
1931-1941	45.2	31.2
1941-1951	39.9	27.4
1951-1961	40.0	18.0
1961-1971	41.2	19.2
1971-1981	37.2	15.0
1985-1986	32.6	11.1
2011	21.8	7.1

Source: Census Report 2011

3. Sex Ratio in India

Sex ratio means the number of females for 1000 males. In India the sex ratio is infavour to the male from 1901 onwards. Kerala is the only exemption where the sex ratio is in favour to females and it is 1084 per 1000 males. Whereas the lowest sex ratio is shown in the state Haryana (877). The Sex ratio declines continuously except for the years1981, 2001 and 2011. In 1901 the sex ratio is 972 and it falls to 940 in 2011. It is shown in the Table 1.4.

Table 1.4
Sex Ratio in India

Year	Females per 1000 males
1901	972
1911	964
1921	955
1931	950
1941	945
1951	946
1961	941
1971	930
1981	934
1991	927
2001	933
2011	940

Source: Census Report 2011

4. Density of Population

Density of population implies the average number of population lived in a Sq. K.m. From a small number 77 in 1901 it rose to 382 in 2011. Bihar is the most densely state in India with 1102 person per sq. k.m., followed by West Bengal (1029) and then Kerala (859). Arunachal Pradesh is in the bottom position with 17 per sq.k.m. It was given in the Table 1.5.

Table 1.5
Density of Population

Year	Density Per sq.k.m
1901	77
1911	82
1921	81
1931	90
1941	103

Year	
1951	117
1961	142
1971	178
1981	230
1991	273
2001	324
2011	382

Source: Census Report 2011

5. Rural-Urban Population

Urbanization is considered as the true representation of development of a country. In India the process of urbanization is very slow. According to 1901census, 89% of Indian people are lived in rural areas and only 11 % are in the urban areas. The percentage of urban population increased to 31.16 % in 2011 census. The percentage share of Rural- Urban population is given in the Table 1.6.

Table 1.6
Percentage Share of Rural- Urban Population

Year	Rural	Urban
1901	89.2	10.8
1911	89.7	10.3
1921	88.8	11.2
1931	88.0	12.0
1941	86.1	13.9
1951	82.7	17.3
1961	82.0	18.0
1971	80.1	19.9
1981	76.7	23.3
1991	74.3	25.7
2001	72.2	27.8
2011	68.84	31.16

Source: Census Report 2011

6. Literacy Rate in India

The literacy rate is one of the important indicators of quality of population. From independence onwards the literacy rate is on hike. The male literacy rate is more than female in India, which is given in the Table 5.7. Kerala ranks first in literacy with 93.91% and Bihar is in the bottom with 63.82% in 2011.Literacy rate for up to 1971 is estimated

Table 1.7
Crude Literacy in India from 1901 to 2011

Year	Male	Female	Total
1901	9.83	0.60	5.35
1911	10.56	1.05	5.92
1921	12.21	1.81	7.16
1931	15.59	2.93	9.5
1941	24.9	7.3	16.1
1951	16.67	9.45	16.67
1961	34.44	12.95	24.02
1971	39.45	18.69	29.45
1981	46.89	24.82	36.23
1991	52.74	32.17	42.84
2001	75.26	53.67	64.83
2011	82.14	65.46	74.04

Source: Census Report 2011

on the population aged 5 and above after that the age is raised to 7 years and above. Census of India, 2011 indicates that only 65.46 % women are literate as compared to 82.14% men. Female literacy is highest in Kerala (91.98%) and lowest in Rajasthan (52.66%). The literacy rate taking the entire population into account is termed as "crude literacy rate" and taking the population from age 7 and above into account is termed as "effective literacy rate". Effective literacy rate is increased to a total of 74.04% with 82.14% of the males and 65.46% of females being literate. The Table 1.7 lists the crude literacy in India from 1901 to 2011

7. Life Expectancy

In Life expectancy at birth the females surpasses the male population of the country. The average life expectancy at birth in 1951 is only 41.2 years. It is due to the very high infant mortality rate. The Life expectancy Rate of both men and female are given in the Table 1.8

Table 1.8
Life Expectancy at Birth in India (in years)

Year	Male	Female	Total
1921	19.4	20.9	20.1
1931	26.6	26.6	26.6
1941	32.1	31.4	31.7
1951	32.4	31.7	32.1
1961	41.9	40.6	41.2
1971	47.1	45.6	46.4
1981	54.1	54.7	54.0
1991	50.9	50.0	50.4
2001	63.9	66.9	65.3
2010-11	62.6	64.2	63.5

Source: Census Report 2011

8. Child Sex Ratio

The Child sex ratio indicates the number of girls per 1000 boys in the 0-6 age group. Now the fall in this ratio is an alarming problem. According to the 2001 estimates it is 927 while it falls to 914 in the 2011 census .In the case of Kerala, the only state where the sex ratio is in fovour to the female population ranked first with 959 girls for 1000 boys. Haryana is in the bottom position with 830 girls for 1000 boys.The child sex ratio from 1961to 2011 is given in the Table 1.9.

Table 1.9 Child Sex Ratio

Year	Number of girls
1961	976
1971	964
1981	962
1991	945
2001	927
2011	913

Source: Census Report 2011

9. Infant Mortality Rate (IMR)

Infant Mortality Rate Means the number of deaths of infants under one year old in a given year per 1,000 live births in the same year; included is the total death rate, and deaths by sex, male and female. This rate is often used as an indicator of the level of health in a country. The infant mortality is high in rural areas (61) than the urban areas (37).The IMR is lowest in the state, Goa and it is only 10.It is high in Meghalaya where it is 55.IMR for different years are given in the Table 1.10

Table 1.10

Infant Mortality Rate

Year	IMR
1971	192
1980	114
1985	97
1990	80
2000	68
2007	53
2011	47.57

Source: Census Report 2011

10. The Maternal Mortality Rate (MMR)

The maternal mortality rate (MMR) is the annual number of female deaths per 100,000 live births from any cause related to or aggravated by pregnancy or its management (excluding accidental or incidental causes). The MMR includes deaths during pregnancy, child birth, or within 42 days of termination of pregnancy, irrespective of the duration and site of the pregnancy, for a specified year. The MMR for India in 2008-09 is 212 per 100,000live births.

11. Age Structure of India's Population

The age composition or the age structure will change over the years. The working age is considered as 15-60. The proportion of child population is decreasing slightly now while slow improvement in the age group 60 and above. The age composition is given in Table 1.11.

Table 1.11

The Age Composition (In %)

| | Age Group | | |
Year	0-14	15-60	60 and above
1911	38.8	60.2	1.0
1921	39.2	59.6	1.2
1931	38.3	60.2	1.5
1961	41.0	53.3	5.7
1971	41.4	53.4	5.2
1981	39.7	54.1	6.2
1991	36.5	57.1	6.4
2001	35.6	58.2	6.3
	Below 15	15-64	65 and above
2011	29.1	65.4	5.5

Source: Census Report 2011

Major Issues: Poverty, Unemployment and Inequality

Even though India is one of the major developing economies in the world, it faces certain crucial issues in its developmental path. They are Poverty, Unemployment and Inequality. Only by solving these issues and looking from different angles these are to be removed.

The Concept of Poverty

Poverty is a plague as it is prevalent in almost all countries in the world and it has many faces and dimensions. Therefore it is difficult to define the concept poverty in precise. Poverty is always defined according to the conventions of society in which it occurs. But in the recent years, the concept of poverty has been refined and made more comprehensive. The New World requires better and more scientific ways to assess the concept of poverty in the society. Now its multidimensional aspect is recognized and uses a multidisciplinary approach to assess poverty. Poverty is not simply a social phenomenon but also include economic, political, historical, geographical and cultural aspects.

Various attempts have been made by societies to define poverty. In human terms poverty means little to eat and wear, and in economic terms the poverty means the inability to attain a minimum standard of living. It is natural to view poverty as the failure to meet the basic requirements to maintain a minimum standard of living. This minimum standard of living may vary from society to society. While biological requirement and nutritional norms provide the most elementary concept of a minimum standard of living, modern understanding of poverty requires other factors such as school enrolment, infant mortality, immunization, malnutrition, women empowerment, overall standard of living, asset holding etc.

Poverty can be defined as a social phenomenon in which a section of the society is unable to fulfill even its basic necessities of life. In India the generally accepted definition of poverty emphasizes minimum level of living rather than a reasonable level of living. In economics there are two important classification of poverty; Absolute Poverty' and 'Relative Poverty'.

Absolute Poverty and Relative Poverty

Absolute Poverty is the sheer deprivation or non-fulfillment of bare minimum needs of existence- of food, shelter, health or education. It is based on the absolute needs of the people and people are defined as poor when some absolute needs are not sufficiently satisfied. Hence according to this type poverty is treated as deprivation. Most of the developing countries are experiencing such type. An absolute poverty line is based on the cost of minimum consumption basket based on the food necessary for a recommended calorie intake.

Relative Poverty is related with high income countries, where people are poor because they cannot maintain or equivalent to others in the society. There should be differences in living standards among the people. It reflects economic distress, despair and dissension that stem from serious inequalities in income and wealth .The relative poverty line varies with the level of average income. Relative poverty is based on inequality and differences in standard of living. According to the relative concept of poverty, people are poor because

From this classification we know that poverty is not inequality. Poverty is only one of the evil consequences of inequality. Whereas poverty is concerned with the absolute standard of living of a part of the society i.e.; the poor, inequality refers to relative living standards across the whole society.

Measurement of Poverty

Once we understand poverty, it is essential to measure it with its various dimensions. The measurement of poverty is needed to plan policies to check this global phenomenon. Many factors were listed, some of them are life expectancy, mortality, maternality, safe

drinking water, pure air, women empowerment, energy consumption, literacy, asset holding, sanitation, primary health facilities, clean surroundings etc. most of these are derived with income. Therefore consumption data can be used to measure poverty.

Poverty Line

Poverty line is the most widely used measure for assessing poverty. Under this method, people are counted as poor when their measured standard of living is below a minimum acceptable level-known as Poverty Line. The poverty line in India is defined as 'the level of private consumption expenditure, which ensures a food basket that would supply the required amount of calories'. Actually in India the Planning Commission estimates the poverty on the basis of Calorie intake. By considering age, sex, activity etc., Indian Council of Medical Research (ICMR) proposes 2400 calorie intake for the rural person per day and 2100 calorie per person per day in urban. The calorie requirements in the rural areas is higher because people engaged in heavy work more in rural areas than in urban areas.

Poverty Estimation in the Independent India

In independent India, the first official definition of poverty was given in 1962. This pegged the rural poverty line at a Monthly Family Income of Rs.100 and urban one at Rs.125.

Dandekar and Rath (1971) estimated poverty in terms of consumer expenditure needed a diet adequate at least inform of calories, they adopted 2250 calories per person per day as the norm for their study. According to them, the consumer expenditure necessary to obtain the minimum nutritional standard was an amount of Rs. 14.16 per capita per month at 1960-61 prices for rural India. Based on this norm, 30.92 percent of the rural population lies below the poverty line in 1961-62, in India.

Bhrdhan (1974) adopted the poverty line of Rs 15 at 1960-61 all India rural prices as the minimum level of living, and also estimate poverty for 1967-68 period, taking Rs. 29.90 as minimum requirement and find that in 1960-61 about 38% of rural Indians and in 1967 − 68, 53 percent of rural Indians are below poverty line.

Vaidyanathan (1974) adopted Rs. 21.44 as rural poverty in India at 1960-61.prices. To his estimate the rural poverty in India is 15.65percent.

Bhatty (1974) measured the incidence of poverty for the year 1968-69. He selected poverty lines in terms of Percapita income instead of Percapita consumer expenditure. He made use of the income distribution data collected by National Council of Applied Economic Research (NCAER) for 1968-69. In order to overcome arbitrariness in using a single poverty line, Bhatty made use of five poverty lines namely Rs. 180, Rs 240 Rs. 300, Rs. 360 and Rs.
420. percapita per annum at 1968-69 prices or its percapita monthly equivalent Rs. 15, Rs. 20, Rs. 25, Rs. 30 and Rs. 35. His results show that the poverty levels vary corresponding to different income levels. The corresponding rural poverty is 21.95 percent, 39.55 percent, 55.87percent, 69.70 percent, and 78.70 percent corresponding to monthly percapita income.

Ahluwalia's (1978) "estimates shows a fluctuating trend in the incidence of poverty over time. Rural poverty in India declined from 53.4 percent in 1957-58 to 42 percent in 1960-61. Then it started rising from 42.3 percent to 57.9 percent during 1961-62 to 1967-68 and then declined to 47.6 percent in 1973-74.

Mahendra Dev (1988) estimated the poverty lines for the reference years by making use of the estimates derived by Bardhan (1974) for the year (1960-61). He adjusted the poverty lines by the Consumer Price Index of Agricultural Labourers (CPIAL) for the reference years. He found that the percentage of rural Indian population living below the poverty line was continuously declining from 46.4 percent in 1964-65 to 44.78 percent in 1972-73 and from 40.45 percent in 1977-78 to 33.20 percent in 1983-84.

The Planning Commission (1981 and 1985) measured the extent of rural poverty for 4 years taking Rs 77 (at 1979-80 prices) percapita per month as the poverty line. In 1977-78, about 51.2 percent of rural population was poor as against 54.1 percent in 1972-73. It comes down to 40.4 percent in 1983-84. The Planning Commission calculates the poverty ratio on the basis of quinquennial Consumer Expenditure Surveys conducted by NSSO. The Planning Commission's estimates of the poverty ratio for 1987-88 indicated further decline in the incidence of poverty to 33.4 percent in 1987-88.

Criticising the Planning Commission's earlier estimates, Minhas, Jain and Tendulkar (1991) measured the incidence of poverty by using correct procedure for three years 1970- 71, 1983 and 1987-88. They converted the poverty norms to prices prevailing in the year for which NSS consumer expenditure data are available. They worked out State Specific Cost of Living Indices. Then, applying these indices, they calculated State Specific Poverty norms for 1970-71, 1983 and 1987-88. The poverty norms for rural India were Rs. 33.01, Rs 93.16 and Rs. 122.63 for the years considered respectively. Corresponding to these poverty lines, the percentage of population below poverty lines were 57.3, 49.02 and 44.88 for the corresponding years.

Rohini Nayyar (1991) measured the poverty line for 13 years period from 1960-61 to 1983-84 and estimated the incidence of rural poverty. Her calculations are based on actual consumption data by broad category. She made use of the calorie norm of 2200 to arrive at the poverty line. To her estimates rural poverty fluctuates over the years.

Kakwani and Subba Rao (1992) attempted a study on rural poverty for the period 1973-86. They used relative price levels in the rural areas to arrive at the poverty lines. Using the price relatives and consumer price indices for agricultural labourers they worked out the State Specific Poverty Lines at the current prices for the years 1973-74, 1977-78, 1983 and 1986 − 87. According to their estimates the rural poverty continuously declined.

Tendulkar and Jain (1995) estimated the incidence of poverty for 12 years from 1970-71 to 1992. They estimated the poverty lines for various years taking the Planning Commission's all India poverty line of monthly percapita total expenditure of Rs. 49.09 at 1973-74 prices. Urban Poverty profile of the different authors are given in the Appendix,

Even though the earlier estimates of Planning Commission is based on this calorie norms which is criticised because of methodological defects and it cannot consider the other basic items like health, education etc. Therefore Planning Commission appointed an Expert Committee, under Suresh Tendulkar in 2008 and reported its recommendations in November 2009. The committee suggested a formula based on Consumption Expenditure for identifying BPL families. His recommendations are more scientific and there is some novelty in the measurement because Tendulkar committee uses a broad definition of poverty including expenditure for food, education, health etc., and uses consumer expenditure taking Mixed Recall Period as against Uniform Recall Period. According the committee the monthly consumption expenditure to measure poverty line is Rs. 446.68 per person per month in rural areas and Rs. 578.8 per person per month in urban areas. To their report India's poverty is

37.2 percent (2004-05) as against the Planning Commission's estimates of 27.5 percent in 2004-05 calculated on the basis of Dandekar- Rath formula based on calorie intake. Latest poverty estimates of Planning Commission are seen from the Table 1.12.

Table 1.12

Poverty Rates in Various NSSO Rounds

Year	Round	Poverty Rate (%)
1973-74	27	54.88
1977-78	32	51.32
1983	38	44.48
1987-88	43	38.86
1993-94	50	35.97
1999-00	55	26.10
2004-05	61	27.50
2009-10	66	29.80

Source: Planning Commission, March, 2011 and NSSO Data

Planning Commission estimates India's poverty both on the basis of Uniform Recall Period(Uniform Recall Period took consumption in which the consumer expenditure data for allitems are collected from 30- day recall period.) and Mixed Recall Period (Mixed Recall Period took consumption in which the consumer expenditure data for five non-food items, namely, clothing, footwear, durable goods, education and institutional medical expenses are collected from 365-day recall period and the consumption data for the remaining items are collected from30-day recall period.). It consider Cost of Living as the basis of poverty.

Table 1.13

Poverty in India, New Estimates

Uniform Recall Period				Mixed Recall Period		
Years	93-94	04-05	2009-10	99-00	04-05	2009-10
Rural	37.3	28.3	....	27.1	21.8	33.8
Urban	32.4	25.7	....	23.6	21.7	20.9
All India	36.0	27.5	....	26.1	21.8	29.8

Source: Economic Survey

In opposition to Tendulkar committee, Dr. N.C. Saxena committee was appointed by Rural Development Ministry in August 2008. This committee argued for a New BPL criterion, which suggests automatic inclusion of socially excluded groups and automatically exclusion of those who are relatively well-off. The committee recommended a new methodology of Score Based Ranking and put forwarded that Rs. 700 per month per rural person and Rs. 1000 per month per urban person to maintain 2400 and 2100 calorie intake for a day. The committee estimates that India's poverty is 49.1 percent in 2004-05.

According to Arjun Sengupta committee appointed by National Commission for Enterprises in the Unorganised Sector (NCEUS) India's poverty is 77 percent. The Committee uses the same data of NSSO and takes the norm of Rs. 20 per day per person to measure the poverty line.

Based on World Bank's estimates (2005), 41.6 percent of Indians fall below the International Poverty Line this of $ 1.25 per day (PPP). In nominal terms Rs. 21.69 per day in urban area and Rs. 14.3/day in the rural area. They estimate 456 million Indians lived in poverty. World Bank's new International Poverty Line is based on $ 2 per day.

Abbijith Sen found out that if we took calorie norm even then the poverty is much higher i.e.; in urban 80 percent and in rural 64 percent of the Indians are lived below poverty line. This estimate is also very higher than official estimate.

Table.14

Poverty line, 1973-74 to 2009-10

Year	Rs per capita per month, current prices	
	Rural	Urban
1973-74	49.63	56.76
1977-78	56.84	70.33
1983	89.50	115.65

1987-88	115.2	162.16
1993-94	205.84	281.35
1999-2000	327.56	454.11
2004-2005	356.30	538.60
2009-2010	672.80	859.60

*Source*s: Planning Commission

The Planning commission has updated the poverty lines and poverty ratios for the year 2009-10 as per the recommendations of the Tendulkar Committee using NSS 66 thround(2009-10) data from the Household Consumer Expenditure Survey. It has estimated that the poverty lines at all India level as an MPCE of Rs. 672.80 for rural and Rs. 859.60 for urban in 2009-10. Based on these cut-offs, the percentage of people living below thw poverty line in the country has declined from 37.2 % in 2004-05 to 29.8 % in 2009-10.

Causes of Poverty in India

Poverty is not caused by any single reason. It is the outcome of the interaction of several factors; economic, non- economic, political, social, cultural, geographical etc.

1. Underdevelopment

The most important cause for poverty is the underdevelopment of the economy. Due to underdevelopment a large proportion of the people have go without even the basic necessities of life. With the low national income and percapita income the country cannot increase its aggregate consumption and investment. Hence the standard of living is also so low among the people. Even though there is much improvement in the development of the country after independence still we want to go a lot.

2. Inequality

The second important cause of poverty in India is inequality in income and wealth. Even the New Economic policies could not reduce the depth of inequality in India. Instead there is increase in inequality among the people.

3. Inadequate growth rate

In the early years of planning the growth rate of Indian economy is not high enough to check the problem of poverty. Even though economy railed in a high growth path in the mid of 2000 onwards the benefits are not trickle down to the poor sections of the society. Still the gap between rich and poor is increasing.

4. Large population

Even though the growth rate of population is coming down still the size of it is very large. Therefore it is not capable to implement the poverty alleviation programmes successfully.

5. Unemployment

Another major cause for the growth of poverty is unemployment. The problem of unemployment is still so acute in the economy. Thus increasing unemployment and underemployment accentuate poverty.

6. Poor performance of agriculture sector

Still Indian agriculture is carried on largely with primitive techniques. High dependency on rain, small and scattered holdings, lack of inputs, exploitative land tenure system, competition from foreign markets, lack of storage and marketing facilities etc. are responsive to the poor performance of agriculture sector even after the Green Revolution.

7. Poor performance of industrial sector

In spite of much improvement in line with development of modern industries still performance is not up to the mark. Lack of dynamic entrepreneurs, lack of competitiveness, lack of skilled and trained workers, inadequate finance, irregular supply of power and raw materials, poor transport and methods of production etc. leads to slow industrialization of the country.

8. Inflation

Rise in price is an alarming problem to the economy. It is the poor who suffered a lot due to inflation. When prices are high the purchasing power of money falls and leads to impoverishment of the poor sections of the country.

9. Social factors

It is agreed that the poverty in India is the outcome of social factors. It includes caste system, joint family system, law of inheritance, lack of initiative and entrepreneurship etc. India is also poor in social overheads like education, health, medical facilities, illiteracy etc. The attitudes and aspirations of the people are not conducive to economic growth and development.

10. Political factors

Even after India escaped from the yoke of British exploitative administration still the political set up is not that much efficient to solve the problem of poverty. It is true that various programmes are initiated under five year plans. The Fifth Five Year Plan raised the slogan "Garibi Hatao" but still the poverty alleviation is a nightmare to Indian policymakers.

Thus the poverty in India is happened due to various reasons. Regional disparities, lack of investment, lack of proper implementation of public distributive system, lack of vocational training and education, migration of rural youth to cities etc. have also contributed to poverty in India.

Remedial Measures

Poverty is a tragedy not only for the individuals but also for the economy at large. As a result of this the remedial measures to poverty is emphasized. From the experiences of the economy we can suggest the following to alleviate poverty.

1. Rapid Economic Growth

Fast economic growth is a necessary condition for poverty alleviation programme for the following reasons: It changes the low income agricultural set up, helps to strengthen the redistributive activities of the government, made a radical change in production and distribution process, create more employment opportunities etc. Even there is the possibility of trickledown effect to economic growth.

2. Accelerate agricultural growth

No doubt that when there is agricultural growth it reduces the burden of poverty because majority of poor are lived with agriculture sector. So steps should be taken to solve the problems of small and marginal farmers.

3. Accelerate industrial growth

The industrial development will create more income and employment opportunities to the people. Through this the depth of poverty can be reduced.

4. Development of small- scale and cottage industries

In Indian economy small- scale and cottage industries have played a crucial role. This sector which being labour intensive, create more employment opportunities and help in the removal of poverty.

5. Land reforms

Land reforms as poverty alleviation measures aimed to break the old feudal socio- economic structure of land ownership. It aims to eliminate exploitation by providing security of tenure and regulation of rent. It also aims to bring direct contact between the state and the tiller and give social economic status of the landless by distributive measures.

6. Better Public Distributive System

Poverty can be reduced if people are ensured with essential commodities at fair prices. Therefore the government should establish a wide network of fair price shops to provide the essential commodities.

7. Control Population

Unless the population is not reduced, the additions to wealth production will be eaten up by the fresh torrent of babies. Therefore the planners should aim at the family planning measures to bring down the birth in the country.

8. Provision of Common Services and social Security

The government should spend for the provision of free common services like primary education, medical aid, potable drinking water, housing and other facilities to the people. This will increase their real consumption and make them feel better off and hence reduce the poverty.

9. Improve the Status of the Women

Gender equality can help to reduce poverty and encourage growth in variety of ways. Women are provided with direct access to institutional credit, direct membership in cooperatives, setting up of women organization etc.

10. Good Administrative Setup

Above all the success of any programme primarily depends on the effective working of the administrative machinery.

A Brief Review of Poverty Alleviation Programmes

Beginning with the launch of Integrated Rural Development Programme (IRDP, 1978) in the Sixth Five Year Plan, a number of PAPs have been formulated and implemented; many of them are have been restructured and formulated fresh from time to time . Among these PAPs the more important have been:

(a) Training of Rural Youth for Self-Employment (TRYSEM, 1979)

(b) National Rural Employment Programme (NREP, 1980)

(c) Rural Landless Employment Guarantee Programme (RLEGP, 1983)

(d) Million Wells Scheme (MWS, 1988)

(e) Nehru Rozgar Yojana (NRY, 1989).It is for the urban poor people.

(f) Jawahar Rozgar Yojana (JRY, 1989).NREGP and RLEGP are merged in this in 1989.

(g) Development of Women and Children in Rural Areas (DWCRA, 1992)

(h) Employment Assurance Scheme (EAS, 1993)

(i) Prime Minister Rozgar Yojana (PMRY, 1994)

(j) Prime Minister's Integrated Urban Poverty Eradication Programmes (PMIUPEP,1995)

Most of these programmes have been recently redesigned and restructured to improve their efficacy or impact on the poor. The important PAPs, presently in operation are;

➢ Self Employment Programme:
> Swarnjayanthi Gram Swarozgar Yojana (SGSY, 1999). This replaces
>> IRDP
> , TRYSEM, DWCRA, SITRA, GKY and MWS and work for rural poor.
➢ Wage Employment Programme:
- National Food for Work Programme (NFWP, 2004). It intensifies the generation of supplementary wage employment.
- Sampoorna Grameen Rozgar Yojana (SGRY, 2001). Rural Employment Generation Programme (REGP, 1995) was merged in SGRY in 2001.SGRY provide additional wage employment in the rural areas. Now this programme is entirely subsumed in NREGS with effect from April, 1, 2008.
➢ National Social Assistance Programme (NSAP, 1995). It provides social assistance to the rural poor.

- ➢   Urban Employment and Anti-poverty Programme:
  - Prime Minister Rozgar Yojana (PMRY, 1993)
  - Swarna Jayanti Shahari Rozgar Yojana (Golden Jubilee Urban Employment Scheme, 1997). This scheme integrates three PAPs for urban areas, viz.NRY, PMIUPEP and Urban Basic Services for the poor.

Unemployment

Another major developmental issue in Indian economy is unemployment. Although this problem had existed in the past; it has become more acute after the independence. The backwardness and increasing population are mainly responsible for this problem. The socio-economic consequences of unemployment are very dangerous. It has economic consequences for the individual as well as the society.

Unemployment means idleness of man power. It is the state in which labour possesses necessary ability and health to perform a job, but does not get job opportunities. In other words unemployment is the situation in which individuals are available for work, but are not able to find a work.

In order to explain the concept unemployment it is better to distinguish between the concepts like labour force and work force. The labour force refers to the number of persons who are employed plus the number who are willing to be employed. In India the labour force excludes children below the age 15 and old people above the age 60 and mentally or physically handicapped. The work force includes those who are actually employed in economic activity. If we deduct work force from labour force we get the number of unemployment.

The unemployment rate means the number of persons unemployed per 1000 persons in the labour force.

The labour force participation rate and work force participation rate can be expressed in percentages and as given below.

Labour Force Participation Rate   =   Labour Force / Size of the population

Work Force Participation Rate   =   Work force /Size of the population

Types of unemployment

In every economy there is unemployment but the nature and magnitude differ according to the economic progress. Following are the important types of unemployment.

1. Voluntary unemployment

This is the main type of unemployment referred by the Classical economists. Voluntary unemployment is happened when people are not ready to work at the prevailing wage rate even if work is available. It is a type of unemployment by choice.

2. Involuntary Unemployment

Keynes analysed this type of unemployment. It is a situation when people are ready to work at the prevailing wage rate but could not find job.

3. Natural rate of Unemployment

This is postulated by the Post-Keynesians. According to them in every economy there exists a particular percentage of unemployment.

4. Structural unemployment

This type of unemployment is not a temporary phenomenon. It is chronic and is the result of backwardness and low rate of economic development. The structural changes of an economy are the main reason for this type of unemployment.

5. Disguised Unemployment

When more people are engaged in a job than actually required, then it is called disguised unemployment. If a part of labour is withdrawn and the total production remains unchanged because their marginal product is zero. This is a part of structural unemployment.

6. Under Employment

This exists when people are not fully employment ie; when people are partially employed. In other words it is a situation in which a person does not get the type of work he is capable of doing.

7. Open Unemployment

Mrs. Joan Robinson calls this type of unemployment as 'Marxian Unemployment'. Open unemployment is a situation where a large labour force does not get work opportunities that may yield regular income to them. It is just opposite to disguised unemployment. It exists when people are ready to work but are not working due to non-availability of work

8. Seasonal unemployment

Generally this type of unemployment is associated with agriculture because the unemployment rate is changed according to the season.

9. Cyclical Unemployment

It is generally witnessed in developed nations. This type of unemployment is due to business fluctuation and is known as cyclical unemployment.

10. Technological Unemployment

When the introduction of a new technology causes displacement of workers it is called technological unemployment.

11. Frictional Unemployment

It is a temporary unemployment which exists when people moved from one occupation to another. It will take time lag in transferring one work to another. The market imperfections are the main reason for this.

Measurement of Unemployment in India

The National Sample Survey Organization (NSSO), which provides estimates of the rates of unemployment in India on the basis of its quinquennial surveys, uses three different concepts. They are Usual Status Unemployment, Current Weekly Status unemployment and Current Daily Status unemployment.

I. Usual Status Unemployment (US)

Here the reference period is 365 days. The usual status gives an idea about long- term employment (or chronic and open employment) during the reference year. A person is considered unemployed on Usual Status basis, if he/she was not working, but was willing to work for the major part of the reference year (more than 183 days) but did not get work for even 183 days. Dividing the usual status unemployment by the size of the labour force, we get unemployment rate by usual status. This measure is more appropriate to those in search of regular employment (educated and skilled persons) who may not accept casual work.

II. Current Weekly Status Unemployment (CWS)

Here the reference period is one week .A person is considered unemployed by Current Weekly Status, if he/she had not worked even for one hour during the week, but was seeking or was available for work. The estimates are made in terms of the average number of persons unemployed per week. The Current Weekly Status approach gives an idea about temporary unemployment (or chronic plus temporary unemployment) during the reference week. Current Weekly Status is used by the agencies like Inter National Organisations (ILO) to estimate employment and unemployment rates based on weekly reference period for international comparison. Dividing the weekly status unemployment by the size of the labour force, we get unemployment rate by weekly status.

III. Current Daily Status Unemployment (CDS)

Here the reference period is each of the 7 days, preceding the date of survey in each of these days. It records the activity status of a person for each day of the 7 days preceding the survey i.e. persons who did not find work on a day or some days during the survey week. The Current daily status approach gives a composite or comprehensive measure of unemployment, i.e., it is a measure of chronic and temporary unemployment as well as under employment. Dividing the current daily status unemployment by the size of the labour force, we get unemployment rate by usual status.

The current daily status gives the most faithful picture of unemployment situation.

Magnitude of Unemployment in India

A comparison between different estimates of unemployment in 2009-10 indicates that the CDS estimate of unemployment is the highest (Table 1.15). The higher unemployment rates according to the CDS approach compared to the weekly status and usual status approaches indicate a high degree of intermittent unemployment. Interestingly, urban unemployment was higher under both the usual principal and subsidiary status (UPSS) and current weekly status (CWS) but rural unemployment was higher under the CDS approach. This possibly indicates higher intermittent or seasonal unemployment in rural than urban

areas, something that employment generation schemes like the MGNREGA need to pay attention to. However, overall unemployment rates were lower in 2009-10 under each approach vis-a-vis 2004-05.

Table 1.15

All-India NSS 66th Round Rural and Urban Unemployment Rates

Si No	Estimates	Rural (2009-10)	Urban (2009-10)	Total (2009-10)	Total (2004-05)
1	UPSS	1.6	3.4	2.0	2.3
2	CWS	3.3	4.2	3.6	4.4
3	CDS	6.8	5.8	6.6	8.2

Source: NSSO

Labour force participation rates (LFPR) under all three approaches declined in 2009-10 compared to 2004-05 (Table 1.16). However, the decline in female LFPRs was larger under each measure in comparison with male LFPRs which either declined marginally (UPSS), remained constant (CWS), or increased marginally (CDS).

Table 1.16

All-India Employment and Unemployment Indicators (per 1000)

	NSS 66th Round (2009-10)			NSS 61th Round (2004-05)		
Indicators	Male	Female	Total Person	Male	Female	Total persons
UPSS						
LFPR	557	233	400	559	294	430
Work Participation Rate	546	228	392	547	287	420
Unemployment Rate	20	23	20	22	26	23
CWS						
LFPR	550	207	384	550	257	407
Work Participation Rate	532	198	370	527	244	389
Unemployment Rate	33	43	36	42	50	44
CDS						
LFPR	540	179	365	538	215	381
Work Participation Rate	507	164	341	496	195	350
Unemployment Rate	61	82	66	78	92	82

Source: Key Indicators of Employment and Unemployment in India, 2009-10, NSSO.

Causes of unemployment in India

Following are the important causes of unemployment in India

1. Rapid population growth
2. Slow growth of the economy
3. Decay of small scale and cottage industries
4. Low rate of capital formation
5. Defective planning
6. Slow growth of agriculture sector
7. Global financial crisis
8. Illiteracy
9. Lack of training facilities

Remedial Measures for unemployment

In order to solve the problem of unemployment there is both government measures and other measures. It includes the following measures.

1. Rapid growth and expansion of the economy
2. Establishment of more work and training centers
3. Development of small scale and cottage industries
4. Establishment of poverty eradication programmes
5. Liberal institutional finance and self employment programmes
6. Establishment of more employment exchanges
7. Introduction of population control measures
8. Introduction of more public works programmes
9. Reduce illiteracy
10. Stress on vocational and technical education

The Concept of Inequality

While the concept of poverty is rooted in the "lack of access" or "a low level of access" to food, nutrition, shelter, education and other services. Inequality is related to "unequal access" or "different degrees of access" of different individuals or groups of individuals to opportunities, services and benefits. Inequality is, thus, a more general concept than poverty. It looks at the *relative levels of access* of different groups to development opportunities and benefits. The "different levels of access" in the concept of inequality also include the low level of access below which people are considered poor. In fact, the low level of access or the limit (like for example, the calorie limit for consumption) that may be set for defining poverty will itself include a number of lower levels of access.

Inequality in India

India is shining for only a select few. The impressive economic growth of our country has brought smiles on the faces of the rich and the powerful even as the rest suffer in distress and drudgery. This was revealed by the Human Development Report, 2011 (HDR) released by Planning Commission. The report highlights the skewed income and wealth distribution in India and the widening gap between the rich and the poor. According to HDR 2011, inequality in India for the period 2010-11 in terms of the income Gini coefficient was 36.8. India's Gini index was more favourable than those of comparable countries like South Africa (57.8), Brazil (53.9), Thailand (53.6), Turkey (39.7), China (41.5), Sri Lanka (40.3), Malaysia (46.2),
Vietnam (37.6), and even the USA (40.8), Hong Kong (43.4), Argentina (45.8), Israel (39.2), and Bulgaria (45.3) which are otherwise ranked very high in human development.

There are three important types of inequality exist in India, namely inequality in income and consumption, inequality in assets and regional inequality. These three forms of inequality are interrelated and mutually reinforcing. The Government of India has been concerned about rising inequalities and uneven distribution of the benefits of growth. Accordingly, the thrust of the 11th Five-Year Plan (2007-12) was on inclusive growth. The forthcoming 12th Five-Year Plan is expected to deepen and sharpen the focus on inequalities.

Inequality in Income and Consumption

Let us look at levels of inequality in income or consumption. Consumer expenditure of households is a good proxy for income, at least in the lower classes. A study of inequalities in levels of consumption will by itself be useful in an economy where agriculture, the unorganised sector, payment of wages in kind and the non-monetised sector still play an important role. Such an analysis will be able to pinpoint attention on specific areas of concern in the consumption pyramid. Let us, therefore, turn to levels of inequality in consumption.

The household consumer expenditure surveys of the NSSO provide the levels of consumption of expenditure in the population by Monthly Percapita Consumer Expenditure (MPCE) classes. The Average MPCE of the rural people in India is only Rs.1054 and in Urban it is Rs.1984.

Table: 1.17

Share of Household Expenditure by Percentile Groups of Households (in %)

Percentile groups of Households	1989-90	1994	1997	2004-05
Lowest 20 percent	8.8	9.2	8.1	8.1
Second quintile	12.5	13.0	11.0	11.3
Third quintile	16.2	16.8	15.0	14.9
Fourth quintile	21.3	21.7	19.3	20.4
Highest 20 percent	41.3	39.3	46.1	45.3
Highest 10 percent	27.1	25.0	33.5	31.1

Source: Various NSSO Report

A comparison of the share of the bottom 10 per cent (or 20 per cent or 50 per cent) of the population in total consumption with that of the top 10 per cent (or 20 per cent or 50 per cent) of the population brings out dramatically the extent of inequality in consumption. The inequality situation is worse in urban areas than in rural areas. This is so in all States and Union Territories. Inequality in consumption is declining, *albeit* slowly, in rural areas according to all measures of inequality. On the other hand, urban inequality shows no sign of any decline.

Inequality in Assets

Incomes are derived from two main sources. Namely, assets like land, cattle, shares and labour etc. In India a few own a large chunk of income-earning assets therefore the distribution of assets is extremely unequal. The top 5 per cent of the households possess 38 per cent of the total assets and the bottom 60 per cent of households owning a mere 13 per cent. The disparity is more glaring in the urban areas where 60 per cent of the households at the bottom own just 10 per cent of the assets. Predictably, asset accumulation is minimal among the agricultural labour households in rural areas and casual labour households in urban areas. But the asset distribution is even more unequal in the urban than in the rural areas. At the one extreme there are highly rich households of industrial, commercial, financial, and real estate magnates and some ex-princes and political leaders. They own enormous assets and running for huge profits. On the other extreme there are slums, and pavement dwellers, unemployed and casual labourers, independent workers providing petty services etc. who generally hold negligible assets.

Regional Inequality

Third important type of inequality that India faces is the regional inequality. Some states are economically and socially advanced while others are backward. Even within each state some regions are more developed while others are primitive. The co existence of relatively developed and economically depressed states and even regions within each state is known as regional inequality. The existence of regional inequality creates social, economic and political issues. The regional inequality is so prominent in India in the case of HDI Value, growth of the economy, poverty, unemployment, education, health, monthly percapita expenditure, rural- urban divide etc.

The India Human Development Report, 2013 shows that India has a HDI value of 0.547. The HDI is the highest for Kerala (0.790) followed by Goa (0.617) and then Punjab (0.605) and the lowest for Chhattisgarh (0.358), Odisha (0.362) and Bihar (0.367). While the HDI scores across states show little variation the variation in the sub-indices for education and health show a greater degree of variation. The income index shows the least degree of variation. The major states are distributed between the categories of countries with 'Medium' and 'Low Human Development' as per the HDR 2011 classification. Kerala is in the 'Medium HDI' category. Other major states in this group are Punjab, Himachal Pradesh, Haryana, Maharashtra, Tamil Nadu, Karnataka, Gujarat, West Bengal and Uttarakhand. Nine other states, namely Andhra Pradesh, Assam, Uttar Pradesh, Rajasthan, Jharkhand, Madhya Pradesh, Chhattisgarh, Bihar and Odisha fall in the 'Low HDI' category India is ranked 134 out of 187 countries in the Global HDI,2011.

The best performer in terms of growth in 2009-10 was Uttarakhand, followed by Odisha, Chhattisgarh, and Gujarat and the worst performers were Karnataka, Rajasthan, and Jharkhand. States with above 10 per cent growth rate for the period 2004-5 to 2009-10 are Uttarakhand, followed by Maharashtra, Gujarat, and Bihar.

The state-wise estimates of poverty as recomputed by the Tendulkar Committee show that the highest poverty headcount ratios (PHRs) for 2009-10exist in Odisha (57.2 per cent), followed by Bihar (54.4 per cent) and Chhattisgarh (49.4 per cent) against the national average of 37.2 per cent.

The unemployment rate (per 1000) according to usual status(adjusted) as per the NSS 66th round 2009-10 among the major states is lowest in Rajasthan(4) and highest in Kerala(75) in rural areas and the lowest in Gujarat(18) and highest again in Kerala(73) and Bihar(73) in urban areas.

In the area of education, Madhya Pradesh has the highest GER (6-13 years) in 2008-9 while Punjab has the lowest. Pupil-teacher ratios in primary and middle/basic schools are the lowest in Himachal Pradesh and high in states like Bihar and Uttar Pradesh.

Health-wise, Kerala is the best performer and Madhya Pradesh the worst in terms of life expectancy at birth (both male and female) during 2002-6. IMR in 2010 is also the lowest in Kerala and highest in Madhya Pradesh. Kerala has the lowest and Uttar Pradesh the highest birth rate in 2010, followed by Bihar and Madhya Pradesh. Odisha has the highest and interestingly West Bengal the lowest death rate.

The MPCE indicator shows that there is disparity both in the MPCE and food share across states.According to the 66 th round NSSo round estimates India 's average monthly per capita expenditure is Rs .1053.64 ror rural and Rs. 1984.46 in urban areas. Bihar has the lowest MPCE of Rs 780 with 65 per cent food share in rural areas and Rs 1238 with 53 per cent food share in urban areas whereas Kerala has the highest MPCE of Rs 1835 with 46 per cent food share in rural areas and Rs 2413 with 40 per cent food share in urban areas. States with low average MPCE tend to have a higher share of food in total consumer expenditure as food is the primary need for survival and takes up a larger proportion of overall expenditure in the poorer sections of population. The top states spending more than the national average on food items both in rural and urban India are Bihar, Assam, Odisha, and Jharkhand.

Turning to the rural urban gap, we begin with the Monthly per capita expenditure (MPCE) defined first at household level to assign a value that indicates level of living to each individual or household. Based on the 68th round (2011-12) of the National Sample Survey (NSS), average MPCE [Uniform Reference Period (URP) based] is Rs. 1281.45 and Rs.2401.68 respectively for rural and urban India at the all India level indicating rural-urban income disparities. Out of the MPCE, the share of food is 53.6 per cent and Rs. 40.7 per cent for rural and urban India respectively which shows that food share is more in rural India as compared to urban India.

Causes of Inequality in India

1. Private ownership of means of production
2. Poverty of the people
3. Law of inheritance
4. Concentration of economic power in the hands of a few
5. Highly unequal asset distribution
6. Inadequate employment generation
7. Inadequate development of the economy
8. Differential regional growth
9. Inequalities in professional training
10. Low investment in social sectors
11. Use of capital intensive technique of production
12. Failure of implementation of land reforms
13. Tax evasion and of the richer sections of the community
14. Inflation
15. Privatisation and globalisation

Remedial measures

In order to find out the remedial measures for inequality it is better to solve first the real causes of it in the country. Any how the following are the some of the measures to solve inequality.

1. Reduction in the concentration of economic power
2. Development of backward areas
3. Better distribution of income and wealth
4. Land reforms
5. Creating more employment opportunities
6. Provide more social security measures
7. Control of black money
8. Progressive income tax
9. Control of monopolies and trade restriction practices
10. High taxes on luxuries
11. Change in inheritance law
12. Use of labour intensive technique of production
13. More investment in social sectors
14. Control of inflation
15. Population control

HDI of India

Human Development Index was introduced by UNDP in 1990.The committee for the introduction of this index is headed by the Pakistani Economist Mahbub-Ul-Haq and helped by Amartya Sen. The Human Development Report2013,*The Rise of the South: Human Progress in a Diverse World,*notes that over the last decades, all countries accelerated their achievements ineducation, health, and income dimensions as measured in the Human Development Index. In 2010 Human Development Report the UNDP began using a new method of calculating the HDI. The HDI combines following three dimensions:

- A long and healthy life: Life expectancy at birth

- Educational Index: Mean years of schooling and Expected years of schooling

- A decent standard of living: GNI per capita (PPP US$)

1. Life Expectancy Index (LEI) = $\dfrac{LE-20}{82.3-20}$

2. Educational Index (EI) = $\dfrac{\sqrt{MYSI.EYSI}}{0.951}$

   Mean Years of Schooling Index (MYSI) = $\dfrac{MYS}{13.2}$

   Expected Years of Schooling Index (EYSI) = $\dfrac{EYS}{20.6}$

3. Income Index (II) = $\dfrac{\ln(GNI\,pc)-\ln(100)}{\ln(107,721)-\ln(100)}$

Finally, the HDI is the Geometric Mean of the previous three normalized indices:
HDI = $\sqrt[3]{LEI.EI.II}$

LE: Life Expectancy at Birth.

MYS: Mean Years of Schooling (Years that a 25-year-old person or older has spent in schools).

EYS: Expected Years of Schooling (Years that a 5-year-old child will spend with his education in his whole life).

GNI pc: Gross National Income at Purchasing Power Parity Percapita.

India's progress in each of the HDI indicators is given in Table 1.18 . Between 1980 and 2012, India's life expectancy at birth increased by 10.5 years, mean years of schooling increased by 2.5 years and expected years of schooling increased by 4.4 years. India's GNI per capita increased by about 273 % between 1980 and 2012.

Table:1.18

India's HDI Trend Values Components and Indicators

Year	Life expectancy at Birth	Expected Years of Schooling	Mean Years of Schooling	GNI Percapita (2005 PPP $)	HDI Value
1980	55.3	6.3	1.9	0,880	0.345
1985	57	7.1	2.4	1,007	0.379
1990	58.3	7.4	3.0	1,191	0.410
1995	59.8	8.2	3.3	1,389	0.438
2000	61.6	8.3	3.6	1,702	0.463
2005	63.3	9.9	4.0	2,190	0.507
2010	65.1	10.7	4.4	3,009	0.547
2011	65.4	10.7	4.4	3,175	0.551
2012	65.8	10.7	4.4	3,285	0.554

Source: Various Reports of UNDP.

The human development index is estimated in terms of three basic capabilities: to live a long and healthy life, to be educated and knowledgeable, and to enjoy a decent economic standard of living. Between 1980 and 2012, India's HDI value increased from 0.345 to 0.554, an increase of 61 percent or average annual increase of about 1.5 percent. In the 2011 HDR, India was ranked 134 out of 187 countries. The HDI value of India at different years is given in Table.1.19. However, it is misleading to compare values and rankings with those of previously published reports, because the underlying data and methods have changed. Among the Indian states Kerala ranks First with HDI value 0.790 in 2011 while Chattisgarh in the bottom with HDI value 0.304 in the same year.

The HDI for India was 0.554 in 2013 with an overall global ranking of 136 out of186 countries placing the country in medium human development category.Novey stands First with HDI value 0.955.

Table: 1.19

India and HDI Value for Different Years

Years	HDI Value
1975	0.419
1980	0.345
1985	0.380
1990	0.410

1995	0.437
2000	0.463
2005	0.507
2006	0.515
2007	0.525
2008	0.533
2009	0.540
2010	0.547
2011	0.551
2012	0.554
2013	0.554

Source: Various Reports of UNDP

Trends in National Income and Percapita Income

In the Pre- independence Period the first estimation of National Income is done by the *father of Indian economy DadaBhai Naoroji* in 1868.In his book Poverty and Un-British Rule in India, estimated India's Percapita Income as Rs.20.   While the first systematic effort to estimate National Income is undertaken by *V.K.R.V. Rao* in his Book, *National Income in British India 1931-32*. In 1949, the Govt. of India appointed a National Income Committee under the Chairmanship of *P.C. Mahalanobis* and *V.K.R.V. Rao* and *D.R. Gadgil* as the Members. Its first Report came in 1951 and second in 1954. According to the report the National Income of the country is Rs. 8650 crore and Percapita Income is Rs.246.90. Now, in India the National Income is estimated by CSO which is founded in 1951 and located in Delhi. The National Income is estimated both in current and constant year prices.

National Income is defined as the money value of all final goods and services produced in a country during a particular time period.

In India it is one year period known as financial year. The financial year starts from April 1st and ends in March 31st.The national income figures are deflated at constant prices to eliminate the effect of any change of price level during the period. The national income figures at constant prices, therefore, become comparable, but they conceal the population effect and show nothing about the standard of living. Therefore the percapita national product or percapita income is calculated. PCI at constant price is an indicator of change in the standard of living of the people. The current base year for the estimation of National Income in India is 2004-05. Since NNP at factor cost represents the national income, table 1.20 shows both NI and PCI in the base year 2004-05. Its growth rate is also shown in table 1.21.

From the data given in the table revealed that for the 30 years periods ie., 1950-50 to 1980-81 the average annual growth rate is 3.5%. This was referred as the Hindu Rate of Growth by Prof. Raj Krishna because the growth rate of the economy is very similar to the growth rate of Hindu families in India during the same period of time. During this period the growth rate of percapita income is very low and it is just 1.4 % annually.

There was very perceptible improvement in the growth rate during the eighties. During 1980-81 and 1990-91 the national income showed a growth rate of 5.2 % per annum and the Percapita NNP at 3 % per annum. This is very healthy development as far as the economy is concerned.

During 1990-91 to 2000-01 the annual average growth rate of NNP at factor cost (NI) was 5.5 % per annum and that of NNP Percapita was 3.4 % per annum. During 2000-01 and 2004-05, NNP growth rate accelerated to 6.4 % and Percapita NNP grew at the rate of 4.7 % per annum. During 2004-05 to 2010-11 we find further acceleration in the NNP to 8.4 % and that of Percapita income to 6.9 %.

In State wise GSDP at constant price Maharashtra stood top with Rs. 8,05,031 crores in 2011-12 and Mizoram in the lowest position with GSDP Rs. 5,017. In the case of Percapita Net State Domestic Product Goa stood top with Rs.1,12,602 and Bihar in the bottom with Rs.13,178 in 2011-12 estimates at constant price.

Table: 1.20

NNP at Factor Cost and Per Capita NNP at constant Price (2004-05)

Period	NNP at Factor Cost(In crore)	Per Capita NNP at factor Cost(In Rs.)
1950-51	255,405	7,114
1955-56	314,238	7,996
1960-61	385,761	8,889
1965-66	436,650	9,003
1970-71	541,867	10,016
1975-76	626,779	10,326
1980-81	727,359	10,712
1985-86	913,143	12,095
1990-91	1,202,305	14,330
1995-96	1,547,480	16,675
2000-01	2,074,858	20,362
2005-06	2,877,284	26,015
2010-11	4,268,715	35,993
2011-12	4,549,652	37,851
2012-13(AE)	4,764,819	39,143

Source: A Hand Book on Indian Economy Published by RBI

Table: 1.21

Rate of growth of NNP at Factor Cost and Per Capita NNP

Period	NNP at Factor Cost	Per Capita NNP at factor Cost
1950-51 to1960-61	4.2	2.3
1960-61 to 1970-71	3.5	1.2
1970-71 to 1980-81	2.9	0.6
1980-81 to 1990-91	5.2	3.0
1990-91 to 2000-01	5.5	3.4
2000-01 to 2004-05	6.4	4.6
2004-05 to 2010-11	8.4	6.9
2011-2012	6.2	4.7
2012-2013	4.9	2.9

Source: A Hand Book on Indian Economy Published by RBI

Sectoral Composition

After independence there should be change in the sectoral composition of GDP also along with the growth of NI and PCI. We can broadly classify the sectors into three as Primary, Secondary and Tertiary sectors.

The share of primary sector which includes agriculture, forestry gone down from 55.4 % in 1950-51 to 14.3 % in 2010-11 and further to 13.68 % in 2012-13. Its position changed from the highest contributor to lowest contributor to the Indian economy. The main cause for the decline is the rapid decline in agriculture alone.

The share of industry which includes mining, manufacturing, electricity, gas & water supply and construction has shown a steady increase from 15% in 1950-51 to 27.03 % in 2012-13.

The share of service sector shows a sharp improvement from 29.6% in 1950-51 to 59.29 % in 2012-13. Now the service sector is considered as the power horse of Indian economy. There was significant increase in the share of trade, transport and communication.

Table 1.22

Share of GDP by Industry origin at 1999-00 series

	1950-51	**1960-61**	**1970-71**	**1980-81**	**1990-91**	**2001-02**	**2010-11**	**2012-13**
Primary	55.4	54.8	46.3	38.0	32.2	24.0	14.3	13.68
Secondary	15	16.6	21.6	24.0	27.2	26.7	27.9	27.03
Tertiary	29.6	28.6	32.1	38.0	40.6	49.3	57.8	59.29

Source: CSO and Various Economic Surveys

Sector wise Employment

There should be changes in share of employment also. At the time of independence the major source of employment is Primary sector which provides 72.1 % employment in 1951 and it falls to 53.2 % in 2009-10. The industrial sector provides employment to just 10.6 % people in 1951 and it increased to 21.5% in 2009-10. The tertiary sector provides employment to 17.3% of the people in India in 1951 and it rose to 25.2% in 2009-10. As a result it is clear that even though the share of primary sector falls to GDP still it dominates in employment sector and employment creation in the service sector is less compared to its income generation.This is clear from the Table:1.23.

Table1.23

Share of Employment in different sectors

	1951	**1961**	**1971**	**1981**	**1990-91**	**2001-02**	**2004-05**	**2009-10**
Primary	72.1	71.8	72.1	68.8	62.7	59.3	57.0	53.2
Secondary	10.6	12.2	11.2	13.5	14.9	18.2	18.2	21.5
Tertiary	17.3	16.0	16.7	17.7	22.4	22.5	24.8	25.3

Source: CSO and Various Economic Surveys

As per the National Sample Survey Office's (NSSO) report on Employment and Unemployment Situation in India 2009-10, on the basis of usually working persons in the principal and subsidiary statuses, for every 1000 people employed in rural India, 679 people are employed in the agriculture sector, 241 in the services sector (including construction), and 80 in the industrialsector. In urban India, 75 people are employed in the agriculture sector, 683 in the services sector(including construction) and 242 in the industrialsector. Construction; trade, hotels, andrestaurants;and public administration, education, and communityservices are the three major employment-providingservices sectors.Studies show that the tertiary employmentshare has strong upward trends in all the incomequintiles both in rural and urban areas.