

CHAPTER 1

INTRODUCTION

1.1 Introduction

The objective of this study is to investigate the differences, if any, in the level of living and incidence of poverty among different social groups in India. Prevalence of mass poverty has been one of the most important issues in the literature on economic development. A key question that development economists have addressed is ‘why is there a difference in the level of living in the developed and developing countries?’ A standard answer to this question is that the poor are just like the rich; the only difference is that the poor have less human and nonhuman capital (Stiglitz, 1989). This view seems to have been at the back of the mind of development economists during the 1950s as we find a near unanimity among them on policy prescription – raising the resources of poor countries either by increased savings or by direct transfer. Consequently, the poor will catch up with the rich, or at least have a decent living standard in a fairly short span of time. It is implicit in this approach that poverty incidence and associated deprivations would disappear automatically *provided incomes can be raised*. It is further argued that since economic growth raises income, as long as income distribution does not worsen, growth will have a substantial effect on the incomes of the poor.¹

Clearly, this line of argument presumes that both factor and product markets among the developing countries are homogeneous. Therefore, trickle-down effect is expected to raise incomes of the poor and help them come out of poverty. However, by the 1970s it started becoming apparent that despite sustained growth, the living standards of the poor did not improve as much as expected. For example, we observe stagnant poverty incidence in India over the period 1956-73.² In fact even after five

decades since these policies were initiated in India (and several other developing countries), a large proportion of population still lives in poverty and faces the worst form of deprivation – hunger.

The incidence of poverty and other forms of deprivations is so pervasive among developing countries even after five decades that the United Nations General Assembly called upon the countries to join concerted effort for reducing poverty, hunger and other forms of deprivation from the globe. In the Millennium Development Goal (MDG) declarations in 2000 by the UN General Assembly, reduction of poverty by half in 2015 from the level in 1990 was set as the first MDG target.³

Evidently, there was something amiss in the policy prescription that early development economists came up with. The persistence of poverty has forced researchers to scrutinize economic development process more closely. There is mounting evidence that as a group “*the poor are not like the rich except that they have less human and nonhuman capital*” as was earlier supposed. There appears to be much more to underdevelopment than differences in human and nonhuman capital, the most important being the non-homogeneous economic structure in these countries.

The non-homogeneity manifests itself through different socio-cultural structure that developing countries have. For example, several developing countries, including India, have significant proportion of tribal population. One of the most important characteristics of tribal population is a closely-knit society that has different socio-economic and cultural structure, language, consumption pattern and so on. The consequence of these differences is various kinds of segmentation in a developing

country's product and factor markets. As a result the impressive economic growth that many of the developing countries recorded over the last four to five decades never got evenly distributed. In other words, a large proportion of the poor could not take advantage of the economic growth. The economists now advocate an active role for the civil society and governments in the developing countries to facilitate the development of the missing markets that would help in assimilation of different population groups and enable the poor to take advantage of the economic growth (Stiglitz, 1996).

If the above assertion of the development economists is true, then we should have differential level of development of different communities in the developing countries. The recent studies on economic growth and poverty reduction based on Indian data clearly show that there is indeed a differential incidence of poverty in India over space (states) and population groups.⁴ It is increasingly being realised now that poverty and deprivation are complex and multi-dimensional, and social relations are key to the way individuals, households and groups are deprived from the benefits that others enjoy. Several insightful researches have been conducted in the recent past that have concentrated on spatial variation in poverty incidence. Researchers have tried to relate spatial variation in poverty to uneven investment and infrastructure in lagging regions, uneven productivity of agriculture, etc.

However, the social structure of different regions and their relationship with outcomes like consumption and poverty has just begun to be understood. The available researches indicate that even in the regions that have performed better in poverty reduction, the incidence as well as reduction are not uniform across population groups.⁵

These differences are evident not only in the incidence of poverty but also in the incidence of hunger (Dubey, 2003). The well being of social groups in India differs; there is relatively little knowledge about the trends in these disparities. Knowledge of these disparities is a key to policy making, to inform the debates about economic growth and inequality as well as the impact of impressive policies in India for addressing poverty among marginalized groups and reservation policies.

In this study we focus on consumption levels and incidence of poverty among different social groups in India. We look at spatial variation and temporal change in consumption and poverty during the last two decades.

1.2 The Context and Objectives of the Study

Historically, the Indian society evolved around certain identities such as social origin, ethnicity or religion. It is now argued that ethnicity has resulted in the exclusion of groups, perceived as 'others' or 'different', by dominant groups. The concern about exclusion and discrimination in both developing and developed countries at the policy level is primarily because of its link with underdevelopment, inequality and deprivation that it brings to the excluded groups. The most important characteristics of exclusion are its multidimensionality involving exclusion in economic, social and political spheres.

In India social exclusion is said to be an outcome of a social process that has traditionally excluded, discriminated, and isolated groups of population on the basis of their caste, ethnicity and religion. There are several such groups that have been identified in the literature. Out of these, two are identified on the basis of their caste, the

untouchables or *scheduled castes* (SCs) and *tribes* (STs). These two groups possess several similarities as well as differences in terms of their exclusion. The former is said to have borne the brunt of the systematic discrimination of the Hindu Varna System. The latter group is with a distinct culture, language and social organization. Their deprivation is of a different nature altogether.

The SCs are the larger group between the two, accounting for 16.2 percent of the Indian population as per the 2001 Census. Their exclusion is a direct consequence of the Hindu social order. The caste system as a form of social structure is based on the division of people into a distinct social group, or caste with unequal rights. This has been institutionalized so deeply that these groups suffer from multiple exclusions that have severe consequences on their deprivation and poverty.

The other social group that is excluded is Scheduled Tribes (STs), called *adivasis* or tribals. Their share in the population as per the 2001 Census is 8.2 percent. Their exclusion is a consequence of geographical isolation and neglect as these groups are located in hills and forest areas that have been traditionally considered remote. However, unlike SCs, there are hundreds of such groups scattered across the length and breadth of India with a diverse socio-cultural and economic organization.⁶

The systematic deprivation that SCs and STs have suffered, albeit for different reasons, was recognized and provisions were made in the Indian Constitution to facilitate assimilation of these groups by promoting their educational and economic interests through a policy of 'protective discrimination'. For implementing the policy of protective discrimination, several measures and programmes were introduced. Among

them, reservation for SCs and STs in Government jobs and educational institutions occupies a major place and has generated a lot of debate and controversy. The Constitution provided reservation in government jobs and admission in professional educational institutions to STs (7.5 percent) and to SCs (15 percent). The quantum of assistance and the limits to reservation for SCs and STs are proportionate to their population shares. These population shares are based on the decennial Indian censuses.

The purpose of our study is to assess the extent of disparities in poverty incidence and consumption levels among different social groups in India and to study the interrelation between social exclusion and poverty based on the Indian social structure. We have attempted to go beyond the simple measurement of poverty. We have tried to do this in three steps. First, we have studied the disparities in consumption level across social groups at the all India level, divided into rural and urban sectors. Second, we have studied the geographic distribution of poverty among social groups in various states, again by rural and urban sectors. Third, we have attempted to identify the sources of persistence of disparities across social groups. Simply put then, the main objectives of this study are as follows:

1. To examine the extent of disparities in consumption, incidence of poverty and education across social groups in India;
2. To ascertain the extent of disparities across social groups in the different states and union territories;
3. To investigate the changes in the level of living of deprived social groups over the years, especially during the period of relatively higher economic growth in the

1980s and 1990s;

4. To find out the factors that lead to the change in the relative levels of living of social groups.

This study generates some broad hypotheses that we hope will shed some light on this particular aspect of the current Indian debate. The underlying **hypotheses** in this study are:

- (i) The policy of 'protective discrimination' has not reduced the disparities among social groups.
- (ii) Different social groups in different states benefit unequally from general economic growth of the country. That is, there are wide variations in disparities in the different states and Union Territories.
- (iii) The existing literature suggests that there is differential return to human capital in different social groups. We postulate that in the Indian context the return to human capital is the same across different social groups.

To check the robustness of our hypotheses, we have examined the issues at four time points, two before and two after 1991, when the process of liberalization was initiated.

This is certainly not the first exercise that has looked at relative deprivations among "lower castes" in India. In fact, the plight of these groups was recognized by the Indian policy makers quite early. As mentioned above, the Indian Constitution has provided protective discrimination in government jobs and educational institutions to these groups since 1951. Clearly, one also needs to know how much these provisions

have affected the level of living of these groups since positive discrimination was initially intended just for a decade. A quantitative assessment of the existence of disparities and its trend also clears the deck from any ensuing confusion on what more needs to be done.

1.3 Outline of the Study

The dissertation consists of seven chapters and is organized in the following fashion. Chapter 2 presents a review of the literature. A large body of literature exists on socio-cultural studies of these social groups but quantitative analysis of their vulnerability to poverty and deprivation in terms of their consumption level is relatively new.⁷ Most of the existing studies have focussed either on a specific social group or the condition of these groups in specific geographical areas. The existing literature emphasizes on the existence of the disparities that are very well known but falls short of quantifying its level and trend. In this study we have looked at the incidence of poverty among different social groups in India in quantitative terms.

Chapter 3 describes the database and issues involved, including its limitations, in using the household survey data for analyzing the disparities among the social groups. The data we use in this study have been obtained from Schedule 1.0 and Schedule 10.0 collected by the National Sample Survey Organisation (NSSO) during 38th (1983), 43rd (1987-88), 50th (1993-94) and 55th (1999-2000) quinquennial rounds of surveys. In this study, we have used the raw data, rather than the published tables brought out by the NSSO. The availability of raw data has allowed us to identify

different social groups. This also allowed us to calculate the exact (as reported in the data) consumption levels and number of people below the poverty line, at each level of aggregation. We have computed average per capita expenditure of all the social groups as well as those who are below the poverty line. We have also computed the different statistical measures of poverty, head count ratio (HCR), poverty gap index (PGI) and Foster - Greer -Thorbecke Index (FGT). Given our main objective of understanding the nature of disparities in consumption and poverty across social groups, we wanted to check how much this was dependent on our understanding of the extent of disparities.

In Chapter 4, we have looked at the disparities in consumption and poverty at the aggregate level of all India, divided into rural and urban sectors. We look at the disparities in expenditure distribution and average consumption expenditure of different social groups. We show graphically how the distribution of population by expenditure classes differs from one social group to the other. Then we show how these distributions have shifted over the years. Finally we report and discuss poverty incidence and trends across social groups and finally discuss another form of deprivation – hunger. All the three social groups have shown improvement in mean consumption and reduction in poverty incidence. However, there is no improvement as far as reduction of disparities is concerned.

In Chapter 5, the analysis at the aggregate level is extended to level of states in the country. The key issue in analyzing the level of living and incidence of poverty at sub-national level turned out to be the small sample size in many states. The second constraint is constant reorganization of states and union territories. Thirdly, the

distribution of ST and SC population is not uniform over the states. We have tried to work around these problems by first dividing the states and UTs into two groups. The states in the first group are those where we have more than 100 surveyed households for all the three groups, STs, SCs and OTHERS. There are 15 states namely, Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal in the first group. Out of these 15 states, only Himachal Pradesh, Tamil Nadu, Tripura and Uttar Pradesh have sample size of just over a hundred for STs and good sample size for SCs and OTHERS. The other 11 states of the first group have reasonably good sample size for all social groups. *The analysis brings out the great diversity that is there in India. We observe large variations across the states in many aspects.*

Chapter 6 is devoted to the variation in socioeconomic characteristics of different social groups and identification of the sources of the disparities. We have looked at some the correlates of consumption and poverty such as disparities in employment and education that are sources of income and hence influence consumption. We also look at the role of these factors on poverty outcomes in a cause effect relationship by estimating an econometric model. Then we attempt to evaluate the future of the social group disparities.

Summary of our findings, limitations and scope for further analysis are provided in Chapter 7. *The most important conclusion of this study is that there has been a decline in the vulnerability to poverty among all social groups in India and in most of*

the states during 1980s and 1990s. However, disparities across social groups are substantial and continue to be significant even after providing different kinds of positive action for their upliftment. Moreover, the recent surge in the economic growth seems to be bypassing the deprived social groups. Our findings suggest that relative position of socially deprived groups has not changed at all in most parts of the country. These findings have very profound implications for policy, as the effort through positive discrimination over the last five decades does not appear to have helped these groups much. Despite these important findings, the study has a serious limitation as we have not been able to identify any specific caste or tribe and its ranking in terms of poverty and consumption. This is more due to lack of caste or tribe specific information in the data and/or inadequate number of sampled households rather than that of our analysis.

Notes:

¹ Researchers investigating growth-poverty relationship have argued that there is nearly a one-to-one correspondence between growth and poverty reduction. For example, Srinivasan (1999) has argued that every one percent increase in per capita income reduces poverty by one percentage point.

² See, for example, Ahluwalia (1978).

³ The Millennium Development Goal call for reducing the proportion of people living on less than \$1 a day to half the 1990 level by 2015: from 29% of all people in low and middle income economies to 14.5%.

⁴ See for example Dubey and Gangopadhyay (1998), Meenakshi et al (2000), Palmer-Jones and Sen (2003) among others.

⁵ See, for example, de Haan and Dubey (2003) and Dubey (2003).

⁶ Although the term ST is used here to denote implicitly a single population group but in reality there are thousands of scheduled tribes spread over the length and breadth of the country defined in the Indian Constitution. Each one of these tribes is different from the other in their customs and socio-cultural characteristics.

⁷ It is only after the NSSO put the unit record consumption expenditure data in public domain that the researchers started looking at it. Some of the studies that have addressed the poverty incidence by caste groups are Dubey and Gangopadhyay (1998), Gangopadhyay et al (1997), Meenakshi et. al. (2000), Ray (2000) and many others.

7.1 Summary of the Findings and Policy Implications

In this study we have addressed the issue of disparities in consumption and poverty across different social groups in India over the period 1983 to 1999-00. We have used household level data on consumption expenditure and employment and unemployment collected by the National Sample Survey Organisation, Government of India.

The exercise carried out in this study is in two parts, all India level divided into rural and urban sectors and at the level of states. The entire population in the two sectors is categorized into three mutually exclusive social groups, ST, SC and Others. The last group comprises of all other castes that are referred to as forward castes. It is to be noted that there is another caste group, Other Backward Classes (OBC) has since been defined and positive discrimination provided by the Government of India on the lines of STs and SCs since 1989. However, information on the OBCs is available only at one point of time, the 55th round of NSS survey (1999-00). Since one of the objectives of this study is to study the trends in the social group disparities, we have merged the OBC group with the OTHERs as in the previous rounds.

The second part of the study is the study of these disparities at a disaggregated level of states. States have been divided into two groups. First group comprises of fifteen states for which we could get reasonable sample size for the two socially discriminated population groups, STs and SCs at least in the rural sector. In the remaining 20 states we find that sample sizes are not adequate either for STs or SCs or both. In these states we clubbed the ST and SC households together to calculate consumption and poverty related characteristics.

It is observed that STs forms a very small proportion of India's total population. Further, both ST and SC households are mainly rural based whereas proportion of OTHERS is far higher than the two groups in the urban sector.

Our analysis re-confirms the existence of disparities in consumption expenditure among the three groups. The available data shows that though the distribution of ST and SC population along the expenditure scale follows log normal distribution like OTHERS, the distributions of STs and SCs lie to the left of the OTHERS distribution at all the four time points for which we have carried out this analysis. Clearly there is first order stochastic dominance as far as expenditure distributions are concerned. There is rightward shift in the distribution of all three social groups implying that over the last two decades there is a visible improvement in the level of living among them.

The data suggests that STs have, on an average, lowest per capita expenditure and OTHERS have the highest. This is irrespective of place of residence, i.e., rural or urban. In both sectors the SCs fall in between the two groups. This ranking is independent of time. In other words, during the 1980s and 1990s, the STs were and continued to be most disadvantaged in both the sectors. In quantitative terms the average PCTE of STs was 66 percent of OTHERS in 1983 that increased marginally to 70 percent in 1999-00. In case of SCs it was 74 percent and 76 percent respectively. Thus, both STs and SCs have improved their position relative to OTHERS but only marginally.

Disaggregation of population into decile groups reveals some interesting features. In the bottom three deciles, the average growth of PCTE is marginally higher

for OTHERs compared to STs and SCs. But starting from the fourth decile the APCTE of STs has been growing faster than the OTHERs. Put differently, the STs who have crossed the poverty barrier are better placed to take advantage of the positive discrimination and other such measures provided by the government. Since majority of the population of STs is in the bottom three deciles, the advantage is cornered by only a few. This is likely to increase the intra-group inequality.

In case of SCs, those in the first decile have experienced relatively lower growth in average PCTE but from second to fourth decile they have recorded highest growth rate among the three groups. In sum, over the four rounds of NSS survey, all the three social groups have been better off but among STs the intra-group inequality may be on the rise whereas among SCs this might not be the case.

At the all India level, results of our econometric exercise emphasize the existence of inequalities and also suggest that it is likely to continue in the foreseeable future. In the rural sector, in 1983 an ST household had over 18 percent higher probability of being in poverty relative to OTHERs after controlling for other factors. This has declined marginally to over 15 percent by 1999-00 but their relative position and disadvantages that an ST household had continue to persist. In the urban sector, the marginal effect of being an ST household in poverty outcome is marginally lower at over 16 percent. This declined to over 13 percent by 1999-00.

The SC household also has higher vulnerability to poverty but lower than the STs in rural sector. For example, in the rural sector, other thing being equal, an SC household had about 9 percent higher probability of being in poverty relative to

OTHERS. By 1999-00, there is only a marginal decline in the over 8 percent but their relative position continues to be where it was, between STs and OTHERs.

The situation of the SCs is no different in the urban sector. In 1983, it had relatively higher marginal probability of being in poverty at 11 percent (compared to 9 percent in rural sector). It is disturbing to find that in the urban sector the vulnerability of the SC households is higher than in the rural sector. The possible explanation for these findings could be the role of education in riding out of poverty. The marginal effect of education is negative implying that higher the education level of head of the household, lower is the probability that the household will be in poverty. In the rural sector, where the work is mostly of unskilled type, in the urban sector jobs require education and skill where both these groups are lagging behind.

The state level picture is relatively complicated. First, unlike all India pictures where social group-wise sample sizes are reasonably high and resulting estimates of the analyses are robust, the representation of social groups at state level is not uniform. This necessitated some kind of grouping of the states. Based on the sample distribution discussed in Chapter 3, we identified 15 states for which the ST and SC characteristics could be studied separately. These states are, Andhra Pradesh, Assam, Chhattishgarh, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tripura, Tamil Nadu, Uttar Pradesh and West Bengal. In the remaining 20 states, the ST and SC households were pooled together to calculate incidence of poverty and other characteristics. The states in the second group are Arunachal Pradesh, Bihar, Goa, Haryana, Jammu and Kashmir, Kerala, Manipur,

Meghalaya, Mizoram, Nagaland, Punjab, Sikkim, Uttaranchal, Andaman and Nicobar Islands, Chandigarh, Daman and Diu, Dadra and Nagar Haveli, Delhi, Lakshadweep and Pondichery. Bihar, Haryana, Kerala and Punjab are the so-called bigger states in terms of economic activity and population but in these states the proportion of ST population is quite small.

In the existing studies on poverty and consumption it has been observed that there is large variation in poverty incidence across states. In this study too we find a similar picture. Among the major states, there are similar disparities in poverty incidence and consumption as in all India level. The average PCTE of STs among all the fifteen states was less than those of SCs and OTHERS in all four time points. However, PGI and FGT that measures the depth and severity of poverty suggest that urban poverty is more acute for all the social groups under consideration.

Finally, it can be argued that there is a clear trend decline in poverty incidence in India during 1980s and 1990s. Given the nature of distribution of expenditure it could be said that it is independent of any poverty norm used. But there are significant differences among social groups at all India level. STs have the highest poverty incidence followed by SCs and OTHERS. This ranking is robust, independent of space (across states), time (over the years) and poverty norm being used. Our analysis in this study indicates that growth-fostering policies may not be enough to pull these groups out of poverty. For them to benefit from economic growth these groups must be equipped to take advantage of growth. That will come about only when disparities in child marriage, health and schooling are reduced.

It is evident from this analysis that social group plays an important role in determining the vulnerability of the households. The households belonging to ST and SC groups have higher chance of being in poverty, irrespective of location and holding other factors constant. Thus, social order matters for reducing poverty.

The most important conclusion of this study is that *there has been a decline in the vulnerability to poverty among all social groups in India and in most of the states during 1980s and 1990s. However, disparities across social groups are substantial and continue to be significant even after providing different kinds of positive action for their upliftment. Moreover, the recent surge in the economic growth seems to be bypassing the deprived social groups.*

Our findings suggest that the relative position of socially deprived groups has not changed at all in most parts of the country. These findings have very profound implications for policy, as the effort through positive discrimination over the last five decades does not appear to have helped these groups much.

7.2 Limitations of the Study

Despite these important findings, the study has a serious limitation as we have not been able to identify any specific caste or tribe and its ranking in terms of poverty and consumption. This is due to lack of caste or tribe specific information in the data. This clearly indicates a need for studies that could provide information about the intra-group vulnerability, i.e. across different castes and tribes in each one of the social groups.

Another limitation of the study is that in the data that we have used we were not able to identify the public sector jobs in which positive discrimination has been implemented. Therefore, we cannot conclude with certainty that reservation has not helped the traditionally excluded groups. However, the study clearly brings out the fact that the policy of positive discrimination has not helped as far as reduction of disparities is concerned.

7.3 Scope for further Research

Though this study establishes some very clear and robust relationship in poverty incidence and its correlates, there are several unexplored aspects that could fruitfully be pursued. The disparities studied in consumption and poverty in this dissertation is based on poverty norms that were derived for average Indian population. It is likely to get magnified if we have a separate norm for different social groups and regions, as there is a social group-wise and regional variation in activity pattern. Indeed, the Task Force (GOI, 1979) and Expert Group (GOI, 1993) have recommended that we require a separate poverty norm for the population living in tough conditions like hilly terrain. Issues like structure of employment by social group and at regional level needs to be further investigated as these have important implications for persistence of inequalities.