

Impact of Globalization and Recession on Social and Economic Inequalities in India

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I Introduction

After independence India adopted a mixed economy model with state led industrialization strategy. The emphasis was on import substitution. Although this inward looking policy did not result in any significant acceleration in the economic growth, it laid initial foundation for industrialization in India. In the early nineties, the balance of payments crisis pushed India close to default repayment of its debts. In response the policy makers initiated a wide ranging out-ward oriented economic reforms. Distrust of the market forces and restrictive trade policies were perceived as impediments to growth. The transition from state controlled regime to market friendly policy regime was gradual. Industry was deregulated by abolition of license system for establishment and capacity creation. The trade regime was liberalized with abolition of quantitative restrictions and reduction in tariffs. Foreign investment has been promoted, permitted current account convertibility and let foreign exchange rates be determined by market forces. The reforms policies pursued have been oriented towards taking advantage of the potential benefits of Globalization. The Post reform period has seen some achievements and some adverse consequences. Indian growth rate accelerated to 7.3% during 2000-08. Indicators such balance of payments and foreign exchange reserves showed considerable improvements. The spread of telecommunication and information technology has been remarkable in the last two decades. The post reform period was also marked by some deep concerns. First, regional inequalities have increased. Some states, especially the western and southern grew faster than others. Second, inter-personal inequalities as well as rural-urban disparities have been increasing. Third, the pace of poverty reduction has slowed down. Finally, the improvements in several measures of non-income welfare measures related education and health during the post reform period fall far below the improvement achieved on economic front.

It is clear that the economic reforms initiated in nineties have unleashed the growth potential of India. In this context, integrating India with the rest the world offers both opportunities and challenges.

However, these policy initiatives may not be sustainable if the burden falls disproportionately on some sections of people in some regions. It is therefore important to monitor not only the macro indicators like growth, balance of payments and foreign exchange reserves, etc., but also indicators that reflect emerging distributional concerns. In this backdrop, this paper attempts to analyze the experiences of India with respect to growth, disparities and poverty.

II. Growth and Regional Disparities

II.2. Growth

The annual average growth rate of Gross Domestic Product (GDP) of India during the three decades after independence was only 3.6% pa (Table 1). In per capita terms this would mean a growth of mere 1.4% pa. The Indian economy moved to a higher growth trajectory in the eighties. During this period India registered a growth rate of 5.4% pa. The growth rate of per capita GDP doubled in eighties compared to the previous period. Further acceleration was observed in the nineties and later. By 2007-08, the GDP growth rate increased to 7.3%. The per capita GDP registered growth of 5.7%. With adequate foreign exchange reserves, stable exchange rates, moderates inflation and sufficient food stocks, the growth rate achieved in the post reform period appears sustainable (Manoj, 2009). The acceleration in GDP was accompanied by substantial changes in the structure of the economy. Among the three broad sectors, the growth in Agriculture has always been the lowest. As a result, its share in GDP has come down to about 20% in 2000-08 from 46% in the fifties. Services sector, which contributed about one third of the GDP in the fifties, contributes more than half of the GDP in 2000-08. The share of Industry increased from 21% in the fifties to 26% in 2000-08. The falling share of agriculture has an important effect on reducing short-term fluctuations in the economy in recent decades (Manoj, 2009).

Table 1: Average Annual Growth Rates in Real GDP (1999-2000 prices)

	Agriculture	Industry	Ser vices	Total GDP	Per Capita GDP
1951-52/1980-81	2.52	5.20	4.41	3.62	1.44
1980-81/1990-91	3.52	6.19	6.61	5.40	3.19
1991-92/1999-00	3.16	5.48	7.52	5.73	3.68
2000-01/2007-08	2.93	7.89	8.82	7.28	5.58

Source: National Account Statistics, various issues

II.2 Inter State Disparities

Table 2 presents the growth rates of gross state domestic product- total and per capita for pre and post-reform periods. The growth patterns present reveal large interstate variations. There are states Assam,

Bihar, Madhya Pradesh and Uttar Pradesh have been growing at less than 5% pa in both the periods. These are the states that share about 33% of rural population in India, but account for almost 56% of the rural poor. Andhra Pradesh, Gujarat, Haryana, Tamil Nadu and Karnataka had not only a growth rates higher than 5% pa in 1980-93, but also improved further during 1993-06. Together these states account only about only 11% of the rural poor in India. Kerala, West Bengal and Orissa have improved their growth rates to more than 5% between the two periods. On the other hand Punjab, Rajasthan and Uttar Pradesh experienced a deceleration during 1993-2006. Krishna (2004) finds that the volatility in the growth rates of the state incomes in the nineties, which lead to an increase in inter-state variability. To examine the trends in the regional disparities, we have computed Gini coefficient using the GSDP data for the period 1980 to 2005-06. The GSDP have been revised thrice during this period and revision involves not only shifting base prices but also expansion of coverage. Therefore the Gini coefficients are presented separately for each series covering different periods in figure 1. As can be seen the Gini coefficient has been rising over the years. The trends show sharper rise in regional disparities after 1993-94.

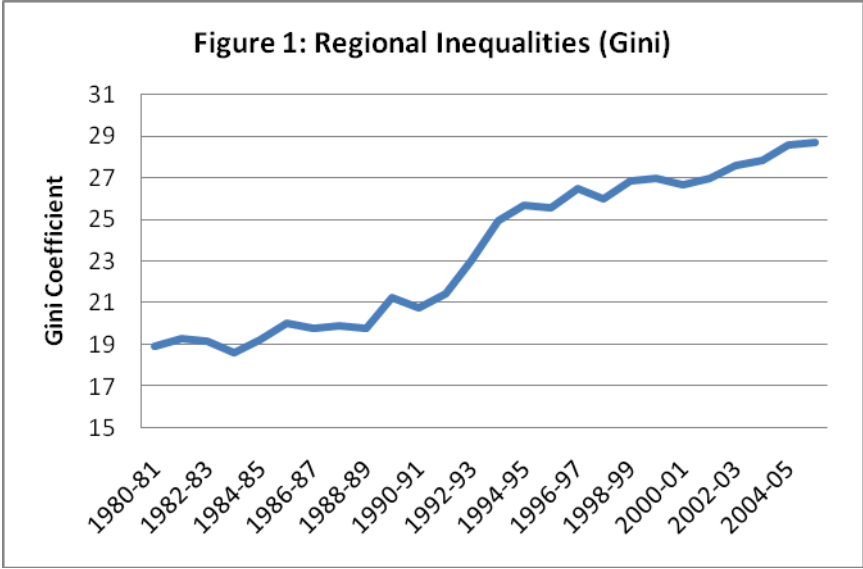
Table 2: Growth Rates in Real GSDP and per Capita GSDP in Major States of India

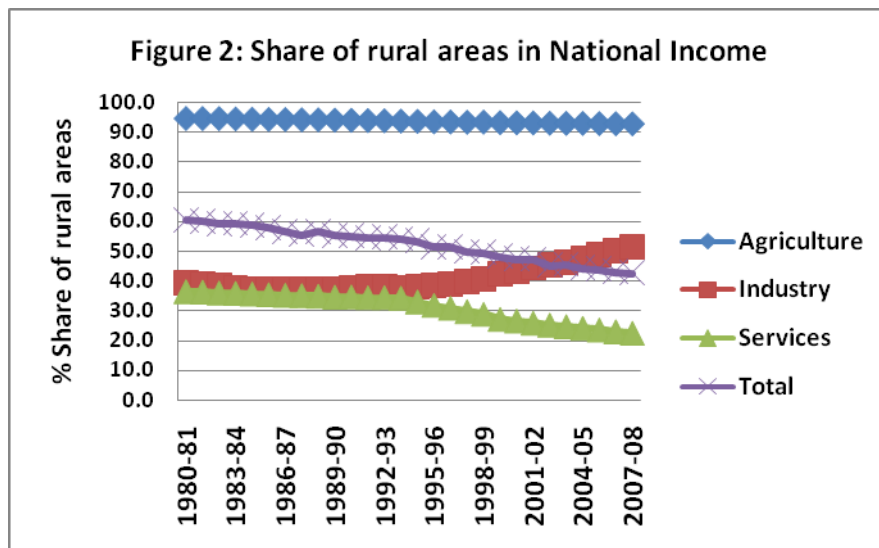
States	GSDP		Per Capita GSDP	
	1980-81/ 1992-93	1993-94/ 2005-06	1980-81/ 1992-93	1993-94/ 2005-06
ANDHRA PRADESH	5.72	6.53	3.50	5.41
ASSAM	3.98	3.54	1.75	2.14
BIHAR	3.41	4.73	1.23	5.26
GUJARAT	6.77	7.10	4.74	5.30
HARYANA	5.75	6.98	3.24	4.81
KARNATAKA	5.57	6.88	3.59	5.50
KERALA	3.82	6.28	2.44	5.51
MADHYA PRADESH	4.49	4.91	2.07	6.00
MAHARASHTRA	6.32	6.17	3.97	4.42
ORISSA	3.67	5.53	1.80	4.31
PUNJAB	5.21	4.53	3.23	2.93
RAJASTHAN	7.37	5.44	4.74	3.29
TAMIL NADU	5.46	6.12	4.03	5.16
UTTAR PRADESH	4.47	4.19	2.17	2.59
WEST BENGAL	4.57	6.61	2.35	5.23

Source: CSO

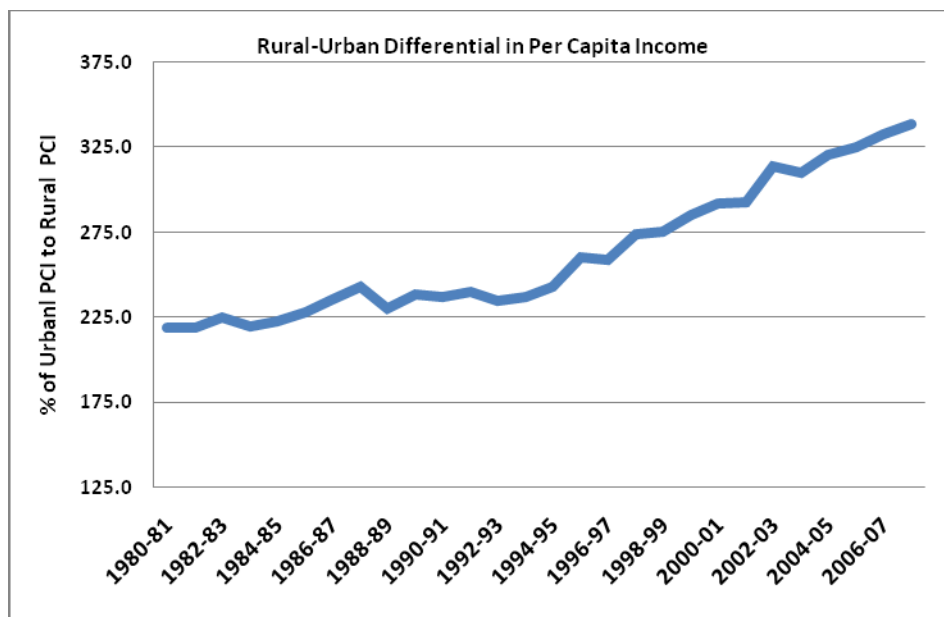
II.3 Rural – Urban Differentials

The Central Statistical Organization (CSO) has been compiling estimates of Rural and Urban income of the Indian economy along with the exercises for revising base year of National Accounts Statistics (NAS) series, since the 1970-71 series. These estimates have so far been compiled for the years 1970-71, 1980-81, 1993-94 and 1999-2000. The preparation of such estimates is primarily dependent on estimates of working force for some sectors and on value of output/gross value added for others. We use these data to examine the rural urban differentials. The rural incomes for the years in between have been estimated using the sectoral/sub-sectoral rural-urban differentials obtained by interpolation. Figure 2 presents the percent share of rural areas in the national income for three broad sectors for the years 1980-81 to 2004-05. Understandably, the share of rural areas in agricultural income is stagnant at 93-95% without any significant trend.

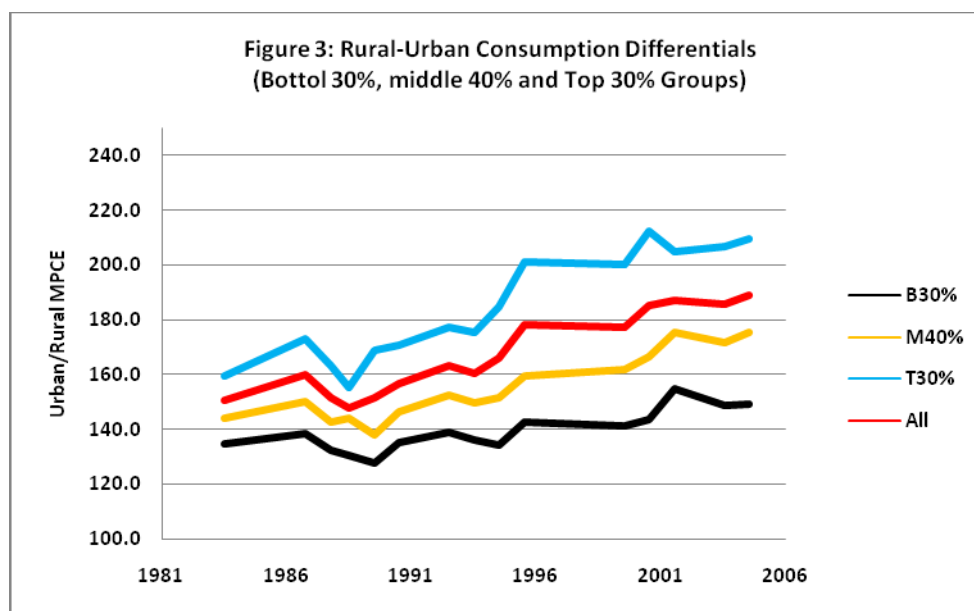




In case of Income from Industry, the rural share remained at around 37-38% during the eighties and nineties but started increasing subsequently. During the period 1990-2008 it increased at 2.4% pa to reach 47%. In service sector, the share of rural areas shows a declining trend throughout, more sharply in the recent period. The service sector share of rural areas declined marginally from 36% to 44% during 1980-1994. During the later period the share of rural areas in service sector declined sharply to 24%. Overall, the share of rural areas in the national income, which was about 58% in the eighties, has declined to 45% in 2000-08. The per capita income in urban areas was around 220% of the per capita rural income during the early 1980s (Figure 3). The gap widened further to 250% in the early nineties. Thereafter the rural-urban differential increased sharply. In 2005-06 the per capita income of an urban person was more than treble that of rural person. Relatively low agricultural growth, shrinking rural share in income from services, which is the fastest growing sector in GDP, are the major factors responsible for the rising rural-urban differential.



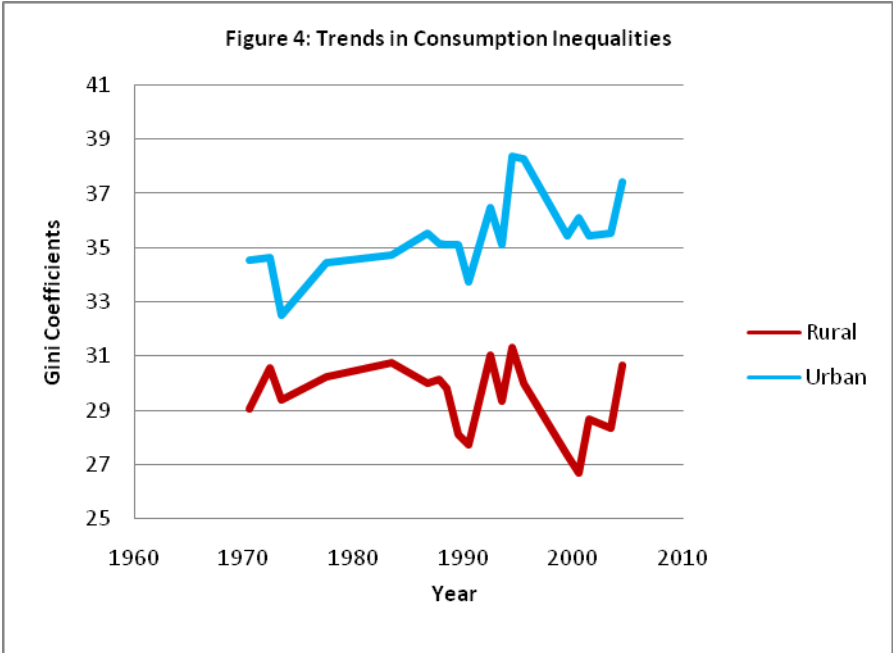
The National Accounts data does not permit analysis of rural-urban disparities at disaggregated income group level. For this we use consumption data of National Sample Survey organization. Using the consumption data of 20 rounds during 1970-71 to 2004-05 we examined the rural-urban differentials for three income groups, viz. Bottom 30%, Middle 40% and top 30%. For this we compute the average monthly per capita expenditure for Bottom 30%, Middle 40% and top 30% separately for rural and urban areas and take ratio of urban per capita monthly expenditure to rural per capita expenditure for each income group. The trends are presented in figure 3 indicate that rural-urban consumption differentials are lower than income differentials but show increasing trend overtime for all the three income groups. The trends indicate that the average MPCE of all the three income groups in urban areas were higher than the MPCE of their counter parts in rural areas. The disparity between rural and urban rich was higher than that between the poorer groups of rural and urban. It appears that the differentials are increasing faster for the top 30% than for the poorer groups. The average differential for the bottom 30% increased from about 135% in 1983 to 150% in 2004-05. In case of the top 30% it increased sharply from 160% to 210% between 1983-2004-05.



II.4 Personal Inequalities

The NSSO consumption data has been used to examine the trends in personal inequalities. The trends indicate that the consumption inequalities have remained stable till 1990 and fluctuated in subsequent periods. Urban inequalities were always higher than the rural inequalities but appear to fluctuate together. Inequalities in rural areas do not show any statistically significant trend throughout. However, the consumption inequalities show statistically significant increasing trend during 1990-2005. The consumption inequalities show mixed trends at state level (table 3). Inequalities in rural areas have declined in most of the states during 1983-94. It declined Rajasthan, Madhya Pradesh and West Bengal at nearly 2% pa. In Assam, Bihar, Guajrat and Orissa inequalities have declined at the rate of 1-1.5% pa during the same period. Other states exhibited marginal decline. However during 1993-94, Inequalities in the rural areas of all the states, except in Bihar, Karnataka, Madhya Pradesh and Rajasthan increased. Though the point-to-point growth rates do not indicate any statistical significance, there seem to indication that the rural inequalities show rising tendency. In case of urban areas, the trends Inequalities during 1983-94 appear to be similar to those in rural areas. But in the second period, inequalities have increased in all states, except Himachal Pradesh and Jammu Kashmir. In contrast to the rural areas, the inequalities have increased sharply in urban areas. Several factors may have led to the increase in inequalities in the post reform period. With a spurt in the demand for the skilled labor, especially in the information technology and communication sectors, inequalities in wages may have increased. The most

intensively used factors of production in the newly emerging sectors that are strongly linked to the world market do not come from poor households.



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III. Social Inequalities (TO be added)

IV Trends in Incidence of Poverty

Table 4 presents Head Count Ratio (HCR), Poverty Gap Ratio (PGR) and Foster-Greer-Thorbecke (FGT). All the three measures show similar trend -a reduction in the incidence of poverty over the last three decades in both rural and urban areas. HCR declined faster at 2.9% pa during 1970-2005 in urban areas than rural HCR (2.50). The trends as well as fluctuations are similar between rural and urban areas although they differ in magnitudes. Clearly, the decline in severity of poverty is faster than the extent or depth of poverty, which in turn is faster than the extent of poverty. However, India's performance in the reduction of absolute number of poor leaves much to be desired. The number of total poor declined from 323 million in 1973-74 301 million in 2004-05. The number of rural poor declined by 40 million between 1983 and 2005 whereas the number of urban poor increased by 20 million. The worsening situation of urban areas in terms of absolute number of poor was due to their high population growth attributable to its natural growth as well as rural-urban migration.

Table 3: Inequalities in Major States of India

States	Rural			Urban		
	1983	1993-94	2004-05	1983	1993-94	2004-05
Andhra Pradesh	29.66	28.93	29.40	33.25	32.31	37.43
Assam	20.15	17.92	19.94	26.36	28.77	32.07
Bihar	26.31	22.51	21.27	30.64	31.08	34.12
Gujarath	26.95	24.04	27.15	28.58	29.08	30.98
Haryana	28.53	31.33	33.94	35.40	28.32	36.37
Himachal Pradesh	28.15	28.43	30.99	37.83	46.00	32.51
Jammu and Kashmir	22.86	24.30	24.78	24.93	28.83	25.18
Karnataka	31.08	26.97	26.54	34.46	31.84	36.83
Kerala	32.02	30.14	38.19	39.03	34.29	40.96
Madhya Pradesh	29.85	27.97	27.68	30.27	33.00	40.59
Maharashtra	29.09	30.64	31.13	34.86	35.69	37.77
Orissa	27.17	24.66	28.50	29.24	30.67	35.31
Punjab	29.31	28.30	29.55	34.53	28.02	40.17
Rajasthan	38.18	26.52	25.06	33.76	29.31	37.15
Tamil Nadu	39.23	31.20	32.09	35.32	34.74	35.84
Uttar Pradesh	29.15	28.13	29.00	31.78	32.60	36.64
West Bengal	30.14	25.41	27.29	33.78	33.77	38.33
All India	30.79	28.55	30.45	34.06	34.31	37.51

Table 5 shows head count ratio of poverty for the major states of India. Incidence of poverty varies largely across states in both rural and urban areas. Though, the all HCR declined in all the states, during 1983 and 2004-05, there have been no major changes in the relative rankings of states. The coefficient of variation of estimates of rural poverty by state declined from 41 per cent in 1983 to 36 per cent in 1993-94. However, it increased to 55 per cent in 2004-05. The coefficient of variation of estimates of urban poverty by state increased from 32 per cent in 1983 to 46 per cent in 1993-94 and then further to 55 per cent in 2004-05. The reduction in inter-state inequality between 1983 and 1993 in rural areas could be attributed to the better reach of agricultural growth in the 1980s. The widening interstate inequality in the later period could be due to the worsening inter-state income inequality. The poorer states of Madhya Pradesh, Orissa and Uttar Pradesh have not exhibited any significant improvement in poverty reduction.

Table-4: Trends in HCR, PGR and FGT

Year	RURAL			URBAN		
	HCR	PGR	FGT	HCR	PGR	FGT
1970-71	57.45	18.10	7.34	52.63	17.03	6.95
1972-73	58.11	18.65	7.70	50.17	16.03	6.48
1973-74	53.45	16.24	6.37	50.76	15.51	6.03
1977-78	54.89	17.55	7.25	54.99	18.35	7.79
1983	46.86	13.35	4.90	43.92	12.88	4.77
1986-87	42.33	11.29	3.90	38.54	11.02	3.88
1987-88	40.66	10.09	3.22	40.04	11.24	3.89
1988-89	37.66	8.99	2.75	37.63	10.13	3.37
1989-90	33.40	7.51	2.16	36.40	9.65	3.14
1990-91	36.66	8.72	2.67	35.35	9.47	3.16
1992	40.25	9.70	2.99	35.06	9.34	3.03
1993-94	34.88	7.82	2.25	32.52	8.36	2.60
1994-95	40.04	8.93	2.54	35.44	9.39	3.00
1995-96	38.68	8.60	2.44	31.00	7.56	2.17
1999-00	27.39	5.34	1.31	23.18	5.02	1.18
2000-01	26.35	5.07	1.21	21.70	4.71	1.06
2001-02	26.48	5.67	1.51	20.69	4.57	1.05
2003	23.22	4.23	0.92	19.19	4.12	0.89
2004-05	28.32	5.66	1.39	24.47	5.76	1.46
Annual Compounded Growth Rate						
1970-05	-2.50	-4.14	-5.83	-2.91	-4.16	-6.03

Table 5: Head Count Ratios Across Major States of India

States	Rural			Urban			All		
	1983	1993-94	2004-05	1983	1993-94	2004-05	1983	1993-94	2004-05
Andhra Pradesh	27.31	16.64	10.83	37.49	37.63	27.08	29.78	22.52	15.29
Assam	41.92	44.43	21.79	23.07	10.19	3.69	40.00	40.62	19.31
Bihar	64.89	57.24	43.45	47.49	36.54	29.50	62.69	54.40	41.57
Gujarath	27.92	22.44	19.46	38	29.44	14.19	31.15	24.93	17.43
Haryana	21.77	26.62	13.63	25.47	17.54	15.5	22.61	24.31	14.21
Himachal Pradesh	17.77	29.27	10.87	16.01	8.26	5.02	17.63	27.38	10.27
Jammu and Kashmir	25.23	19.73	4.51	17.48	7.38	10.82	23.54	16.72	6.13
Karnataka	37.51	30.24	20.05	42.88	39.67	33.25	39.09	33.25	24.70
Kerala	38.46	26.49	13.37	45.11	25.45	20.63	39.85	26.20	15.24
Madhya Pradesh	48.21	40.43	37.67	53.11	48.29	41.39	49.24	42.33	38.62
Maharashtra	45.04	37.66	30.08	39.69	34.74	32.98	43.11	36.54	31.35
Orissa	67.52	50.11	47.81	49.19	41.02	42.6	65.28	48.81	46.99
Punjab	14.3	13.72	10.04	23.52	11.83	5.87	16.89	13.15	8.55
Rajasthan	37.72	26.89	18.76	38.81	31.55	32.28	37.95	27.99	21.95
Tamil Nadu	56.22	32.99	22.62	47.94	38.92	23.77	53.47	35.07	23.17
Uttar Pradesh	46.38	42.33	33.20	49.47	36.15	31.42	46.95	41.05	32.82
West Bengal	61.56	37.35	28.87	31.5	23.24	15.97	53.54	33.41	25.24
All India	45.76	37.26	28.30	42.27	32.56	26.03	44.92	36.01	27.65
Coefficient of variation	41	36	55	32	46	55	37	34	51

Rural poverty has been getting concentrated in four states, Bihar, Madhya Pradesh, Orissa and Uttar Pradesh (Table 6). During 1983 these states accounted for nearly half of the Indian poor in rural areas. By 2004-05 their share increased to 61%. North-Western States (Punjab, Haryana, Himachal Pradesh and Jammu and Kashmir) made substantial progress in poverty reduction even by the early 1980s and their combined share in All India poor was 2.7 per cent in 1983, which further declined to 2.2 per cent in 2004-05. These states have also comparatively low rural-urban disparity in per capita expenditure. Further, they have higher wage rate for workers engaged in agricultural operations and lower gender disparity in wage rate. Contrary to expectations, the highest per capita income state of Maharashtra has disproportionately larger share in poverty, which increased from 9 per cent in 1983 to 9.7 per cent in 1993-94 and further to 10.4 per cent in 2004-05. It has high rural-urban total income/expenditure disparity, low wage rate for workers engaged in agricultural operations and higher gender disparity in wage rates.

Table 6: Share of Major States in All India Poor

States	Rural			Urban			All		
	1983	1993-94	2004-05	1983	1993-94	2004-05	1983	1993-94	2004-05
Andhra Pradesh	4.70	3.49	2.87	7.58	9.78	7.49	5.32	5.00	4.10
Assam	2.89	3.92	2.44	0.66	0.36	0.18	2.41	3.07	1.83
Bihar	16.82	18.65	20.35	6.50	6.02	5.91	14.61	15.63	16.50
Gujarath	2.73	2.65	2.97	6.39	6.08	3.73	3.51	3.47	3.17
Haryana	0.93	1.46	0.99	1.17	1.05	1.38	0.98	1.36	1.09
Himachal Pradesh	0.30	0.62	0.29	0.08	0.06	0.04	0.25	0.49	0.22
Jammu and Kashmir	0.51	0.52	0.17	0.36	0.20	0.38	0.48	0.44	0.22
Karnataka	4.15	4.09	3.31	7.22	8.00	8.21	4.81	5.02	4.61
Kerala	3.21	2.42	1.50	3.63	2.84	2.21	3.30	2.52	1.69
Madhya Pradesh	8.49	9.05	11.24	9.14	11.00	11.63	8.63	9.51	11.35
Maharashtra	7.71	8.07	7.97	14.00	14.80	18.86	9.06	9.68	10.87
Orissa	6.58	5.97	7.11	2.44	2.60	3.24	5.69	5.17	6.08
Punjab	0.73	0.86	0.76	1.71	1.03	0.68	0.94	0.90	0.74
Rajasthan	4.35	4.05	4.01	4.49	4.68	5.87	4.38	4.20	4.51
Tamil Nadu	7.56	5.20	3.47	11.71	10.53	9.33	8.45	6.47	5.03
Uttar Pradesh	17.87	20.90	22.55	15.78	14.80	16.09	17.42	19.44	20.83
West Bengal	10.48	8.08	8.01	7.14	6.20	4.78	9.76	7.63	7.15
Number of Poor	250.28	237.73	218.28	68.42	74.73	79.34	318.70	312.46	297.61

V. Globalization and Inequality and Poverty

The casual link Inequality, Poverty and Globalization is not very clear. If the policy of Globalization improves both growth and distribution poverty would unambiguously reduce. If the growth is accompanied by adverse distribution effect, it would dampen the impact of growth on poverty. The justification for trade liberalization undertaken in 1991 was that it would help in accelerating growth and also for faster removal of poverty. What has been the experience of India in this regard? In order to probe this we have undertaken a simulation exercise to isolate the effect of inter personal, rural-urban inequalities and growth on poverty. We examine the changes in Poverty between 1983 and 1993-94 (table 7). All India poverty (rural and urban combined) declined from 44.6 in 1983 to 36.0 in 1993-94 by 8.6 percentage points. This entire change is due to growth alone. Changes consumption inequality Rural-urban differential and urbanization during this period seem to have negligible impact on changes in poverty. There are variations across the states. In states like Himachal Pradesh, Jammu and Kashmir, Maharashtra and West Bengal changes in inequalities had adverse impact of poverty reduction. Again in Himachal Pradesh, Jammu and Kashmir and also in Assam, the rural-urban differentials have significantly

dampened the pace of poverty reduction. The changes in urbanization seem to have no impact on poverty in any state.

Table 7: Decomposition Changes in Poverty between 1983 and 1993-94

States	Poverty		Change	Change in Poverty due to				
	1983	1993-94		Mean MPCE	R/U disparity	Inequality	Urbanization	Residual
Andhra Pradesh	29.42	22.52	-6.90	-5.21	-0.14	-1.64	0.40	-0.31
Assam	39.24	40.62	1.38	-2.78	3.96	0.45	-0.17	-0.09
Bihar	62.32	54.40	-7.92	-7.27	0.63	-0.57	-0.18	-0.53
Gujarat	31.57	24.93	-6.64	-6.90	0.65	-0.85	0.33	0.13
Haryana	23.53	24.30	0.78	-0.23	0.04	1.25	0.08	-0.36
Himachal Pradesh	18.13	27.38	9.26	3.55	1.78	2.32	-0.03	1.63
Jammu & Kashmir	22.16	16.72	-5.45	-9.81	2.39	5.81	-0.16	-3.68
Karnataka	38.53	33.25	-5.28	-1.28	-0.08	-4.00	0.15	-0.07
Kerala	39.79	26.20	-13.59	-8.62	0.50	-5.02	0.48	-0.94
Madhya Pradesh	48.60	42.34	-6.27	-6.43	0.09	0.38	0.17	-0.48
Maharashtra	42.28	36.54	-5.74	-7.76	-0.19	2.48	-0.09	-0.19
Orissa	65.17	48.81	-16.36	-16.03	-0.30	1.80	-0.38	-1.45
Punjab	16.51	13.15	-3.37	-0.33	-0.04	-3.31	0.22	0.09
Rajasthan	35.07	27.99	-7.08	1.97	0.23	-10.06	0.11	0.67
Tamil Nadu	51.85	35.07	-16.79	-14.33	-0.65	0.12	-0.11	-1.82
Uttar Pradesh	46.32	41.05	-5.27	-6.09	0.90	-0.10	0.11	-0.09
West Bengal	55.37	37.52	-17.85	-16.80	-0.37	5.08	-0.64	-5.13
All	44.56	36.01	-8.55	-8.47	0.50	-0.09	-0.09	-0.40

If we examine the changes in poverty levels between 1993-94 and 2004-05, we observe different situation. Poverty during this period was reduced by 8.1 percentage points from 36.0 to 27.9. During this period had the other factors remained constant, growth would have reduced poverty by 12.1 percentage points. However, because of adverse movements in inequalities and rural –urban differentials, the growth effect was blunted substantially. During this period poverty actually increased due inequality and rural-urban differentials by 3.3 and 1 percentage points respectively. Adverse changes in distributions in most of the states have offset substantial part of growth effects in poverty reduction in 1993-2005.

VI Conclusions

The gradual but steady reform policies pursued have been oriented towards taking advantage of the potential benefits of Globalization. The Post reform period has seen some achievements and some adverse consequences. Indian growth rate accelerated to 7.3% during 2000-08. Indicators such balance of payments and foreign exchange reserves showed considerable improvements. However the high

growth rate achieved was accompanied by increasing regional and personal inequalities. The Gini coefficient of interstate inequality has been rising over the years. The trends show sharper rise after 1993-94. Trends in Rural-urban differentials show that the gap between the rural and urban areas is widening faster in the recent years. The consumption inequality, which historically remained stable, started increasing from the early nineties, especially in urban areas. The recent trends in regional and personal inequalities have adverse impact on poverty reduction. During 1993-94 and 2004-05, the relationship between growth and poverty reduction was substantially dampened because of rising inequalities and regional disparities.

Table 8: Decomposition Changes in Poverty between 1993-94 and 2004-05

States	Poverty		Change	Change in Poverty due to				
	1993-94	2004-05		Growth	R/U disparity	Inequality	Urbanisation	Residual
Andhra Pradesh	22.52	14.89	-7.63	-9.84	1.11	2.40	-0.11	-1.19
Assam	40.62	20.34	-20.28	-23.32	0.51	1.80	-0.87	1.61
Bihar	54.40	41.89	-12.51	-13.57	0.45	0.95	0.05	-0.38
Gujarat	24.93	16.80	-8.13	-14.48	3.31	4.76	0.21	-1.94
Haryana	24.30	13.91	-10.39	-13.53	-0.09	4.98	-0.48	-1.27
Himachal Pradesh	27.38	11.66	-15.72	-16.18	-2.07	3.65	-0.27	-0.85
Jammu & Kashmir	16.72	4.82	-11.90	-10.68	-1.72	0.23	-0.15	0.42
Karnataka	33.25	27.01	-6.24	-8.63	2.36	0.75	0.31	-1.03
Kerala	26.20	14.50	-11.70	-19.63	-0.38	10.84	0.02	-2.55
Madhya Pradesh	42.34	36.38	-5.96	-12.78	4.17	1.84	0.10	0.72
Maharashtra	36.54	29.96	-6.58	-8.38	0.34	1.92	-0.16	-0.31
Orissa	48.81	47.10	-1.71	-6.56	-0.42	4.08	-0.12	1.31
Punjab	13.15	8.06	-5.09	-9.20	2.33	5.96	-0.10	-4.07
Rajasthan	27.99	21.38	-6.62	-6.59	0.94	-0.15	0.00	-0.81
Tamil Nadu	35.07	28.34	-6.73	-9.51	-0.19	2.29	0.78	-0.09
Uttar Pradesh	41.05	33.99	-7.05	-9.64	0.63	3.07	-0.03	-1.08
West Bengal	37.52	26.31	-11.21	-16.10	1.13	3.58	-0.15	0.33
All	36.01	27.90	-8.12	-12.18	1.18	3.33	-0.10	-0.35