



ASSOCHAM'S STUDY

Rural Development in India: State Level Experiences

January 2012

The Associated Chambers of Commerce and Industry of India

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Acronyms

MGNREGA	–	Mahatma Gandhi National Rural Employment Guarantee Act
NFRLM	–	National Rural Livelihood Mission
IAY	–	Indira Awas Yojana
NRDWP	–	National Rural Drinking Water Programme
TSP	–	Total Sanitation Campaign
IWDP	–	Integrated Watershed Development Programme
PMGSY	–	Pradhan Mantri Grameen Sadak Yojana
RGGVY	–	Rajiv Gandhi Grameen Vidyutikaran Yojana
NSSO	–	National Sample Survey Organsiation
MPCE	–	Monthly Per Capita Consumption Expenditure
CPI	–	Consumer price index
CV	–	coefficient of variation
UTs	–	Union Territories



FOREWORD

ASSOCHAM – India’s apex corporate representative representing interest of over 4,00,000 units- analyses and understands the broad dynamics of the economy before articulating the genuine, legitimate needs and interests of the country’s business sector. The Apex Chamber acknowledged as India’s Knowledge Chamber also got a mission to impact the policy and legislative environment so as to ensure all-round development of the Country. Needless to mention, ASSOCHAM is a learning organization that sensitizes both corporates and policy makers with the emerging economic growth and developmental needs and opportunities.

ASSOCHAM’s Economic Research Bureau has brought out the present publication, first in a series of studies on rural India, titled ‘Rural Development in India: State Level Experiences’. The objective of carrying out this study is to sensitize the business community and government policy makers about the regional rural development dynamics presently taking place in the rural areas and the opportunities that it offers to the business community. The report presents very useful insights into the rural economy. I hope this will be a very useful reference to all the readers.

A handwritten signature in black ink, appearing to read 'D.S. Rawat', with a horizontal line extending to the right.

(D.S. Rawat)

Secretary General
ASSOCHAM

January 2012

Executive Summary

The 2011 Census estimates that 69 percent of the country's total population inhabits in villages. Despite implementing a number of programmes for creating gainful employment opportunities and to improve the quality of lives of rural masses, rural development continues to be a key policy challenge. Rural development essentially reflects in the improvements in the economic well being of people living in villages. In someway, it reflects in the increase in the purchasing power of the rural inhabitants.

The present report studies how distribution of income/expenditure changes in the course of development across states by looking into real monthly consumption expenditure of households in rural areas. It analyses the pace of development in rural India at the state level by analysing changes in real monthly per capita expenditure in the two NSSO quinquennial rounds viz., the 61st round conducted in 2004-5 and the 66th round conducted in 2009-10. Thus, the paper helps understand improvements taking place in economic well being of rural people across states during the five year period falling between 2004-05 and 2009-10.

As regards the methodology adopted by the study, it has used average household monthly per capita consumption expenditure (MPCE) to indicate the development that has taken place in rural areas. MPCE at current prices is deflated by Consumer price index (CPI) to arrive at a realistic measure of change in real economic well being of people across regions and classes. It has thus taken into account both price rise and population change. Comparing changes in constant price MPCE in various rounds show how well being has changed across MPCE classes in various states. If MPCEs, expressed in constant prices, of lower economic classes has risen faster than that of higher classes, then it is a movement towards equality, and vice versa.

- The findings of the study confirmed that at the All India level, growth rate of both average per capita expenditure and the resultant demand increased during the study period.
- While the average per capita consumption expenditure of the poorest 20% people remained unchanged, the average household income of the richest 20 percent people in-

creased by 7.7 percent during the five year period. This has broadly lead to increased inequalities

- On an average, a rural household in the richest 20 percent category spent more than 258 percent of what a household of similar size falling in the poorest 20 percent category spent in 2004-05. This difference has further increased to 286 percent in 2009-10.
- The resultant market size of richer MPCE classes too increased at a relatively faster pace.
- Thus, while the size of consumer markets expanded at a healthy rate of 7.9 percent, the economic inequality has further widened in India over these five years.

If we look at the state level dynamics, between 2004-05 and 2009-10 the inequality (Gini Coefficient) in rural India has marginally increased from 0.264 to 0.274. The calculated Gini-Coefficients for states indicate that income inequalities have increased in J&K (by 7.37 percentage points), Madhya Pradesh (incl. Chathisgarh) (by 4.96 percentage points) and Bihar (incl. Jharkhand) (by 4.9 percentage points). These are followed by Assam, Tamil Nadu, Punjab, Gujarat, Himachal Pradesh, Kerala and U.P. (incl. Uttarakhand). At the same time Gini-coefficient values indicate falling inequalities in Orissa (by 5.75 percentage points), Maharashtra (by 3.85 percentage points), Haryana (by 2.36 percentage points), and West Bengal (by 2.34 percentage points). Union Territories, Rajasthan, Andhra Pradesh, North eastern States and Karnataka too have seen some fall in the degree of income inequality

As for the implications of the findings of the study, increased inequality adversely affects people's quality of life, leading to a higher incidence of poverty and so impeding progress in health and education and contributing to crime. Therefore, decreasing income inequality is necessary for accelerating economic and human development. In India, State governments play major role in their socio-economic development. Some states are better managed and therefore able to create an environment, which generates higher growth. Along with achieving higher economic growth there needs to be more efforts to make it more inclusive.

1. Introduction

The 2011 Census estimates that 83.3 crore people, about 69 percent of the country's total population of 121 crore, continue to live in rural India. A major challenge thus arises is, how to feed India's growing population with rising incomes with the given land and water resources. The expansion of income opportunities in the farm sector and progressive absorption of people into nonagricultural activity have been identified as the most appropriate solutions to this challenge. For achieving rural development, the present government has been injecting resources at a massive scale to the rural and farm sector. Presently, seven major flagship programmes are being implemented to develop rural areas. They are: Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), National Rural Livelihood Mission (NRLM), Indira Awas Yojana (IAY), National Rural Drinking Water Programme (NRDP) and Total Sanitation Campaign (TSC), Integrated Watershed Development Programme (IWDP), Pradhan Mantri Gram Sadak Yojana (PMGSY) and Rural electrification, including separation of agricultural feeders and Rajiv Gandhi Gram Vidyutikaran Yojana (RGVY). All these programmes are essentially meant for creating gainful employment opportunities and to improve the quality of lives of rural masses.

The present report attempts to study the developmental impacts of government policies on rural economy. The economic development reflects in the improvements in the economic well being of people at large. It indicates the increase in the purchasing power of the members of the society and the overall economic well-being of its people. The popular way of studying economic development is analysing the change and pace of change in real income/expenditure of people at large. This involves study of gainful employment opportunities, improvements in and sustainability of employment opportunities and associated factors. Noted studies like the World Development Report 2000¹ and Nicholas Stern (1991)² have employed the same approach.

¹ The World Bank (1990) 'World Development Report (1990): Poverty', Oxford University Press

² Nicholas Stern (1991): "Public Policy and the Economics of Development", *European Economic Review* 35, pp243-50

Economic development, in this context, is regarded as the change in real per capita income of people over the years. As income data are not readily available and the National Sample Survey Organisation (NSSO) provides authentic expenditure data at various periods, the expenditure data is used as a proxy for income and hence as a development indicator. In fact, this approach of studying economic progress by looking at how over the years real monthly per capita expenditure has changed has been vouched by the World Development Report (1990). This deflates the effect of both population growth and price rise. Another key aspect of study of economic development is to understand how distribution of income/expenditure changes in the course of development. Theories in this regard have been propounded by economists like Simon Kuznets³ and Montek Ahluwalia⁴. These have direct bearing on 'inclusive growth'.

In the spirit of above framework, the present study attempts to find out the change in pace of development in rural India at the state level by analysing changes in real monthly per capita expenditure in the two NSSO quinquennial rounds viz., the 61st round conducted in 2004-5 and the 66th round conducted in 2009-10. The main objective of this paper is to study improvements in economic well being of rural people across states during the five year period falling between 2004-05 and 2009-10.

For the present purpose, the study has used Consumer Price Index (CPI -AL & RL) of respective states to deflate⁵ monthly per capita consumption expenditure of households (MPCE)⁶. Thus, the state-wise MPCE figures at current prices were converted to constant 2004-05 prices. To study the extent of inequality/equality in states, entire population is divided into five classes with each class having 20 percent of total population at the national level. As per this classification, the bottom 20 percent population in terms of their MPCE has been grouped in Class 1 and so on. Another aspect of this classification is that the distribution of respective state population among the MPCE classes gives a measure of relative affluence of the state vis-à-vis its peers. More percentage of people of a state in higher classes means the state is relatively more affluent and vice versa. The change in the population distribution across

³ Simon Kuznets(1955): "Economic Growth and Income Inequality", *American Economic Review*, March

⁴ Montek Ahluwalia (1976): "Inequality, Poverty and Development", *Journal of Development Economics*, December

⁵ This helps us do away with the differences in price changes in respective states.

⁶ Simply put, the MPCE classes are the classes of households that are ranked by their expenditure levels.

classes over period in states shows changes in relative dynamics of development across states. Another aspect of this approach is that one can calculate the market size at the rural India by summing the per capita consumption of households across various categories. This allows for understanding the size of consumer markets and changes taking place in them over the study period.

The study is organised into four sections. The second part deals with the size and distribution of consumer expenditure across states. The third section analyses the pattern of growth in consumer expenditure across states and classes. The last section makes inferences about the rural development experiences of states.

2. Analysis of Consumer Expenditure

The growth performance of the Indian economy in the recent past has become a subject of both academic and policy attention. Before the onset of the world recession in 2008-09, India had been achieving close to 9 percent growth rate regularly. Later, the country has emerged as the growth leader in the recovery phase.

The liberalization policies introduced in 1991, especially the decentralization of industrial licensing, have garnered major credit for this vibrancy of the economy. Until 1991, planning and industrial licensing was centralized and hence, the Central Government used to decide on the type of industries to be set up, as well as their location. Investors did not have the choice to select the states of their preference. The economic reforms implemented in 1991 virtually abolished industrial licensing and allowed individual states to draft their own development policies.

In addition, the liberalization of the economy has exposed the country to foreign competition. Thus, efficiency factors started playing role in taking investment decisions. A lot of re-allocation of investment in favour of investor friendly states took place. Government policy, bureaucratic efficiency, infrastructure endowments and work culture of the states have guided such reallocation of investments. Consequently, while some states accelerated their growth, others have experienced deceleration. As a net result, the gap in the performances of various states has widened. Therefore, while development in India as a whole is at an elevated level, a number of inter-state development patterns are seen across states. Understanding these differences helps address them effectively.

The study has used average household monthly per capita consumption expenditure (MPCE) to indicate the development that has taken place in rural areas. As for the average MPCE, it is defined as the MPCE at current prices deflated by Consumer price index (CPI). This is the true measure of change in real economic well being of people across regions and classes. It has taken into account both price rise and population change. Comparing changes in constant price MPCE in various rounds show how well being has changed across MPCE classes in various states. If MPCEs, expressed in constant prices, of lower economic classes has risen faster than that of higher classes, then it is a movement towards equality, and vice versa.

The All India Trends: Table 1 below contains information about MPCEs at constant price (1986-7 base) across five classes with 20% population in each class that were observed in 2004-05 and 2009-10 rounds of NSSO survey. The MPCE has increased in real terms at all India level during the five year period spanning 2004-05 to 2009-10. The table clearly indicates that growth rate of both average per capita expenditure and the resultant demand progressively increased with the MPCE class. While average per capita consumption expenditure of the poorest 20% people remained unchanged, the average household income of the richest 20 percent people increased by 7.7 percent during the five years period. On an average, a rural household in the richest 20 percent category spent more than 258 percent of what a household of similar household size falling in the poorest 20 percent category spent in 2004-05. This difference has further increased to 286 percent in 2009-10. The market size of richer MPCE classes too increased at a relatively faster pace. Thus, while the size of consumer markets expanded at a healthy rate of 7.9 percent, the economic inequality has further widened in India over these five years.

Table 1
Average Monthly Consumption Expenditure and Total Consumption Demand All India

	MPCE Classes					
	Poorest 20%	Second 20%	Third 20%	Fourth 20%	Richest 20 %	Overall
Avg. monthly real per capita consumption exp. in 2004-05 (Rs.)	83	112	138	173	297	161
Avg. monthly real per capita consumption exp. 2009-10 (Rs.)	83	117	145	183	320	169
Change in Avg. Consumption (%)	0	4.5	5.1	5.8	7.7	5
Total Monthly Demand in 2004-05 (Rs. crore)	1200.4	1625.0	1999.1	2502.3	4299.2	11626.0
Total Monthly Demand in 2009-10 (Rs. crore)	1234.3	1729.0	2151.1	2714.8	4719.7	12549.0
Change in Total Demand (%)	2.8	6.4	7.6	8.5	9.8	7.9

Notes:

- For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds.
- Growth is the simple growth between 2004-05 and 2009-10.

Trends across States: As stated earlier, relative performance of states in India has been increasingly becoming relevant in the decentralized policy environment. It is well known that regional disparities are large in India, and there is widespread perception that these have increased after liberalization as different states progressed at different paces. Monthly Per Capita Consumption Expenditure (MPCE) is considered to be a suitable indicator of the economic well being of people since it aggregates the monetary value of all goods and services actually consumed during a particular reference period. This includes consumption out of purchase, home produce, free collection, gifts etc.

There are wide differences in state-level MPCE values. In the year 2010, Kerala, Union Territories, Himachal Pradesh, Punjab and Haryana, in that order, have the highest average MPCE in rural areas. Contrary to this, the rural areas of Madhya Pradesh, Orissa, Uttar Pradesh (including Uttarakhand), and West Bengal have got the lowest MPCE in rural areas. The average rural household expenditure is significantly higher in the top category states as compared to that of bottom category ones. The coefficient of variation (CV) calculated from state-wise rural MPCE indicates that the inter class disparity among states increased positively with the MPCE class. Please Refer Table 2.

Table 2
Average Monthly Per Capita Consumption Expenditure Across States 2009-10

(Rs.)

	MPCE Classes					
	Poorest 20%	Second 20%	Third 20%	Fourth 20%	Richest 20 %	Overall
Kerala	86	123	155	198	429	312
UTs	80	115	146	188	374	279
HP	100	131	166	212	391	276
Punjab	83	107	132	170	339	250
Haryana	78	107	133	169	318	238
J&K	85	119	146	192	331	217
North East	87	127	157	199	316	203
A.P.	81	112	141	178	315	191
Gujarat	83	114	143	181	311	189
Tamil Nadu	85	121	149	192	338	187
Maharashtra	79	111	137	175	295	175
Rajasthan	78	110	136	171	265	172
Assam	89	117	147	185	280	164
Bihar (+Jha)	85	121	152	194	286	132
Karnataka	79	114	143	182	285	158
West Bengal	90	121	151	192	299	157
UP (+ UK)	84	114	144	181	321	156
Orissa	82	123	153	194	315	142
MP	79	115	145	185	304	136
All India	83	117	145	183	320	169
Coefficient of Variation	6.67	5.67	5.95	6.06	12.97	26.31

Appendix 1 presents a detailed statistical account of these disparities during the period 2005-2010.

3. Inter State Patterns across States between 2004-05 and 2009-10

If we consider the change in the average per capita monthly consumption expenditure that took place between 2005 and 2010, Kerala (18.6%), Himachal Pradesh (16.5%), Andhra Pradesh (15.8%), Orissa (15.4%), and Tamil Nadu (15.4%) have performed better than other states. On the other hand, five states performed worse than the national economy. These are: Karnataka (3.9 %), J&K (3.8%), Assam (3.1%), Rajasthan (1.8%), Madhya Pradesh including Chattishgarh (1.5%). Apart from this, two states viz., Haryana (-0.4%), and Bihar (-1.5%) have registered negative growth. Such a skewed performance certainly leads to the aggravation of inter-state economic disparities. Main factors contributing to widening of such disparities are the variation in the state of agriculture sector across states as well as inter state differences in the effectiveness of the government's social safety net programs.

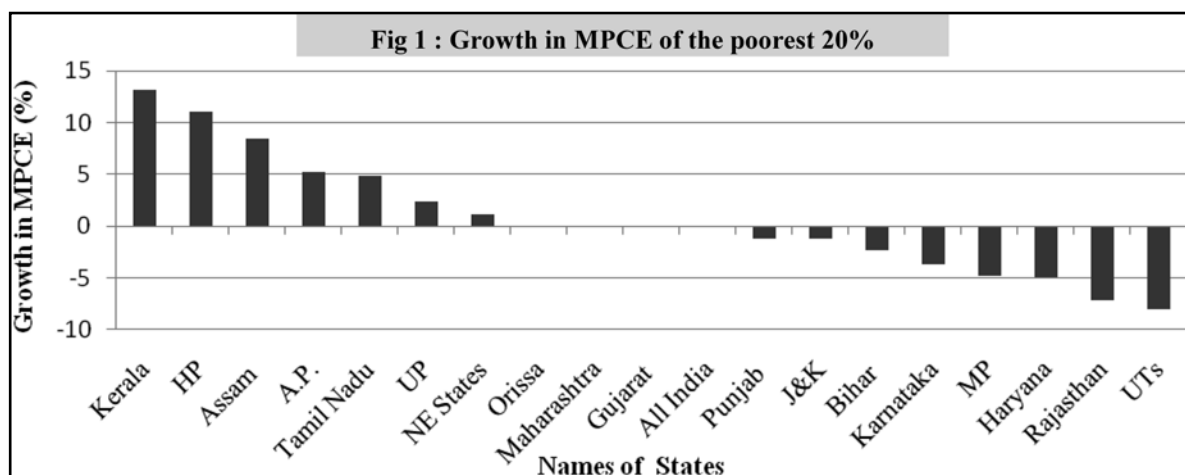
If we look at the relevant economic theories, the 'Kuznets hypothesis' and the convergence hypothesis' link economic inequality and average well-being of people of two regions. The first one maintains that given a two-sector economy with not too distinct degrees of sectoral mean incomes, a perennial shift of population from one sector to another will initially raise aggregate inequality and it will decrease at later stage. The later hypothesis asserts that differences in contemporaneous per capita income between any pair of regions will be transitory so long as the two regions contain identical technologies, preferences and population growth. However, in the current case even after two decades of economic liberalization, economic inequalities across regions continue to increase. Please refer Table 3.

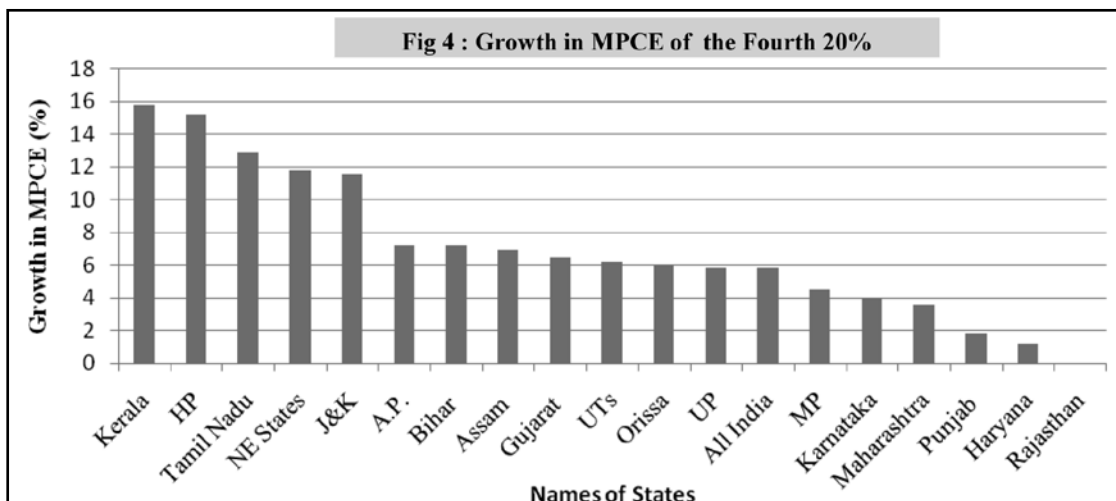
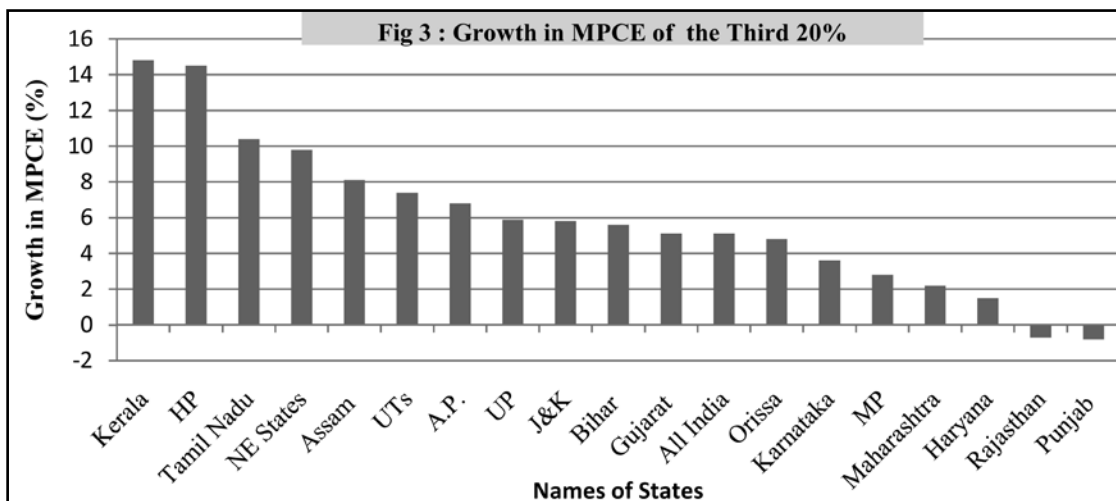
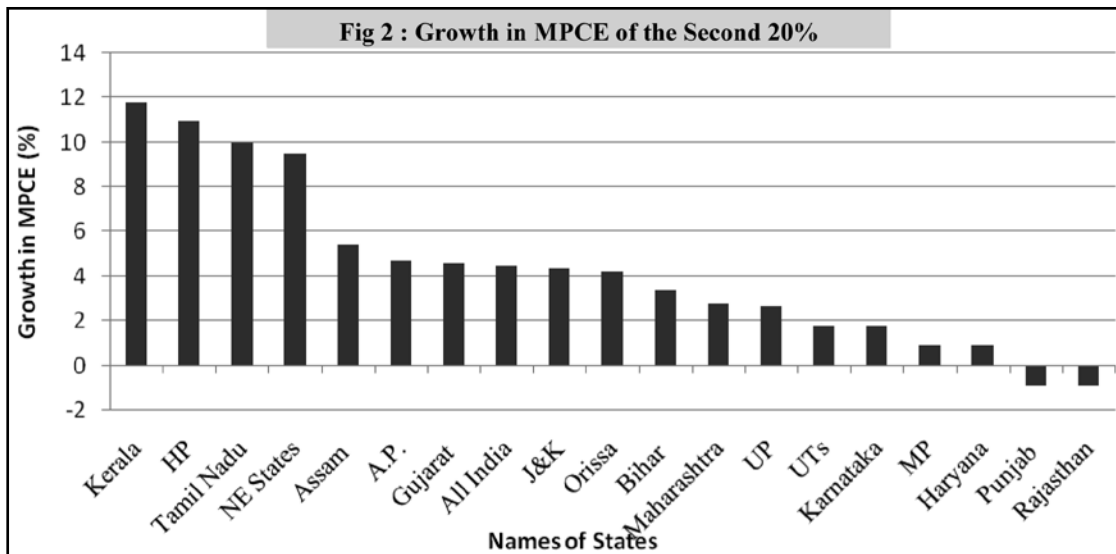
Table 3
Change in Average Monthly Per Capita Consumption Expenditure Across States
(%)

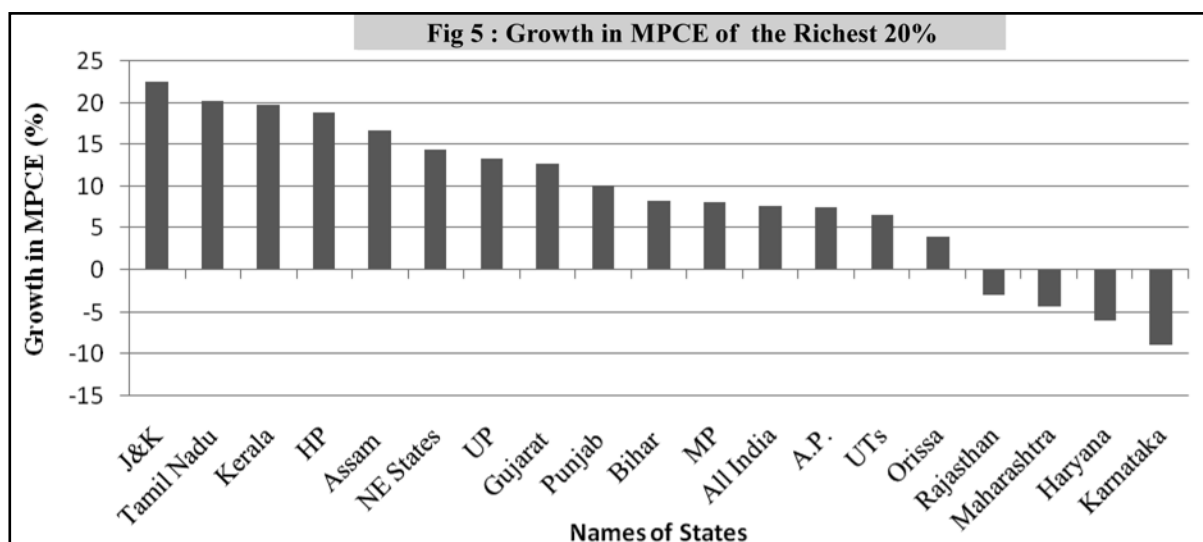
	MPCE Classes					
	Poorest 20%	Second 20%	Third 20%	Fourth 20%	Richest 20 %	Overall
Kerala	13.2	11.8	14.8	15.8	19.8	18.6
HP	11.1	11.0	14.5	15.2	18.8	16.5
A.P.	5.2	4.7	6.8	7.2	7.5	15.8
Orissa	0.0	4.2	4.8	6.0	4.0	15.4
Tamil Nadu	4.9	10.0	10.4	12.9	20.3	15.4
UTs	-8.0	1.8	7.4	6.2	6.6	9.8
Maharashtra	0.0	2.8	2.2	3.6	-4.2	7.4
NE States	1.2	9.5	9.8	11.8	14.5	7.4
Gujarat	0.0	4.6	5.1	6.5	12.7	6.8
Punjab	-1.2	-0.9	-0.8	1.8	10.1	6.8
UP	2.4	2.7	5.9	5.8	13.4	5.4
Karnataka	-3.7	1.8	3.6	4.0	-8.9	3.9
J&K	-1.2	4.4	5.8	11.6	22.6	3.8
Assam	8.5	5.4	8.1	6.9	16.7	3.1
Rajasthan	-7.1	-0.9	-0.7	0.0	-2.9	1.8
MP	-4.8	0.9	2.8	4.5	8.2	1.5
Haryana	-4.9	0.9	1.5	1.2	-5.9	-0.4
Bihar	-2.3	3.4	5.6	7.2	8.3	-1.5
All India	0	4.5	5.1	5.8	7.7	5

In order to better focus on the state level monthly per capita consumption expenditure growth patterns across MPCE classes, they are shown in separate charts. Figures 1 to 5 contain the same. In Fig. 1, growth in the average household income of poorest 20 percent (first MPCE Class) is depicted. It can be clearly seen that there emerges three categories of states viz.,

- The first category consists of states in which MPCE of the poorest 20 percent households improved. Kerala, HP, Assam, A.P. Tamil Nadu, UP, and North Eastern states figure in this group.
- The second category consists of states that have seen no change in MPCE of the poorest 20 percent households during the five years to 2009-10. Orissa, Maharashtra and Gujarat form this group.
- The third group consists of states that witnessed the MPCE of their poorest 20 percent households shrunk. Union Territories, Rajasthan, Haryana, M.P. (incl. Chathisgarh), Karnataka, Bihar (incl. Jharkhand), J&K, and Pubjab are such states.
- As regards what can be observed in Figures 2 to 3, they reveal the change in the average MPCE of second 20 percent and third 20 percent of population across states over the five years since 2004-05. Where as Kerala and H.P. remained as the top achievers, Rajasthan and Punjab have witnessed fall in the MPCEs of these two groups. All other states have witnessed growth.
- Change in the average MPCE of fourth 20 percent (second richest group) is shown in Figure 4. All the states, barring Rajasthan where the growth is negligible, have seen increase in the MPCE of this category households.
- Lastly, Figure 5 indicates the change in the MPCE of the richest 20 percent people across states over the five year period between 2004-05 and 2009-10. In this category, J&K state has seen the highest rise in the MPCE of its richest households. Kerala and Himachal Pradesh followed J&K. On the other hand, monthly per capita consumption expenditure of the richest category of rural people in the states of Karnataka, Haryana, Maharashtra and Rajasthan has shrunk.







The Level of Consumption Inequality, all India and States: The Gini Coefficient⁷ measures the level of inequality. The same has been constructed at both All India level and the level of states for 2004-05 and 2009-10. The estimates are provided in Table 4. Between 2004-05 and 2009-10 the inequality (Gini Coefficient) in rural India has marginally increased from 0.264 to 0.274. This must have been the direct result of the fact that the growth in the lower MPCE class average consumption has been much lower than that experienced in the higher MPCE classes as observed above. It was observed that in rural India, there has been an increase of 0 percentage points in the share of consumption expenditure of the bottom 20 percent population and an increase of 7.7 percentage points in the share of consumption expenditure of the top 20 percentage population during 2005-2010. These values indicate that there is more inequality in consumption expenditure in villages in 2010 when compared with that of 2005. The message to take from these figures is that along with economic growth economic inequalities too have increased. This broadly implies that the poor are getting poorer and the rich are getting richer.

⁷ Gini Coefficient⁷ measures quantifies the inequality in income distribution. A Gini coefficient of 0 indicates perfect consumption or income equality, while a 100 would imply that a single person incurs all consumption expenditure or possesses all income.

Apart from this aggregate picture, for studying the intra-state inequality, Gini Coefficients are calculated using the Monthly Per Capita Consumption Expenditure data by household expenditure classes and the distribution of population in each MPCE class. Change in the inter-state inequalities among rural household consumption at constant prices between 2004-05 and 2009-10 are also estimated.

The calculated Gini-Coefficients for states indicate that income inequalities have increased in J&K (by 7.37 percentage points), Madhya Pradesh (incl. Chhattisgarh) (by 4.96 percentage points) and Bihar (incl. Jharkhand) (by 4.9 percentage points). These are followed by Assam, Tamil Nadu, Punjab, Gujarat, Himachal Pradesh, Kerala and U.P. (incl. Uttarakhand). At the same time Gini-coefficient values indicate falling inequalities in Orissa (by 5.75 percentage points), Maharashtra (by 3.85 percentage points), Haryana (by 2.36 percentage points), and West Bengal (by 2.34 percentage points). Union Territories, Rajasthan, Andhra Pradesh, North eastern States and Karnataka too have seen some fall in the degree of income inequality (Table 4).

Table 4
The Level of Inequality Across States: Gini Coefficient

(%)

State	2004-05	2009-10	Change
J&K	15.02	22.38	7.37
MP (incl Chhattisgarh)	29.71	34.66	4.96
Bihar (incl jkhand)	24.31	29.2	4.9
Assam	18.66	21.97	3.31
Tamil Nadu	24.37	26.47	2.1
Punjab	19.05	20.88	1.83
Gujarat	22.12	23.92	1.8
HP	20.06	21.49	1.43
Kerala	21.19	22.38	1.19
UP (incl Uttarakhand)	24.64	25.26	0.62
Karnataka	26.42	26.13	-0.29

NE States	19.1	18.76	-0.34
AP	25.81	25.22	-0.59
Rajasthan	20.73	19.11	-1.61
UTs	21.57	19.71	-1.86
West Bengal	24.84	22.5	-2.34
Haryana	22.54	20.18	-2.36
Maharashtra	27.5	23.65	-3.85
Orissa	36.88	31.13	-5.75
All India	26.4	27.4	1.0

4. Outcomes of the Study and Implications

The analysis using data from the two latest quinquennial rounds of NSSO survey indicates that the inequality for consumption expenditure has aggravated in the rural areas of some states. This aggravation is broadly accompanied by a fall in the consumption expenditure of the bottom 20% population and an increase in the consumption expenditure of the top 20% population. In other states, the situation has improved.

The MPCE has increased in real terms at all India level during the five year period spanning 2004-05 to 2009-10. The study observed that the growth rate of both average household income and the resultant demand progressively increased with the MPCE class. While average household consumption expenditure of the poorest 20% people remained zero, the average household income of the richest 20 percent people increased by 7.7 percent during the five years to 2009-10. This has broadly lead to increased inequalities. The monthly consumption expenditure of rural household in the richest 20 percent category spent more than 258 percent of what a household falling in the poorest 20 percent category spent in 2004-05. This difference has further increased to 286 percent in 2009-10.

Theoretically, there are different opinions about if less equal distribution of income is good or bad for a country's development?

It has been argued that an excessively equal income distribution can be bad for economic efficiency. Take, for example, the experience of socialist countries, where deliberately low inequality (with no private profits and minimal differences in wages and salaries) deprived people of the incentives needed for their active participation in economic activities for diligent work and vigorous entrepreneurship. Among the consequences of socialist equalization of incomes were poor discipline and low initiative among workers, poor quality and limited selection of goods and services, slow technical progress, and eventually, slower economic growth leading to more poverty.

On the other hand, excessive inequality adversely affects people's quality of life, leading to a higher incidence of poverty and so impeding progress in health and education and contributing to crime. Also,

- High inequality threatens a country's political stability because more people are dissatisfied with their economic status, which makes it harder to reach political consensus among population groups with higher and lower incomes. Political instability increases the risks of investing in a country and so significantly undermines its development potential.
- High inequality limits the use of important market instruments such as changes in prices and fines. For example, higher rates for electricity and hot water might promote energy efficiency, but in the face of serious inequality, governments introducing even slightly higher rates risk causing extreme deprivation among the poorest citizens.
- High inequality may discourage certain basic norms of behavior among economic agents (individuals or enterprises) such as trust and commitment. Higher business risks and higher costs of contract enforcement impede economic growth by slowing down all economic transactions.

On the whole, the majority opines that decreasing income inequality in countries help accelerate economic and human development.

In India, State governments play major role in their socio-economic development. Many of the development subjects are state subjects. Investments in the social sectors, like schools and health facilities, and critical economic infrastructure such as power, irrigation and water management systems, land development, state highways and district and rural roads are primarily to be made and maintained by the State itself. Differences in growth across states are caused by differences in management. Some states are better managed and therefore able to create an environment, which generates higher growth. The quality of governance can help stimulate growth by making the policy environment more business friendly through deregulation, decontrol and procedural simplification.

Appendix 1: Detailed state-wise Tables

Table 2
Average Monthly Consumption Expenditure and Total Consumption
Demand Andhra Pradesh

	MPCE Classes					
	1	2	3	4	5	Overall
Avg. monthly per capita consumption in 2004-05 (Rs.)	77	107	132	166	293	165
Total Monthly Demand in 2004-05 (Rs. crore)	62.5	104.7	141.6	202.6	365.4	876.8
Avg. monthly per capita consumption exp.2009-10 (Rs.)	81	112	141	178	315	191
Total Monthly Demand in 2009-10 (Rs. crore)	51.4	84.3	148.2	222.7	509.2	1015.8
Change in Avg. Consumption (%)	5.2	4.7	6.8	7.2	7.5	15.8
Change in Total Demand (%)	-17.8	-19.5	4.6	9.9	39.4	15.8

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 3
Average Monthly Consumption Expenditure and Total Consumption Demand Assam

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	82	111	136	173	240	159
Total Monthly Demand in 2004-05 (Rs. crore)	20.4	42	68.3	106.9	116.4	354
Avg. monthly per capita consumption exp.2009-10 (Rs.)	89	117	147	185	280	164
Total Monthly Demand in 2009-10 (Rs. crore)	32.8	64	66.2	108.8	117.6	389.5
Change in Avg. Consumption (%)	8.5	5.4	8.1	6.9	16.7	3.1
Change in Total Demand (%)	60.6	52.3	-3	1.8	1	10

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 4
Average Monthly Consumption Expenditure and Total Consumption Demand Bihar (incl. Jharkhand)

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	87	117	144	181	264	134
Total Monthly Demand in 2004-05 (Rs. crore)	219.1	249	265.6	240.9	150.2	1124.8
Avg. monthly per capita consumption exp.2009-10 (Rs.)	85	121	152	194	286	132
Total Monthly Demand in 2009-10 (Rs. crore)	299.9	297.4	237.2	208.1	176.5	1219
Change in Avg. Consumption (%)	-2.3	3.4	5.6	7.2	8.3	-1.5
Change in Total Demand (%)	36.9	19.4	-10.7	-13.6	17.5	8.4

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 5
Average Monthly Consumption Expenditure and Total Consumption Demand Gujarat

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	83	109	136	170	276	177
Total Monthly Demand in 2004-05 (Rs. crore)	26	55.9	82.5	130.7	265.4	560.5
Avg. monthly per capita consumption exp.2009-10 (Rs.)	83	114	143	181	311	189
Total Monthly Demand in 2009-10 (Rs. crore)	25.8	66.1	86.7	143.8	283.8	606.2
Change in Avg. Consumption (%)	0	4.6	5.1	6.5	12.7	6.8
Change in Total Demand (%)	-0.5	18.3	5.1	10.1	6.9	8.2

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 6
Average Monthly Consumption Expenditure and Total Consumption Demand HP

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	90	118	145	184	329	237
Total Monthly Demand in 2004-05 (Rs. crore)	1.6	4.9	13.7	25.7	84.1	130
Avg. monthly per capita consumption exp.2009-10 (Rs.)	100	131	166	212	391	276
Total Monthly Demand in 2009-10 (Rs. crore)	2.4	6.8	14.6	29.5	103.2	156.4
Change in Avg. Consumption (%)	11.1	11	14.5	15.2	18.8	16.5
Change in Total Demand (%)	46.4	38.9	6.6	14.7	22.7	20.3

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 7
Average Monthly Consumption Expenditure and Total Consumption Demand Haryana

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	82	106	131	167	338	239
Total Monthly Demand in 2004-05 (Rs. crore)	6.3	11.9	31.6	59.1	266.3	375.1
Avg. monthly per capita consumption exp.2009-10 (Rs.)	78	107	133	169	318	238
Total Monthly Demand in 2009-10 (Rs. crore)	5.1	16.9	25.8	45	280.6	373.4
Change in Avg. Consumption (%)	-4.9	0.9	1.5	1.2	-5.9	-0.4
Change in Total Demand (%)	-18.1	42.2	-18.2	-23.8	5.3	-0.5

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5, MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 8
Average Monthly Consumption Expenditure and Total Consumption Demand Karnataka

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	82	112	138	175	313	152
Total Monthly Demand in 2004-05 (Rs. crore)	58.4	85.7	102.4	113	148	507.5
Avg. Monthly per capita Consumption in 2009-10 (Rs.)	79	114	143	182	285	158
Total Monthly Demand in 2009-10 (Rs. crore)	57.8	55.6	105.1	130.4	164.9	513.8
Change in Avg. Consumption (%)	-3.7	1.8	3.6	4	-8.9	3.9
Change in Total Demand (%)	-0.9	-35.1	2.6	15.4	11.4	1.2

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 9
Average Monthly Consumption Expenditure and Total Consumption Demand Kerala

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	76	110	135	171	358	263
Total Monthly Demand in 2004-05 (Rs. crore)	5.9	19.8	34	88.4	464.5	612.6
Avg. monthly per capita consumption exp.2009-10 (Rs.)	86	123	155	198	429	312
Total Monthly Demand in 2009-10 (Rs. crore)	8.3	19.3	47.6	85.6	543.3	704.1
Change in Avg. Consumption (%)	13.2	11.8	14.8	15.8	19.8	18.6
Change in Total Demand (%)	40.8	-2.2	40.2	-3.2	16.9	14.9

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 10
Average Monthly Consumption Expenditure and Total Consumption Demand MP (incl Chhattisgarh)

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	83	114	141	177	281	134
Total Monthly Demand in 2004-05 (Rs. crore)	185.5	174.9	161.7	151.7	185.6	859.4
Avg. monthly per capita consumption exp.2009-10 (Rs.)	79	115	145	185	304	136
Total Monthly Demand in 2009-10 (Rs. crore)	211.8	151.2	162.6	171.6	220.9	917.9
Change in Avg. Consumption (%)	-4.8	0.9	2.8	4.5	8.2	1.5
Change in Total Demand (%)	14.1	-13.6	0.6	13.1	19	6.8

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 11
Average Monthly Consumption Expenditure and Total Consumption
Demand Maharashtra

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05(Rs.)	79	108	134	169	308	163
Total Monthly Demand in 2004-05 (Rs. crore)	80.5	114.3	149.7	194.4	352.2	891.1
Avg. monthly per capita consumption exp.2009-10(Rs.)	79	111	137	175	295	175
Total Monthly Demand in 2009-10 (Rs. crore)	50	98.3	165.8	245.9	395.1	955.1
Change in Avg. Consumption (%)	0	2.8	2.2	3.6	-4.2	7.4
Change in Total Demand (%)	-37.9	-14	10.7	26.5	12.2	7.2

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 12
Average Monthly Consumption Expenditure and Total
Consumption Demand NE States

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	86	116	143	178	276	189
Total Monthly Demand in 2004-05 (Rs. crore)	4.7	12	21.2	43.3	71	152.2
Avg. monthly per capita consumption exp.2009-10(Rs.)	87	127	157	199	316	203
Total Monthly Demand in 2009-10 (Rs. crore)	3.2	13.8	37.3	54.5	68.4	177.2
Change in Avg. Consumption (%)	1.2	9.5	9.8	11.8	14.5	7.4
Change in Total Demand (%)	-31.3	14.8	76.2	25.9	-3.8	16.4

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 13
Average Monthly Consumption Expenditure and Total Consumption Demand Orissa

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	82	118	146	183	303	123
Total Monthly Demand in 2004-05 (Rs. crore)	122.2	82.4	67.3	56.1	60.3	388.4
Avg. monthly per capita consumption exp.2009-10 (Rs.)	82	123	153	194	315	142
Total Monthly Demand in 2009-10 (Rs. crore)	89.4	89.9	89	81.5	94	443.8
Change in Avg. Consumption (%)	0	4.2	4.8	6	4	15.4
Change in Total Demand (%)	-26.9	9.1	32.2	45.2	55.9	14.3

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 14
Average Monthly Consumption Expenditure and Total Consumption Demand Punjab

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	84	108	133	167	308	234
Total Monthly Demand in 2004-05 (Rs. crore)	5	12.8	27.5	55.1	273.7	374.1
Avg. monthly per capita consumption exp.2009-10 (Rs.)	83	107	132	170	339	250
Total Monthly Demand in 2009-10 (Rs. crore)	3.9	13	24.4	57.4	278.5	377.2
Change in Avg. Consumption (%)	-1.2	-0.9	-0.8	1.8	10.1	6.8
Change in Total Demand (%)	-20.6	1.6	-11.1	4.1	1.7	0.8

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 15
Average Monthly Consumption Expenditure and Total
Consumption Demand Rajasthan

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	84	111	137	171	273	169
Total Monthly Demand in 2004-05 (Rs. crore)	33.2	80.5	136.4	192	272.1	714.1
Avg. monthly per capita consumption exp.2009-10 (Rs.)	78	110	136	171	265	172
Total Monthly Demand in 2009-10 (Rs. crore)	23.9	66.9	157.6	238.1	309.4	796
Change in Avg. Consumption (%)	-7.1	-0.9	-0.7	0	-2.9	1.8
Change in Total Demand (%)	-27.9	-16.8	15.5	24	13.7	11.5

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 16
Average Monthly Consumption Expenditure and Total Consumption
Demand Tamil Nadu

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	81	110	135	170	281	162
Total Monthly Demand in 2004-05 (Rs. crore)	43.5	75.6	89.5	130.9	213.1	552.6
Avg. monthly per capita consumption exp.2009-10 (Rs.)	85	121	149	192	338	187
Total Monthly Demand in 2009-10 (Rs. crore)	45.5	77.8	108.8	147.8	275	654.8
Change in Avg. Consumption (%)	4.9	10	10.4	12.9	20.3	15.4
Change in Total Demand (%)	4.6	2.9	21.5	12.9	29.1	18.5

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 17
Average Monthly Consumption Expenditure and Total Consumption Demand UP
(incl Uttarakhand)

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	82	111	136	171	283	148
Total Monthly Demand in 2004-05 (Rs. crore)	230.5	350.9	411.2	457.6	585.4	2035.7
Avg. monthly per capita consumption exp.2009-10 (Rs.)	84	114	144	181	321	156
Total Monthly Demand in 2009-10 (Rs. crore)	224.4	419.2	448.3	505.9	596.7	2194.5
Change in Avg. Consumption (%)	2.4	2.7	5.9	5.8	13.4	5.4
Change in Total Demand (%)	-2.6	19.5	9	10.5	1.9	7.8

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 18
Average Monthly Consumption Expenditure and Total Consumption Demand UTs

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	87	113	136	177	351	254
Total Monthly Demand in 2004-05 (Rs. crore)	0.8	1.8	5.7	8.6	45.2	62.2
Avg. monthly per capita consumption exp.2009-10 (Rs.)	80	115	146	188	374	279
Total Monthly Demand in 2009-10 (Rs. crore)	0.2	1.2	2.7	9.2	35.2	48.4
Change in Avg. Consumption (%)	-8	1.8	7.4	6.2	6.6	9.8
Change in Total Demand (%)	-76.8	-35	-53.4	6.2	-22.1	-22.1

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 19
Average Monthly Consumption Expenditure and Total Consumption
Demand West Bengal

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05 (Rs.)	86	114	141	177	296	161
Total Monthly Demand in 2004-05 (Rs. crore)	94.2	143.6	178.2	217	318.1	951.1
Avg. monthly per capita consumption exp.2009-10 (Rs.)	90	121	151	192	299	157
Total Monthly Demand in 2009-10 (Rs. crore)	95.6	178.8	203.9	197.4	195.2	870.8
Change in Avg. Consumption (%)	4.7	6.1	7.1	8.5	1	-2.5
Change in Total Demand (%)	1.5	24.5	14.4	-9	-38.6	-8.4

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

Table 20
Average Monthly Consumption Expenditure and Total Consumption Demand J&K

	MPCE Classes					
	1	2	3	4	5	6
Avg. monthly per capita consumption in 2004-05(Rs.)	86	114	138	172	270	209
Total Monthly Demand in 2004-05 (Rs. crore)	0.3	2.5	11.1	28.1	62	104
Avg. monthly per capita consumption exp.2009-10 (Rs.)	85	119	146	192	331	217
Total Monthly Demand in 2009-10 (Rs. crore)	3	8.6	19.5	31.6	72.4	135
Change in Avg. Consumption (%)	-1.2	4.4	5.8	11.6	22.6	3.8
Change in Total Demand (%)	966.9	249.7	76.4	12.3	16.7	29.9

Note: For deciding the MPCE Classes, total rural population at the all India level was divided into 5 MPCE classes with each class having 20% of total population. The first MPCE class consists of bottom 20% of population in terms of MPCE, and so on. The practice is same in all rounds

Growth: Growth is the simple growth between 2004-05 and 2009-10.

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