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# **Economic Growth and Levels of Living in India**

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# Economic Growth and Levels of Living in India

Motkuri Venkatanarayana<sup>#</sup>

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## Introduction

The Indian economy in the recent past is growing faster (6-9%) than its past rate of growth (3-4%) and it is even surpassing the rate of growth of many developed and developing countries all over the world. The Indian economy is showing high growth potential and it is one of those countries that could smoothly traversed through the economic recession at the global level in the recent past. But the question arises is whether the high growth is translated into the better of people in the country, whether it has improved the living standards of the people living in this country. In order to spread the gains of growth the 11<sup>th</sup> Five Year plan set its objective of 'inclusive growth'. The research concern is achievements in this direction and assessing of how far the high growth trajectory that the Indian economy has experienced in the recent past could improve the living conditions of its population. In this context the present paper examines the trends in economic growth and its impact on the living conditions of population in India particularly related rural and agriculture sector.

## I Growth of the Indian Economy

The growth trajectory of the Indian economy has moved from its stagnant 'Hindu Rate of growth' in 1960s and 1970s to high growth trajectory of 6-8% rate of growth in the recent past. The high growth trajectory of GDP and declining trend in the rate of growth in its population the country has shown its highest ever registered rate of growth (6%) in its per capita GDP in the recent period (i.e. between 2000-01 and 2008-09). Between agriculture and non-agriculture sector, the latter one is showing higher rate of growth and better performance in India. The sector on which the majority of the population depend on (as on date about 55% of the population) is growing at slow pace.

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**Table 1.1: Growth of Indian Economy**

Period	Growth (%)							% Contribution to Growth	
	Population	PC GDP	GDP	Agriculture & Allied	Agriculture (Cult & LS)	Allied	Non-Agriculture	Agriculture & Allied	Non-Agriculture
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1950s	1.9	1.7	3.7	2.6	2.8	1.3	4.9	40.5	59.8
1960s	2.2	1.0	3.2	1.5	1.3	3.3	4.7	17.8	76.7
1970s	2.3	1.1	3.4	1.7	1.9	0.1	4.5	23.2	76.8
1980s	2.1	2.9	5.0	2.9	3.0	1.8	6.2	21.1	78.1
1990s	2.0	3.9	5.9	3.3	3.3	3.0	6.9	16.0	82.9
2000s	1.5	6.1	7.6	2.9	3.1	2.1	8.8	8.1	91.4
1951-2009	2.1	2.4	4.5	2.6	2.6	1.9	5.5	21.8	76.2

**Note:** 1. Constant (1999-2000) Prices; 2. Growth is exponential one presented in percentage form; 3. *PC GDP* – Per Capita Gross Domestic Product (GDP); 4. Agriculture includes activities and value added of cultivation of crops and livestock; 5. Allied activities include forestry and logging, and fisheries.

**Source:** Computed using CSO data published in Handbook of Indian Economy published by RBI.

The contribution of the agriculture sector to the overall growth the India economy (GDP) has been lower than the contribution of non-agriculture sector. Agriculture sector was contributing about 40% of the overall growth of the Indian GDP during 1950s. Subsequently its (agriculture sector) contribution reduced to around one-fifth of the overall GDP growth during 1960s, 1970s and 1980s and thereafter to 16% during 1990s. During the last eight years period, the agriculture sector's contribution to overall GDP growth is reduced to below 10%. There is a corresponding increase in the non-agriculture sector contribution to growth of overall GDP in India.

### ***Rural-Urban Differences***

Rural-urban differences in terms of growth of the economy and living conditions of population in the country have been the policy concerns. To examine the rural-urban difference in the economic growth, data related to Net Domestic Product (NDP) for which rural-urban break-up is available, published in RBI's Handbook of Indian Economy is used for the analysis presented below. In India the rate of growth of NDP in rural sector was lower than that of the urban sector during 1980s as well as in 1990s but in the recent past it, the rural sector growth, is marginally higher the growth of urban sector.

**Table 1.2: Growth of Rural and Urban Economies in India**

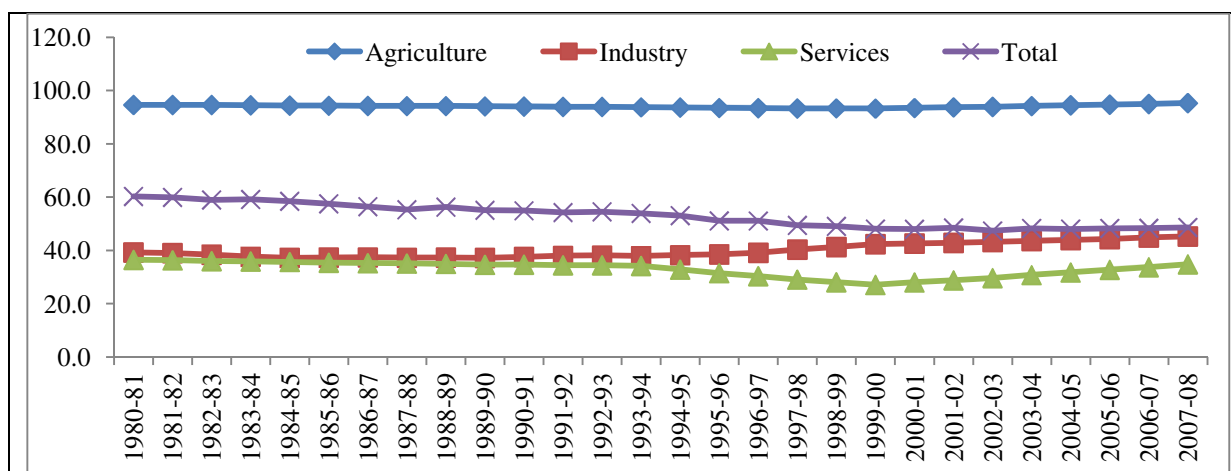
Period	Population		NDP		Per Capita NDP	
	Rural	Urban	Rural	Urban	Rural	Urban
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
1980s	1.8	3.2	3.9	6.4	2.1	3.2
1990s	1.7	2.7	4.2	7.5	2.5	4.8
2000s	1.3	2.4	7.6	7.3	6.3	4.9
1980-2008	1.6	2.8	4.6	6.7	3.0	3.9

**Note:** 1. NDP – Net Domestic Product; 2. Constant (1999-2000) Prices; 3. Growth is exponential one presented in percentage form; 4. The period 2000s represents period between 2000-01 and 2007-08 only.

**Source:** Computed using CSO estimations published in Handbook of Indian Economy published by RBI.

The share of rural sector in the total NDP of the country in general has been continuously declining over a period of time. Among the sub-sector of NDP, the share of rural economy in the agriculture sector NDP has been remained almost stagnant with around 95% share. In the industrial sector NDP, the rural economy’s contribution over a period shows an increasing trend especially since 1990s; whereas in the service sector’s NDP, the rural share has declined during 1990s and began to increase since 2000-01.

**Figure 1.1: Share (%) of Rural sector in NDP of India by Industry Category**

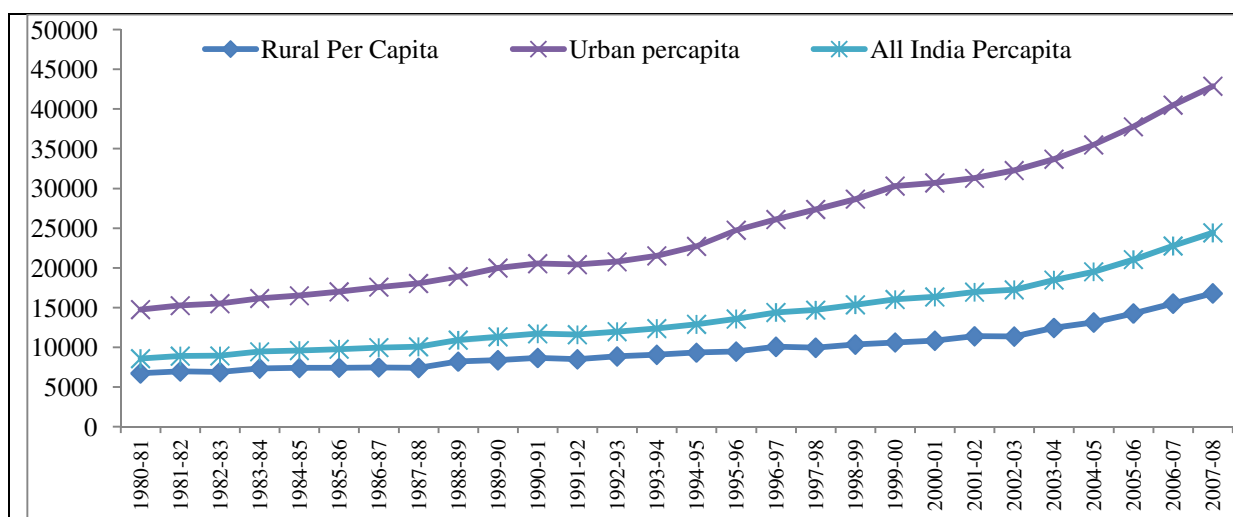


**Note:**

**Source:** Using CSO estimations published in Handbook of Indian Economy published by RBI.

The value of both the rural and urban per capita NDP in India has continuously been increasing. But the rate of growth at which they are growing in rural and urban sectors varies.

**Figure 1.2: Per Capita GDP (Rs. 0.0) in Rural and Urban India**

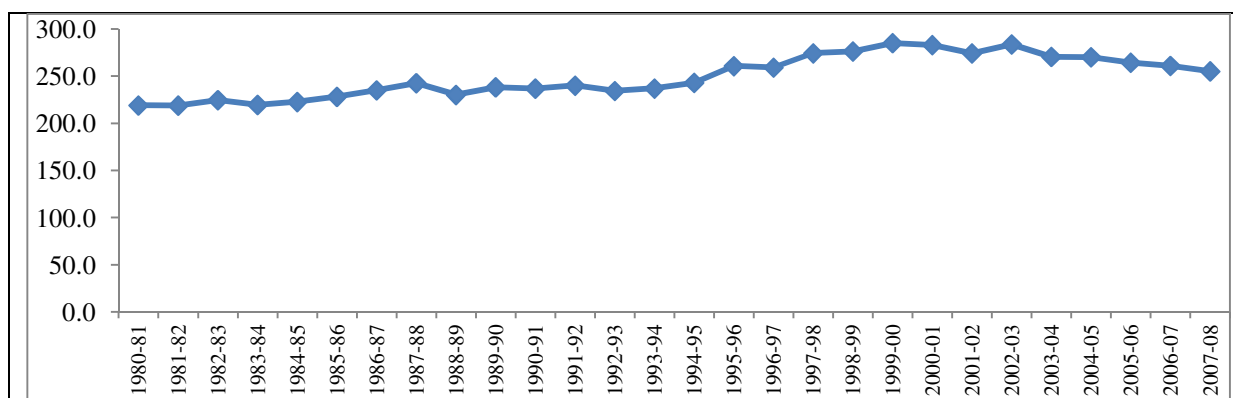


**Note:**

**Source:** Using CSO estimations published in Handbook of Indian Economy published by RBI.

Similar to the trend in growth of NDP, the growth per capita NDP in rural sector is lower than that of the urban during 1980s and 1990s but the growth of per capita NDP in rural sector is significantly higher than that of urban during the last eight years period. The lowest rate of growth in population could be the accounting factor for the high growth of per capita NDP in rural sector in addition to marginally higher growth of actual NDP of rural sector.

**Figure 1.3: Trend in the Ratio (%) of Urban Per Capita GDP to Rural, India**



**Note:** Graph Line represents the percentage of Urban by considering Rural =100.

**Source:** Computed Using CSO estimations published in Handbook of Indian Economy published by RBI.

The ratio of urban per capita NDP to the rural one was increasing during 1980s and 1990s and thereafter it began to decline. The decline of ratio urban per capita NDP to the rural one indicates reducing rural-urban income gaps. However, it is to be noted that the ratio of urban per capita NDP to the rural one in the recent period (2007-08) is higher than that what it was

in 1980s. It indicates that the rural-urban differences in terms of income levels are still higher now when compared to the situation of prior to 1980s or early 1980s.

## II Economic Growth and Employment

One of the expected outcomes of the economic growth is the generation of employment more particularly the productive and remunerative employment. Thus the concern herein is how far the transforming Indian economy from its stagnant ‘Hindu Rate of growth’ in 1960s and 1970s to high growth trajectory of 6-9% rate of growth in the recent past and its high growth potential are accompanied by commensurate increases in remunerative employment.

The work participate rate (WPR) in India is changing between 39 to 42% of the total population of the country during 1972-73 to 2009-10. The work participation rate has always been higher in rural areas when compared to that of urban areas. It has been higher among males when compared their female counterparts. Moreover the coefficient of variation (CV) indicates that female WPRs in both the rural and urban areas are highly fluctuating over time. Whereas the male WPR in India especially that of in rural areas is the least variable over time. The highly positive and significant correlation coefficient (0.88) between female WPR and overall WPR over given points of time indicates that change in the overall WPR over time has been considerably affected by the change in the female WPR.

**Table 2.1: Work Participation Rate (WPR) in India**

Year	Rural			Urban			Rural and Urban		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1972-73	54.5	31.8	43.2	50.1	13.4	31.8	53.5	28.2	40.8
1977-78	55.2	33.1	44.4	50.8	15.6	34.1	54.1	29.3	42.1
1983	54.7	34.0	44.5	51.2	15.1	34.0	53.8	29.6	42.0
1987-88	53.9	32.3	43.4	50.6	15.2	33.7	53.0	28.1	41.0
1993-94	55.3	32.8	44.4	52.0	15.4	34.7	54.4	28.3	41.8
1999-00	53.1	29.9	41.7	51.8	13.9	33.7	52.7	25.6	39.5
2004-05	54.6	32.7	43.9	54.9	16.6	36.5	54.7	28.2	41.8
2009-10	54.7	26.1	40.8	54.3	13.8	34.9	54.6	22.4	39.2
<i>Coefficient of Variation (CV)</i>	<i>1.3</i>	<i>8.0</i>	<i>3.2</i>	<i>3.4</i>	<i>7.3</i>	<i>3.0</i>	<i>1.3</i>	<i>8.7</i>	<i>2.9</i>

**Note:** WPR – Proportion of Workers (working persons) to the Population.

**Source:** Compiled from NSSO Quinquennial Rounds data.

**Table 2.2: Share (%) of Agriculture in the Total Workforce by Gender and Location (Rural/Urban) in India**

Year	Rural			Urban			Rural and Urban		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1972-73	-	-	-	-	-	-	68.9	84.4	74.0
1977-78	80.6	88.1	83.3	10.6	31.9	15.1	65.6	81.7	71.0
1983	77.5	87.5	81.2	10.3	31.0	14.6	61.9	80.8	68.3
1987-88	74.5	84.7	78.2	9.1	29.4	13.4	58.6	77.4	64.8
1993-94	74.1	86.2	78.4	9.0	24.7	12.3	57.5	77.6	64.0
1999-00	71.4	85.4	76.3	6.6	17.7	8.8	53.6	75.4	60.4
2004-05	66.5	83.3	72.6	6.1	18.1	8.7	48.6	72.3	56.3
2009-10	62.8	79.4	68.0	6.0	13.9	7.5	45.3	67.1	51.3

**Note:** ‘-’ Note available.

**Source:** Compiled from NSSO Quinquennial Rounds of Employment and Unemployment Survey.

The share of agriculture sector (including crop cultivation, livestock, fisheries and forest and logging) in the total workforce in India has continuously been declining over time especially since early 1970s. About 74% of the total workforce (rural and urban combined) in the country was engaged in agricultural activities during the early 1970s and it declined to 51% during 2009-10. In the rural sector the percentage of total workforce engaged in agricultural activities is even much higher but it is also showing a declining trend over time.

However, it is to be noted that between the male and female workforce the share of those engaged in agricultural activities has always been higher among the female workforce. Moreover the decline in share of agriculture is more rapid among the male workforce in India when compared to that of females. The share of agriculture has declined from 69% of male workforce (rural and urban combined) during the early 1970s to 48% during 2007-08, about 21 percentage points decline during last three and half decades period. Whereas among the female workforce (rural and urban combined), the trend in the share of those engaged in agricultural activities shows 12 percentage points decline from 84.4% to 72.5% during the same period.

Similar trend is obvious in the rural sector of India. The decline in the share of those engaged in agricultural activities among the male workers in rural areas was 14 percentage points during last three and half decade period from 80.6% of rural male workers in the early 1970s to 66.5% in 2007-08. Whereas among the rural female workforce, the trend in the share of those engaged in agricultural activities shows only five percentage points decline from 88.1% to 83.5% during the same period.

**Table 2.3: Decadal Growth of Total Workforce and Workers Engaged in Agriculture and Non-agricultural Activities in India**

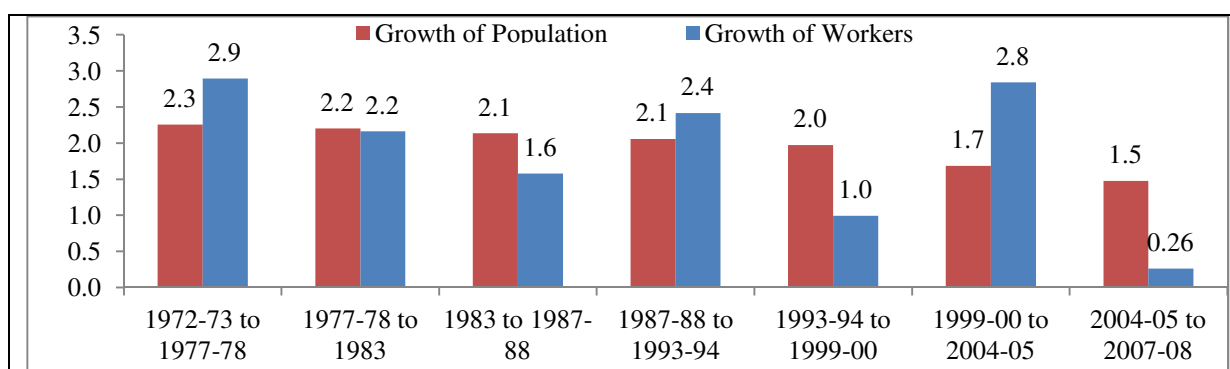
Period	Rural			Urban			Rural and Urban		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
<b>Total Workforce</b>									
1972-73 to 1983	1.9	2.5	2.1	3.8	5.0	4.4	2.3	2.7	2.5
1983 to 1993-94	1.9	1.4	1.7	3.1	3.3	3.2	2.2	1.6	2.1
1993-94 to 2004-05	1.4	1.5	1.4	3.1	3.4	3.1	1.9	1.8	1.8
2004-05 to 2009-10									
<b>Workforce in Agriculture</b>									
1972-73 to 1983	-	-	-	-	-	-	1.2	2.3	1.8
1983 to 1993-94	1.5	1.2	1.4	1.8	1.1	1.5	1.5	1.2	1.4
1993-94 to 2004-05	0.4	1.2	0.7	-0.5	0.5	-0.1	0.4	1.2	0.7
2004-05 to 2009-10									
<b>Workforce in Non-agriculture</b>									
1972-73 to 1983	-	-	-	-	-	-	4.3	4.8	4.4
1983 to 1993-94	3.3	2.3	3.2	3.3	4.2	3.5	3.3	3.2	3.4
1993-94 to 2004-05	3.8	3.3	3.6	3.4	4.1	3.5	3.6	3.7	3.6
2004-05 to 2009-10									

**Note:** Growth is compound annual rate of growth (CAGR) presented in percentage form.

**Source:** Computed using NSS quinquennial rounds data.

The rate of growth in the number of persons working in India has continuously been declining during the last three decades period. The rate of growth in total workforce in India was 2.5% during early 1970s to early 1980s and the rate of growth declined to 2.1% during early 1980s to early 1990s. By location, gender and activity the rate of growth in urban and male workforce and those engaged in agricultural activities is higher than that of the rural and female workforce and those engaged in non-agricultural activities respectively. Nevertheless the declining trend in the rate of growth is explicit across locations (in both the rural and urban workforce) and among gender groups (male and female workforce) and in both the agriculture and non-agriculture sector.

**Figure 2.1: Comparing Growth of Population and Workforce in India**



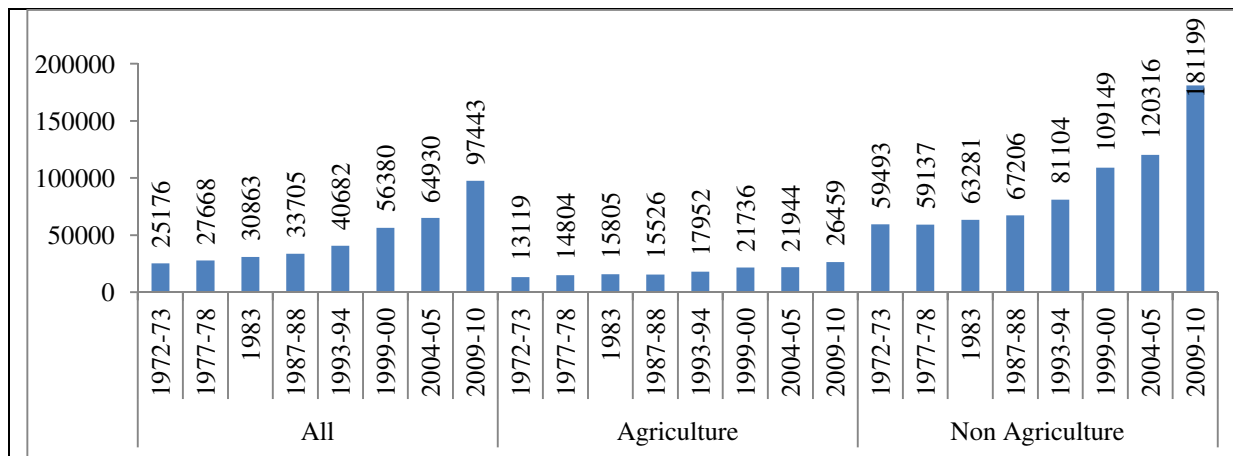
**Note:** Growth is compound annual rate of growth (CAGR) presented in percentage form

**Source:** Computed.



When compared with the growth of overall population in India the rate of growth in the total workforce in India has outgrown its population three quinquennial points of time (i.e. between 1972-73 and 1977-78, between 1987-88 and 1993-94, and between 1999-2000 and 2004-05) during the last three and half decade period.

**Figure 2.2: Trend in Value Added (Rs. 0.0) per Workers engaged in Agriculture and Non-agricultural Activities in India**



**Note:** Value added is at Constant (1999-2000) prices.

**Source:** Computed using NSS Quinquennial rounds data

Given the size of the workforce in the agriculture and non-agriculture sector and their GDP values (at constant 1999-2000 prices), the per capita value added per worker engaged in agriculture and non-agriculture sector is worked. It shows that although the per capita value added per worker for those engaged in both the agricultural and non-agricultural activities are increasing, the per capita value added per worker engaged in agriculture is extremely lower than that of the non-agriculture sector throughout the period during the last three and half decades.

The faster growth of value added per worker in non-agriculture sector over that of the agriculture sector has resulted in increasing difference in the value added per worker between agriculture and non-agriculture sectors.

**Table 2.4: Growth of Per Capita Value Added per Workers in India**

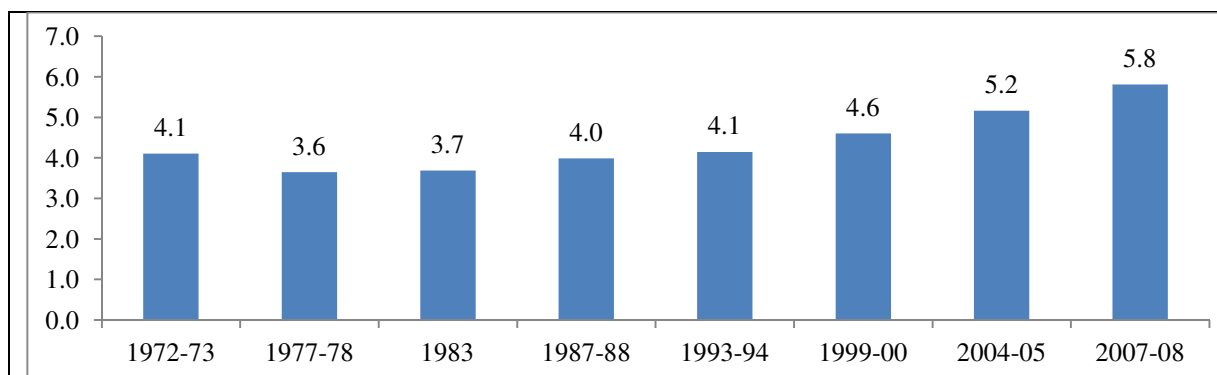
Period	All	Agriculture	Non-Agriculture
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1972-73 to 1977-78	1.7	2.2	-0.2
1977-78 to 1983	2.0	1.2	1.4
1983 to 1987-88	1.9	-0.4	1.4
1987-88 to 1993-94	3.2	2.5	3.1
1993-94 to 1999-00	5.5	3.3	5.1
1999-00 to 2004-05	3.1	0.1	2.4
2004-05 to 2009-10	9.2	5.1	9.3

**Note:** Growth of compound annual rate of growth (CAGR) presented in percentage form.

**Source:** Computed.

The ratio of the value added per worker in non-agriculture to the value added per workers in agriculture sector has shown a declining trend during 1970s but thereafter it has been continuously increasing. The per capita value added per work in non-agriculture sector is six times that of those engaged in agricultural activities in 2009-10.

**Figure 2.3: Trend in the Ratio of Value Added per Worker in Non-agriculture to Agriculture, India**



**Note:**

**Source:** Computed using NSS Quinquennial rounds data

The employment elasticity of GDP growth in India was very high during 1970s and early 1980s and thereafter it has declined but once again it increased during the quinquennial period between 1999-2000 and 2004-05.

**Table 2.5: Employment Elasticity with respect to Growth of GDP in India**

Period	Growth of GDP			Growth of Employment			Employment Elasticity		
	GDP	Agri	NA	Total	Agri	NA	All	Agri	NA
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
<b>Quinquennial</b>									
1972-73 to 1977-78	4.1	3.4	4.5	2.9	2.1	5.1	0.711	0.618	1.118
1977-78 to 1983	3.0	1.3	4.0	2.2	1.5	3.8	0.723	1.128	0.933
1983 to 1987-88	4.0	-0.6	6.3	1.6	0.4	4.1	0.399	-0.670	0.646
1987-88 to 1993-94	4.4	2.5	5.2	2.4	2.2	2.9	0.552	0.865	0.548
1993-94 to 1999-00	6.2	3.2	7.3	1.0	0.1	2.5	0.160	0.019	0.347
1999-00 to 2004-05	6.7	2.3	7.9	2.8	1.5	4.8	0.423	0.640	0.603
2004-05 to 2009-10	6.6	1.6	8.0	0.3	-0.5	1.2	0.040	-0.321	0.155
<b>Decadal</b>									
1972-73 to 1983	3.8	2.3	4.7	2.5	1.8	4.4	0.667	0.765	0.933
1983 to 1993-94	5.1	3.2	6.1	2.1	1.4	3.4	0.401	0.436	0.557
1993-94 to 2004-05	6.0	2.4	7.1	1.8	0.7	3.6	0.306	0.299	0.500

**Note:** GDP – Gross Domestic Product; Agri – Agriculture; NA – Non-Agriculture.

**Source:** Computed using NSS quinquennial rounds data for Employment and CSO's GDP estimations.

The similar trend in employment elasticity is observed for GDP in both the agriculture and non-agriculture sectors. The agriculture sector has registered its highest employment elasticity with respects to growth in its value added during late 1970s to early 1980s. Employment elasticity in agriculture is showing a cyclical trend during the last three and half decade period.

Whereas in case the non-agriculture sector, it has registered its highest employment elasticity with respects to growth in its value added during the mid-1970s and it has continuously been declined thereafter till the late 1990s. Once again it has increased

The analysis indicates that as the growth of agriculture sector is extremely lower than that the non-agriculture sector, the value added per worker in agriculture sector and thereby the earning or income of those engaged in agricultural activities is growing at extremely slower pace. Therefore the high growth trajectory of Indian economy is not so much beneficial to those engaged in agricultural activities as much as to that of those engaged in non-agricultural activities.

### III Levels of Living

#### 3.1 Consumption Expenditure

In theory the impact of economic growth of a particular country can be felt with increase in the disposable income of an individual. With the given level of economic growth, an economy

can invariably experience a growth in the personal income and thereby the per capita consumption expenditure.

**Table 3.1: Growth of MPCE in India by Deciles Class and Sector**

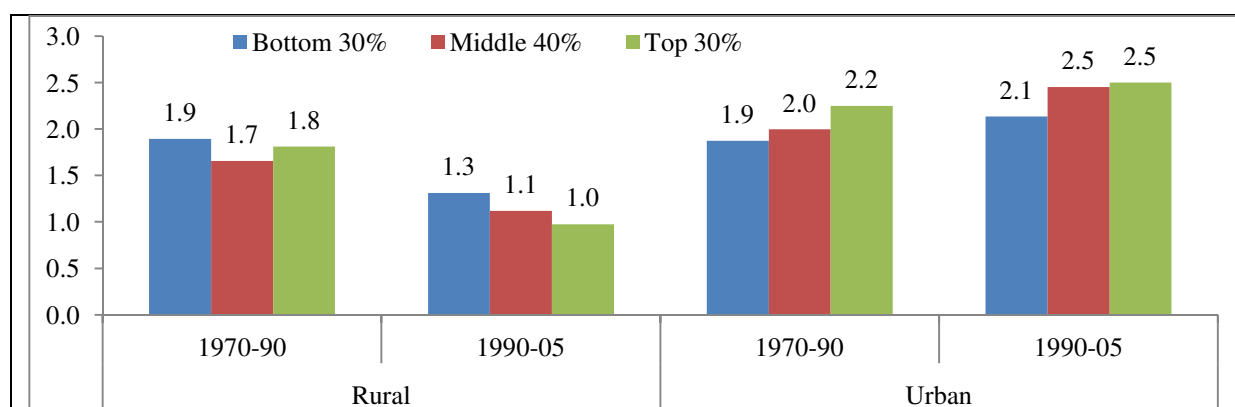
Sector	Period	MPCE Deciles Class									
		I	II	III	IV	V	VI	VII	VIII	IX	X
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>
Rural	1970-90	2.1	1.9	1.8	1.7	1.6	1.8	1.6	1.8	1.7	1.9
	1990-05	1.3	1.4	1.2	1.1	1.1	1.1	1.2	1.1	0.9	1.0
Urban	1970-90	2.0	1.9	1.8	2.0	2.0	1.8	2.2	1.9	1.9	2.6
	1990-05	2.2	2.0	2.2	2.4	2.4	2.4	2.6	2.7	2.4	2.5

**Note:** 1. MPCE – Monthly Per Capita Expenditure (per person); 2. Growth is exponential; 3. MPCE is in nominal terms.

**Source:** Computed using NSSO Consumer Expenditure Survey data.

The growth of consumption expenditure by decile classes indicates that it is relatively higher for lower decile classes when compared to higher ones especially in rural areas whereas in urban sector it is other way round. The higher rate of growth in MPCE in top deciles class when compared to the bottom deciles class indicates the increasing inequalities and vice versa. Across deciles class the growth is relatively higher in urban sector when compared to that of rural.

**Figure 3.1: Growth of MPCE in India by**



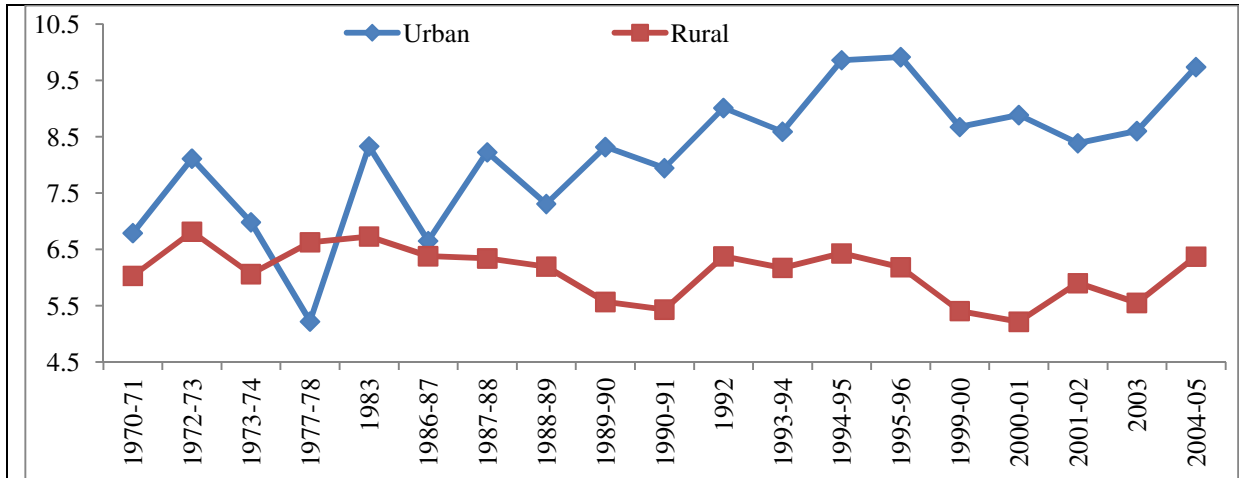
**Note:** 1. MPCE – Monthly Per Capita Expenditure (per person); 2. Growth is exponential; 3. MPCE is in nominal terms.

**Source:** Computed using NSSO Consumer Expenditure Survey data.

In rural areas the consumption expenditure of the bottom 30% decile MPCE classes in India has outgrown the top 30% decile class in both the periods prior to 1990s and thereafter. Whereas in the urban sector, the growth of consumption expenditure is relatively higher among the top 30% decile class when compared to the rest of the decile classes. It is

indicative of declining economic inequalities in rural sector and increasing ones in the urban sector.

**Figure 3.2: Trend in the Ratio (%) of Mean MPCE of top 10% decile class to that of bottom 10%, India**

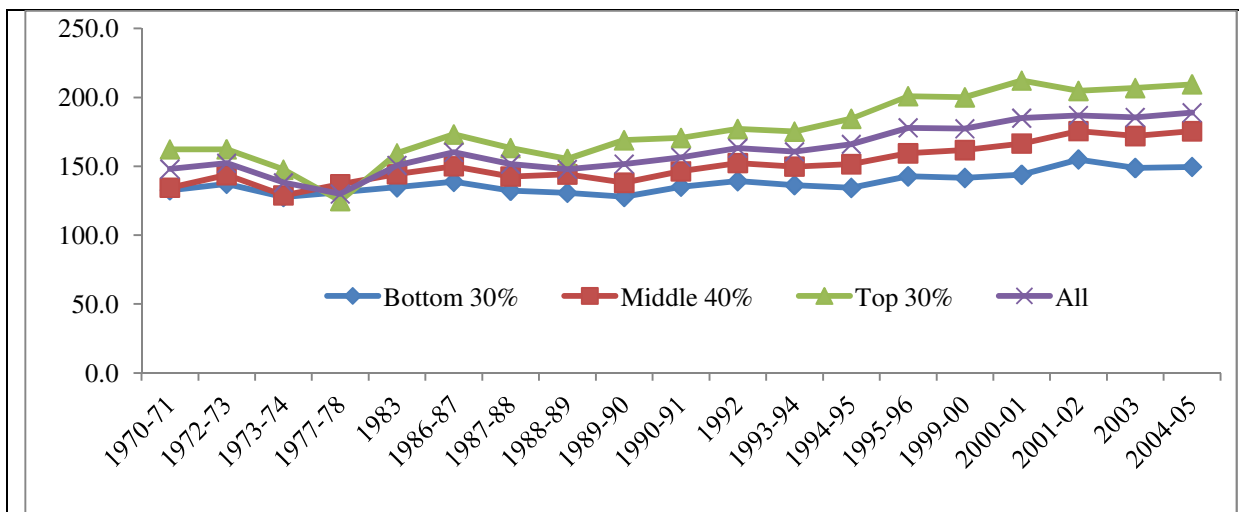


**Note:**

**Source:** Computed using NSSO Consumer Expenditure Survey data.

The ratio of mean MPCE of top 10% decile class to that of the bottom 10% decile class indicates the gap between the rich and the poor. The trend in the gap between the rich and poor in the rural areas appears to be remained constant whereas in the urban areas it is increasing.

**Figure 3.3: Trend in the Ratio (%) of Urban MPCE to Rural, India**



**Note:** MPCE – Monthly Per Capita Expenditure (per person).

**Source:** Computed using NSSO Consumer Expenditure Survey data.

Moreover there is increasing rural-urban divide in terms of consumption expenditure in India. The trend in the ratio urban MPCE to rural ones shows the increasing trend since early 1970s. The same trend of increasing urban-urban difference in consumption expenditure is observed across all the decile classes.

**Table 3.2: Growth of MPCE in Rural India by the Occupation of the Household**

Sno	Occupation	Mean MPCE (Rs. 0.0)			Growth (%)		
		1983	1993-94	2004-05	1983-94	1993-05	1983-05
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
1	Rural Agriculture Labour	84.8	217.4	416.0	9.4	6.4	7.7
2	Rural Cultivators	120.8	302.0	583.0	9.1	6.5	7.6
3	Rural Agriculture	107.4	268.1	518.0	9.1	6.5	7.6
4	Rural Non-Agriculture	121.8	310.7	631.0	9.3	7.0	8.0
5	All Rural	111.2	281.4	559.0	9.2	6.7	7.8

**Note:** 1. Growth is compound annual rate of growth (CAGR); 2. Mean MPCE (URP) is in nominal terms.

**Source:** Computed using NSS Consumption Expenditure Survey unit record data.

Within the Indian rural sector, there exist differences in terms of consumption expenditure across occupational groups. The growth pattern differs between the period prior to 1990s and the period post-1990s. The growth of mean consumption expenditure (per capita monthly consumption expenditure) was almost similar across all the occupational groups during the period between early 1980s (1983) and early 1990s (1993-94). In fact it was marginally higher among the agricultural labour households. But in the post-1990s the pattern has changed wherein the growth of consumption expenditure between 1993-94 and 2004-05 was the highest among rural households that engaged in non-agricultural activities and for the agriculture labour household it was relatively lower.

**Table 3.3: Share of Occupational Groups in the Total Population and Consumption Expenditure in India**

Sno	Occupation	% Share in Population			% Share in Consumption Expenditure		
		1983	1993-94	2004-05	1983	1993-94	2004-05
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
1	Rural Agriculture Labour	27.4	27.6	25	20.9	21.3	18.5
2	Rural Cultivators	46.3	41.2	39	50.3	44.2	41.2
3	Rural Agriculture	73.7	68.8	64	71.2	65.5	59.7
4	Rural Non-Agriculture	26.3	31.2	36	28.8	34.5	40.3

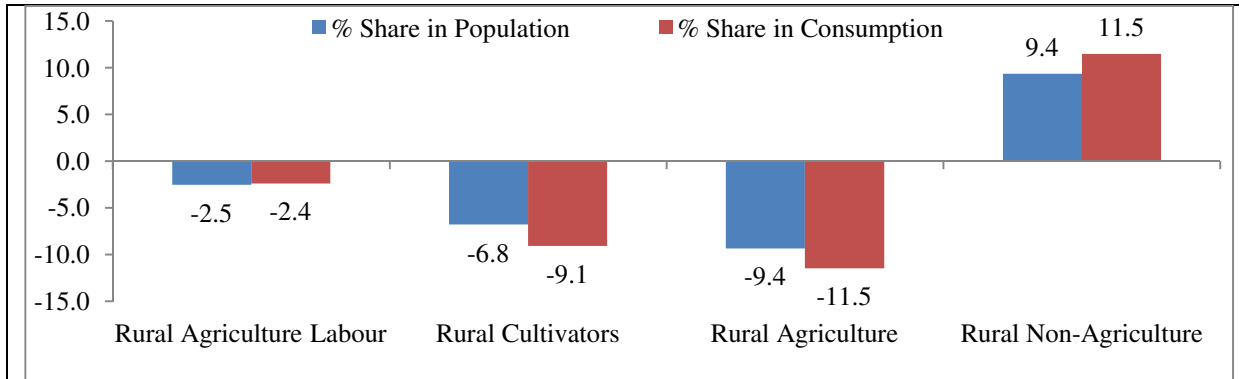
**Note:**

**Source:** Computed using NSS Consumption Expenditure Survey unit record data.

The distribution of population by occupation of the household especially between agriculture and non-agricultural activities in the rural sector indicates that the share of agricultural and non-agriculture households in 1983 was 74% and 26% of the rural population respectively.

By 2004-05 the distribution has changed to 64% and 36% of the rural population respectively. Whereas in the total rural consumption expenditure, the share of agriculture and non-agriculture households in 1983 was 71% and 29% respectively and the distribution has changed to 60% and 40 respectively by 2004-05.

**Figure 3.4: Changing contributions (% points increase/decrease) of Occupational Groups in Population and Consumption Expenditure in India between 1983 and 2004-05**

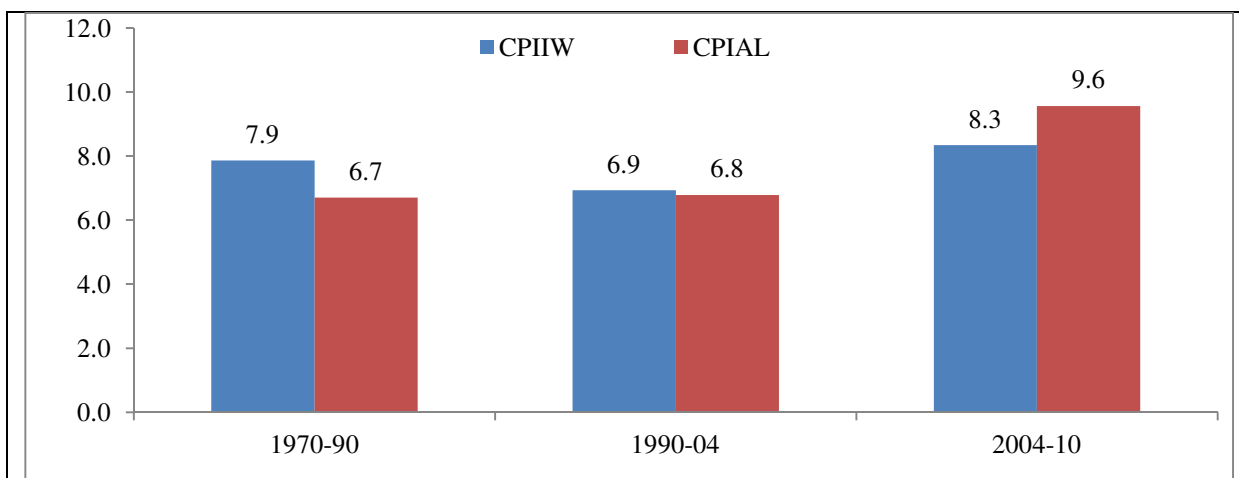


**Note:** Graph and figures represent percentage points decline/increase.

**Source:** Computed using NSS Consumption Expenditure Survey unit record data.

The share of the rural agricultural households in both the rural population as well the total rural consumption expenditure is declining but the decline in terms of share in consumption expenditure more prominent than the decline in its share in the population.

**Table 3.5: Growth of Price Indices in India**



**Note:** 1. Different base indices are converted into single base; 2. Growth is based on semi-log model equation.

**Source:** Computed using Price Indices extracted from RBI website.

The growth of price indices of agricultural labourers and industrial workers representing the rural and urban sector shows that in the recent past (between 2004-05 and 2009-10) the rate of

growth in CPIAL is higher than that of CPIIW. It indicates that the inflation level in rural sector is higher than that of urban sector.

### 3.2 Poverty

An expected outcome of the economic growth of a country would be its potentials in reducing the poverty levels. Therefore the research interest could be whether the high growth trajectory of Indian economy is pro-poor, benefitting lower rungs of the economic structure. There are two types of arguments in assessing the impact of economic growth on poverty reduction. One stream of economists (Ravallion) argues for economic growth is pro-poor if it could uplift as many number of people living below poverty line, as possible to above poverty line. This argument undermines the impact of the economic growth on economic inequalities. Thus, the other stream of economists (Kakawani) argues for growth is pro-poor when it reduces the levels of poverty without worsening of the inequality among the people.

**Table 3.4: Poverty in India**

Year	Reference Period	Head Count Ratio (%)			BPL Population (in Millions)			% of Total Poor	
		Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
<b>Expert Group Methodology</b>									
1973-74	URP	56.4	49.0	54.9	255.9	57.3	313.2	81.7	18.3
1977-78	URP	53.1	45.2	51.3	263.6	64.0	327.6	80.5	19.5
1983	URP	45.7	40.8	44.5	250.4	70.0	320.4	78.1	21.9
1978-88	URP	39.1	38.2	38.9	232.2	75.4	307.6	75.5	24.5
1993-94	URP	37.3	32.4	36.0	245.7	76.3	322.0	76.3	23.7
1999-2000	MRP	27.1	23.6	26.1	197.2	65.6	262.7	75.0	25.0
2004-05	URP	28.3	25.7	27.5	220.7	80.5	301.2	73.3	26.7
2004-05	MRP	21.8	21.7	21.8	170.0	67.9	237.9	71.5	28.5
<b>Tendulkar Committee</b>									
1993-94	MRP	50.1	30.8	45.3	330.1	72.5	405.2	81.5	18.5
2004-05	MRP	41.8	25.7	37.2	326.0	80.5	406.6	80.2	19.8
2009-10	MRP	33.0	18.2	29.1	266.4	60.9	332.3	80.2	19.8

**Note:** URP – Usual Reference Period; MRP – Mixed Reference Period.

**Source:** Planning Commission of India.

The official poverty ratio (URP based) estimations indicates that during the last three and decades period the percentage of population living below poverty line has reduced from around 55% of the total population in the early 1970s to around one-fourth by 2004-05. In terms of the size of the population living below poverty line it has increased during early 1970s to early 1990s and thereafter it began to decline.



However, the recent Report of the Expert Group (chaired by Prof Tendulkar) to review the methodology for estimation of poverty (known as Tendulkar Committee Report) while pointing out the methodological problems involved with early poverty estimations especially fixing the poverty lines, it has suggested an improved methodology for the poverty estimations (GOI, 2009). The revised estimations according to the Tendulkar Committee Report the poverty ratio in 1993-94 was about 45% and it declined to 37% by 2004-05. The common aspect between the Official poverty ratio and that of Tendulkar Committee estimations is the rate of decline in poverty ratio between 1993-94 and 2004-05, it is almost similar. But the levels are extremely different. Given the revised poverty ratios in 1993-94 and 2004-05, the estimated number of persons living below poverty line in India are very large. Since early 1970s the country has not seen such a huge population living below poverty line.

Between rural and urban sector, poverty ratios are higher among the rural population when compared to their urban counterparts. When examined the contributing shares of the rural and urban sectors, their shares in the total population living below poverty line in India estimated based on the official poverty lines are almost in correspondence with their shares in the population.

**Table 3.5: Poverty Levels among Occupational Groups in India**

Sno	Occupational Groups	Poverty Ratio (%)			% Share in Rural Poor		
		1983	1993-94	2004-05	1983	1993-94	2004-05
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
1	Rural Agriculture Labour	65.8	54.0	44.1	38.4	43.7	41.0
2	Rural Cultivators	39.9	29.3	21.4	17.5	35.4	31.6
3	Rural Agriculture	54.7	39.2	30.2	56.0	79.1	72.6
4	Rural Non-Agriculture	39.9	35.7	27.2	44.0	20.9	27.4

**Note:** Based on the Official Poverty Line and URP data.

**Source:** Computed using NSS Consumption Expenditure Survey unit record data.

Within the rural sector, poverty levels across rural occupational groups are varying wherein among agricultural labour household poverty ratio is very high. This category of households contributes to around 40% of the total population living below poverty line in rural India. Agricultural including agricultural labour and cultivator contributes to around three-fourth of the rural poor in India.

The above analysis indicates that the majority of poor in India are located in rural areas and concentrated in those households for which agricultural activities are the primary source of

livelihood. More than half of the total population living below poverty line in India are concentrated in these households.

#### **IV Summary and Conclusions**

The present paper examined the trends in economic growth and its impact on the living conditions of population in India particularly related rural and agriculture sector. Ever since the economic reforms initiated and introduced in the early 1990s in India, the Indian economy has moved to high growth trajectory and sustained the same during the last two decades period. It is also noted in the analysis that the rate of growth in rural economy of India is on par with that of its urban economy especially in the recent past. However, the rate of growth in agriculture sector which is the prime livelihood source for the majority of population in India is growing at a slower pace than that of the non-agriculture sector. As a result the gap in the value added per worker between those engaged in agricultural and non-agricultural activities is increasing.

Moreover, although the growth consumption expenditure among lower decile classes in rural areas is marginally higher their rural rich counterparts and hence indicating declining economic inequalities, across occupational groups the household depending on the agricultural activities are not experiencing such a situation. Moreover the poverty in India is concentrated in rural areas and those households for which primary source of livelihood is agriculture.

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