# Economic Growth, Poverty and Inequality: Indian Experience of Reforms and Development

Panchanan Das and Manoj Kumar Sanyal*

*The main object of this paper is to bring out how growth acceleration in Indian economy since the 1970s has affected the incidence of poverty at the regional level and income distribution between regions and groups of people within a region. GMM estimates in the dynamic panel frame suggest that the faster economic growth causes higher incidence of poverty and inequality. Income inequality across regions is rising at an alarming rate due to higher economic growth during the reform period. Public expenditure on social sector, especially provisions for public services in health and education, has, however, been found to have a positive role in reducing poverty and income inequality.*

**Key words:** economic growth, poverty, inequality, public expenditure, India.
**JEL No:** O47, O53

This paper dwells on the issues involving disequalising effects of economic growth. The impact of growth on poverty largely depends on the relationship between growth and inequality (Datt and Ravallion, 1992). Rising inequality in a growing economy offsets the poverty-reducing effects of growth. The direction of causality between growth and inequality has long been a topic of intense debate. There is still a dearth of empirical data to resolve the issue whether causality flows from growth to inequality or the other way round. The literature on the evolution of income inequality vis-à-vis economic growth tended to grow with the emergence of Kuznets' (1955) hypothesis that income inequality increases during the early stages of development and decreases at later stages. Kuznets found an inverted U-shaped relation between income inequality and GNP per head. Lewis' (1954) model of growth also asserts that until surplus labour is absorbed fully by the growing modern and urban sectors, rural and traditional sector wages remain at the subsistence level while profits and urban wages grow. We recall this concern for inequality found in the early literature on development economics in the context of the recent rise in inequality in India.

* Panchanan Das (Senior Lecturer in West Bengal Education Service) is a faculty member of the Institute of Development Studies Kolkata and Manoj Kumar Sanyal is an active researcher in Economics.

Whether the high growth through deregulation and privatization, and also by greater openness to trade and foreign investment, as suggested by the World Bank (World Development Report 1990), could actually be helpful in reducing economic inequality is an issue of debate since the early 1990s. By the end of the 1990s, the World Bank itself assigned a greater role to the state admitting that market forces alone cannot ensure efficiency and equity. Government investment in productive services financed primarily through taxation of capital will interact with the growth-enhancing policies (Alesina and Rodrik, 1994). Also social investments in health and education would give the poor greater access to opportunities in a growing economy. The redistributive measures in favour of the poor are inevitable when the high growth is not beneficial to the poor or experiencing a real deterioration in their living standards because of widening inequalities.

Rodrik (1999) argued that the openness is no guarantee of better growth performance or poverty reduction; indeed he cited that the growth performance in Latin America was higher under state control until the 1970s. By utilising World Income Inequality Database covering 151 countries over the period 1950-1998, Cornia and Court (2001) found that liberalising policies, particularly macroeconomic stabilisation policies, financial sector reform, capital account convertibility, and policies on labour market flexibilities, and the way in which such policies have been carried out are largely responsible for worsening income inequality. Greater openness may lead to greater volatility and economic shocks primarily through the flows of financial capital which, in turn, affects the vulnerable and the poor adversely. Economic liberalisation may increase inequality through the cut in government expenditure in the social sector and subsidy that affect the poor disproportionately. Financial sector reforms lead to the reduction of priority sector lending that adversely affect the vulnerable section of the society (Chattopadhyay 2009). Economic liberalisation increases labour market flexibility that ultimately leads to rising wage inequality (Das et al 2009, Galbraith 2005).

Whether poverty has been improved or worsened with economic growth in India is the most important empirical issue especially in the aftermath of economic reforms and liberalisation. Most of the poor in a country like India live on small farms

with inadequate land for their own food needs, or are landless supplying unskilled wage labour to other farm or non-farm enterprises. Thus productivity gains may pass to the poor either through a rise in employment or through a potential gain in terms of higher wage rates and lower prices for goods consumed. Ahluwalia (1978) found some trickle down effect associated with agricultural growth. In a recent paper Eswaran et al (2009) have, however, shown that despite rapid growth of non-farm sector there has been no significant growth in labour absorption from agriculture and the rise in agricultural earnings depend primarily on farm productivity. They have also found a strong linkage between employment, agricultural wage and poverty. Their observations put a question mark on the trickle down effect of growth. In an earlier paper, Saith (1981) has claimed that the growth process in India generated poverty. If the growth process has sufficiently adverse effects on inequality then absolute poverty may increase and a mere trickle down effect fails to persist. We examine this issue in our empirical exercise on growth-inequality relationship in a dynamic panel framework.

The paper is organised in four sections. Section 2 discusses some issues on methodology used in this study. Section 3 presents a synoptic view of regional disparities in terms of the incidence of poverty, inequality and economic growth. Section 4 sets out empirical results. Section 5 concludes.

## 2 Methodological Issues

*Measuring inequality*

In this study we have used population weighted inequality indices to measure interregional inequality in income per capita across the major states in India. Inequality index weighted by the population reflects regional inequality as actually experienced by the population. Population weighted Gini index is defined as the absolute differences in per capita incomes between different regions of a country normalised by the country's per capita income and weighed by the population shares:

$$G = \frac{\sum_{i=1}^{n}\sum_{j>i}^{n}\left|y_j - y_i\right| p_i p_j}{\mu} \qquad (1)$$

where $y_i$ = NSDP per capita of $i_{th}$ state, $p_i$ = national share of population of *i*th state, and $\mu$ = per capita NDP of the country.

Population weighed Theil index is:

$$T = \sum_{i=1}^{n} p_i \frac{y_i}{\mu} \ln \frac{y_i}{\mu} \qquad (2)$$

Gini coefficient is based on bilateral comparisons of income between all regions and allows us to distinguish the contribution of each and every pair of regional economies. Theil index, on the other hand, sums up the contribution of individual states In other words, it cannot distinguish between the contributions due to the interaction between themselves. Changes in the population-weighted inequality captures whether inequality is driven by differing population growth rates between the regions, or due to migration of the population into fast growing or richer regions. It can also locate whether there is correlation between growth rates and population size of different regions. This enables us to distinguish two effects: uneven population growth, and uneven per capita economic growth.

*Estimating relationship between poverty, inequality and growth*

A bi-directional causality between poverty and economic growth, and also between growth and income inequality is determined endogenously. We have employed the Generalized Method of Moment (GMM) approach developed by Arellano and Bond (1991) in a dynamic panel frame to control for endogeneity in our regression model[1]. The use of panel data in estimating common relationships across regions is particularly appropriate because it allows the identification of region-specific effects that control for missing or unobserved variables. Panel models make more information available, hence more degrees of freedom and more efficiency. They also allow controlling for individual heterogeneity and identifying effects that cannot be detected in simple time series or cross-section data.

[1] In growth analyses, the GMM estimator was first applied in the paper of Caselli et al. (1996).

In this approach, the fixed effects are first eliminated using first differences instead of the actual level of the variables and then an instrumental variable estimation of the differenced equation is performed. As instruments for the lagged difference of the endogenous variable – or other variables which are correlated with the differenced error term – all lagged levels of the variable in question are used, starting with lag two and potentially going back to the beginning of the sample. The overall validity of instruments is checked by the Sargan test of over-identifying restrictions.

Simple dynamic panel data model, with one period lag can usually be expressed as:

$$y_{it} = \alpha_i + \theta_t + \beta y_{i,t-1} + x'_{it}\eta + \varepsilon_{it} \qquad (3)$$

$\alpha i$ represents fixed effect, $\theta_t$ is time dummy, $x_{it}$ is a (k-1)×1 vector of exogenous regressors and $\varepsilon_{it} \sim N(0, \sigma^2)$ is a random disturbance.

In this study, fixed effects model is more appropriate than a random effects model simply because the macro panel contains most of the regions under consideration and, thus, will be less likely to be a random sample of all regions within a country. The presence of lagged dependent variable in equation (3) makes the dynamics nature of growth regression. This dynamics fixed panel growth model can account for the differences in the individual effects and explain a part in the differences in the initial levels of technology across the states.

In order to eliminate the unobservable state-specific effects, we difference equation (3) and then it becomes:

$$\Delta y_{it} = \Delta\theta_t + \beta\Delta y_{i,t-1} + \Delta x_{it}\eta + \Delta\varepsilon_{it} \qquad (4)$$

The lagged difference of the logarithm of the dependent variable is correlated with the difference of error term. To remove this kind of endogeneity in equation (4), instrumental-variables are to be used. The differenced components of endogenous explanatory variables should also be treated cautiously. We have also to use lagged values of the original regressors with at least two lagged periods as their instruments satisfying the following moment conditions:

$$E\left[y_{i,t-s}\left(\varepsilon_{it}-\varepsilon_{i,t-1}\right)\right]=0, \quad \text{for } s\geq 2 \text{ , t = 3,4.....T}$$

$$E\left[x_{i,t-s}\left(\varepsilon_{it}-\varepsilon_{i,t-1}\right)\right]=0, \quad \text{for } s\geq 2 \text{ , t = 3,4.....T}$$

x is the exogenous explanatory variable.

The basic GMM panel estimators, $\delta=\left(z'x\right)^{-1}z'y$, are based on moments of the form,

$$g(\delta)=\sum_{i=1}^{N}g_i(\delta)=\sum_{i=1}^{N}z_i'\varepsilon_i(\delta) \qquad (5)$$

where $z_i$ is a $T_i \times p$ matrix of instruments for cross-section, *i*, and,

$$\varepsilon_i(\delta)=\left(y_i-f\left(x_{it},\delta\right)\right) \qquad (6)$$

GMM estimation minimizes the quadratic form:

$$S(\delta)=\left(\sum_{i=1}^{N}z_i'\varepsilon_i(\delta)\right)'H\left(\sum_{i=1}^{N}z_i'\varepsilon_i(\delta)\right) \qquad (7)$$

with respect to δ for a suitable chosen weighting matrix H.

Thus the basics of GMM estimation involve: (1) specifying the instruments Z, (2) choosing the weighting matrix H, and (3) determining an estimator.

**3 Regional dimensions of growth, poverty and inequality**

Indian economy grew at a faster rate, along with lesser proportional employment growth and indeed no significant growth of employment in the commodity sector, since the early 1980s compared to the previous period. There has also been a substantial structural change in the composition of output and employment in the major sectors of domestic output. Das (2007) has analysed the data generating process of the time series of net domestic product (NDP) and its sectoral components at the national level as well as across major states in India over the period 1960-61 to 2003-04 and examined their growth paths by allowing external shocks, if any, due to economic reforms as introduced in India in the early 1990s in stimulating country's economic growth. As observed in this study the Indian economy experienced a structural break in the year 1979, a long period before the initiation of economic

reforms in the country. In majority of the states in India, structural break in the pace of economic growth occurred at the year around 1980.

Table 1 presents growth rates of net state domestic product (NSDP) at constant (193-94) prices by 15 major states over different policy regimes in India[2]. A significant jump in the growth rate of domestic product occurred in almost every region in India since the mid 1980s. The major contributor to this growth improvement is the services sector, the boom of which may be questionable from the point of view of sustainable development of the country (Das 2007). The growth acceleration has not been uniform across the major states in India during the post-reform period. Gujarat, Karnataka, Maharashtra and West Bengal are the faster growing states in the country. In Punjab, Assam and Bihar, the growth rate declined during the post-reform period compared to the period of state control. Other regions responded marginally after the initiation of economic reforms in the country.

**Table 1**
**Growth rates of NSDP by states in India**

| States | 1970-2004 | 1970-1985 | 1986-2004 |
|---|---|---|---|
| Andhra Pradesh | 5.3 | 4.0 | 5.9 |
| Assam | 3.4 | 3.9 | 3.1 |
| Bihar | 3.5 | 3.6 | 3.5 |
| Gujarat | 5.5 | 4.9 | 6.5 |
| Haryana | 5.6 | 5.0 | 5.9 |
| Karnataka | 5.3 | 3.8 | 6.4 |
| Kerala | 4.0 | 1.7 | 5.8 |
| Madhya Pradesh | 4.0 | 2.9 | 4.5 |
| Maharashtra | 5.6 | 4.4 | 6.2 |
| Orissa | 3.3 | 2.4 | 3.9 |
| Punjab | 4.7 | 5.0 | 4.2 |
| Rajasthan | 5.0 | 3.2 | 5.5 |
| Tamil Nadu | 4.6 | 2.6 | 5.6 |
| Uttar Pradesh | 4.0 | 3.8 | 3.8 |
| West Bengal | 4.9 | 3.2 | 6.2 |

Note: Growth rates are estimated by using log-linear trend in the fixed effect pooled regression model.

Source: Economic and Political Weekly Research Foundation (2003), and Reserve Bank of India (2007).

2 In India, although State policies on economic reforms in the direction of deregulation and liberalization were announced officially in 1991, the process of deregulation started since the mid 1980s. For this reason, in this paper we consider the phase of state control up to 1985 and deregulation thereafter.

Table 2 displays the changes in head count ratio in rural-urban sectoral division over different NSS rounds on consumer expenditure starting from the early 1980s. It is clear from Table 2 that the incidence of poverty declined in rural areas of all major states as well as in most urban areas. But the rate of decline was uneven across the major states. Some states, namely Orissa and Bihar, registered very high degree of poverty in 2004-05, and indeed the absolute number of poor increased in urban areas in these two states. Although the incidence of poverty came down almost in all states between 1993-94 and 2004-05, the rate was significantly lower than the rate of fall in the previous period.

**Table 2**
**Changes in Head-Count Ratio by states in India**

| States | Rural | | | Urban | | |
|---|---|---|---|---|---|---|
| | 1983 | 1993-94 | 2004-05 | 1983 | 1993-94 | 2004-05 |
| Andhra | 26.53 | 15.92 | 10.8 | 36.3 | 38.33 | 27.1 |
| Assam | 42.6 | 45.01 | 21.7 | 21.73 | 7.73 | 3.7 |
| Bihar | 64.37 | 58.21 | 42.2 | 47.33 | 34.5 | 38.1 |
| Gujarat | 29.8 | 22.18 | 19.4 | 39.14 | 27.89 | 14.2 |
| Haryana | 20.56 | 28.02 | 13.6 | 24.15 | 16.38 | 15.6 |
| Karnataka | 36.33 | 29.88 | 20 | 42.82 | 40.14 | 33.3 |
| Kerala | 39.03 | 25.76 | 13.2 | 45.68 | 24.55 | 20.6 |
| Madhya | 48.9 | 40.64 | 35.8 | 53.06 | 48.38 | 42.3 |
| Maharashtra | 45.23 | 37.93 | 30 | 40.26 | 35.15 | 32.8 |
| Orissa | 67.53 | 49.72 | 46.9 | 49.15 | 41.64 | 43.7 |
| Punjab | 13.2 | 11.95 | 10 | 23.79 | 11.35 | 5 |
| Rajasthan | 33.5 | 26.46 | 19 | 37.94 | 30.49 | 28.5 |
| Tamil | 53.99 | 32.48 | 22.7 | 46.96 | 39.77 | 24.1 |
| Uttar | 46.45 | 42.28 | 33.9 | 49.82 | 35.39 | 30.7 |
| West | 63.05 | 40.8 | 28.5 | 32.32 | 22.41 | 15.4 |
| India | 45.65 | 37.27 | 28.7 | 40.79 | 32.36 | 25.9 |

Note: We have not used the estimated figures based on NSS consumption data for the years 1987-88 and 1999-2000 as the former was a drought year and the latter was not comparable properly with the other NSS rounds.
Source: Planning Commission, GOI, and Himanshu (2007)

In India, the Gini coefficient of household consumption expenditure was relatively low in the 1950s as a result of the partial land reform and some state policies in favour of low caste groups, and stayed more or less at the same level until it rose in the 1990s during the years of gradual liberalization and globalization. In terms of Gini coefficient shown in Table 3, although the consumption inequality declined in the rural areas in major states excepting for Haryana and Maharashtra

during 1983 to 1993-94, it worsened significantly between 1993-94 and 2004-05 in almost all states in India. In urban areas the rate of increase of Gini index was much higher compared to rural areas during 1993-2004. The incidence of inequality measured by Gini coefficient of monthly per capita consumption was higher in urban than rural areas in all major states of the country. By comparing Tables 1 and 3 one can see that the process of faster growth has been accompanied by increasing inequality and the adverse distribution is largely attributable to slower decline in poverty since the early 1990s.

**Table 3**
**Changes in Gini Coefficient by states in India**

| States | Rural | | | Urban | | |
|---|---|---|---|---|---|---|
| | 1983 | 1993-94 | 2004-05 | 1983 | 1993-94 | 2004-05 |
| Andhra | 29.7 | 29 | 29.4 | 33.2 | 32.3 | 37.6 |
| Assam | 20 | 17.9 | 19.9 | 26.1 | 29 | 32.1 |
| Bihar | 25.9 | 22.2 | 20.7 | 28.5 | 28.2 | 33.3 |
| Gujarat | 26.8 | 24 | 27.3 | 28.5 | 29.1 | 31 |
| Haryana | 28.5 | 31.4 | 34 | 34.8 | 28.4 | 36.5 |
| Karnataka | 30.8 | 27 | 26.5 | 34.2 | 31.9 | 36.8 |
| Kerala | 32 | 30.1 | 38.3 | 38.9 | 34.3 | 41 |
| Madhya | 31.5 | 30 | 26.8 | 29.8 | 33.6 | 39.7 |
| Maharashtra | 29.1 | 30.7 | 31.2 | 34.6 | 35.7 | 37.8 |
| Orissa | 27 | 24.6 | 28.5 | 29 | 30.7 | 35.4 |
| Punjab | 29.2 | 28.1 | 29.5 | 33.9 | 28.1 | 40.3 |
| Rajasthan | 34.7 | 26.5 | 25.1 | 33.9 | 29.3 | 37.2 |
| Tamil | 36.7 | 31.2 | 32.2 | 35.1 | 34.8 | 36.1 |
| Uttar | 28.9 | 28.3 | 29 | 31.5 | 32.6 | 36.9 |
| West | 30 | 25.4 | 27.4 | 33.5 | 33.9 | 38.3 |
| India | 30.4 | 28.6 | 30.5 | 33.9 | 34.4 | 37.6 |

Source: As for Table 2

## 4 Empirical results

As stated above, GMM in the dynamic panel model has been applied to estimate empirical relationship in assessing the impact of economic growth on poverty and inequality in India. The panel consists of data for India's 15 major states for the period 1970–2004. The incidence of poverty is measured by the head count ratio, collected from the World Bank data base on poverty and growth in India, and regional inequality of per capita income is measured by the population weighted Theil index as estimated in this study. Annual growth rate of per capita income is measured simply by the log difference between the current value of per capita NSDP and its previous value. In addition to annual growth rate of income per capita, sectoral components of state's total income and government expenditure to NSDP ratio are used as the regressors.

To control the unobserved endogenity involved in the growth equation we have used the first difference GMM developed in Arellano and Bond (1991). The presence of lagged dependent variable in the estimated equation captures the dynamics of growth regression. This dynamics can account for the differences in growth performance of individual states owing to the differences in past realisation of income level across the states.

The basic econometric model used in empirical exercise is

$$y_{it} = \alpha_i + \beta y_{it-1} + \eta_1 x_{1it-1} + \eta_2 x_{2it-1} + \eta_3 x_{3it-1} + \eta_4 g_{it-1} + \eta_5 U_{it} + \varepsilon_{it} \qquad (8)$$

where y = ln (poverty index or inequality index)

$x_1$ = ln (growth rate of per capita NSDP)

$x_2$ = ln (share of agriculture in NSDP)

$x_3$ = ln (share of manufacturing in NSDP)

$x_4$ = ln (share of services in NSDP)

g = ln (ratio of total government expenditure to NSDP)

ε = idiosyncratic error

suffices i and t denote cross section unit (state) and time respectively.

Table 4 presents the estimated coefficients of the model where head count ratio in rural areas ($H_1$) is the dependent variable, and growth rates of per capita income ($x_1$), share of agricultural income in state's total income ($x_2$) and the revenue expenditure to NSDP ratio (g) are used as explanatory variables. In Table 5 head count ratio for urban areas ($H_2$) is used as a dependent variable. As manufacturing and services are the dominating activities in urban areas, the shares of these two sectors in total state's income ($x_3$ and $x_4$) represent the structural parameters. Table 6 provides the GMM estimates of the relationship between inequality and growth along with the share of government expenditure (g).

In estimating relationship between the incidence of poverty and economic growth and also between inequality and growth, we have incorporated the effects of inflation and population growth by using them as instrumental variables to control the dynamic relationship. In Table 4 the estimated coefficients for x1 and x2 are positive implying that the overall economic growth and the higher share of agricultural income induce to raise absolute poverty, while the negative sign of the coefficient for g indicates that the proportional rise in government expenditure helps significantly in reducing incidence of poverty in the rural economy. In the case of urban poverty (shown in Table 5) also the dynamic process of higher growth and structural changes towards manufacturing and services actually increase the head count index. But the rise in share of government expenditure lowers the number of urban poor identified by the officially determined poverty line at a significant rate. The estimated coefficients shown in Table 6 suggest that income inequality measured by Theil index increases at an alarming rate due to faster economic growth, but declines with higher share of government expenditure.

The empirical evidence suggests that the faster economic growth contributes to more income inequality. As the distributive effect of growth in raising inequality is very high, the faster economic growth fails to reduce even absolute poverty in India during the past three and a half decades. Thus the poor benefit proportionately less from higher economic growth and the process of growth under liberalisation in fact hurt the poor people.

**Table 4**
**GMM Estimate: Rural Poverty and Economic Growth**

| Dependent Variable: ln (H1)<br>Method: Panel Generalized Method of Moments<br>Instrument list: @DYN(ln (H1),-2) ln (CPIAG) ln(POP) | | |
|---|---|---|
| Variable | Coefficient | t-Statistic |
| ln(H1(-1)) | -0.015 | -0.469 |
| ln(x1) | 0.182 | 11.853 |
| ln(x2) | 0.137 | 5.820 |
| ln(g) | -0.159 | -19.864 |

Note: CPIAG = consumer price index for agricultural workers, POP= population growth
Source: CSO and World Bank data set, *A Database on Poverty and Growth in India*

**Table 5**
**GMM Estimate: Urban Poverty and Economic Growth**

| Dependent Variable: ln(H2)<br>Method: Panel Generalized Method of Moments<br>Instrument list: @DYN(LOG(H2),-2) ln(CPII) ln(URB) | | |
|---|---|---|
| Variable | Coefficient | t-Statistic |
| ln(H2(-1)) | 0.308 | 12.859 |
| ln(x1) | 0.003 | 0.089 |
| ln(x3) | 0.225 | 13.596 |
| ln(x4) | 0.274 | 4.029 |
| ln(g) | -0.272 | -12.732 |

Note: CPII = consumer price index for industrial workers, URB = urbanisation measured by the ratio of urban population to total population
Source: As for Table 4

**Table 6**
**GMM Estimate: Inequality and Economic Growth**

| Dependent Variable: THEIL<br>Method: Panel Generalized Method of Moments<br>Instrument list: @DYN((THEIL),-2) ln(POP) ln(CPIAG) ln(CPII) | | |
|---|---|---|
| Variable | Coefficient | t-Statistic |
| THEIL(-1) | 0.894 | 58.260 |
| ln(x1) | 5.627 | 21.377 |
| ln(g) | -0.060 | -2.903 |

As for Table 4

## 5 Concluding remarks

In terms of official estimates of Gini coefficient, although the consumption inequality declined in the rural areas in many states during 1983 to 1993-94, it worsened significantly between 1993-94 and 2004-05 in almost all states in India. In urban areas the rate of increase of Gini index was much higher compared to rural areas during 1993-2004. The incidence of inequality was higher in urban than rural areas in all major states of the country. We observe that the process of faster economic growth has been accompanied by increasing inequality and the adverse distribution is largely attributable to slower decline in official estimates of poverty since the early 1990s.

The rising inequality offsets significantly the positive impact of growth on poverty. The higher incidence of poverty and income inequality as observed in India has largely been attributed to the growth effect. The empirical findings of this study is an indicative that the poor have been bypassed or even hurt in many cases by the faster growth during the period of deregulation and economic liberalisation as introduced in India since the mid 1980s.

The relationship between poverty, inequality and growth is a complex issue, involving multidimensional threshold effects interact dynamically over space and time. To capture several threshold effects this paper utilizes dynamic panel method of estimation. The estimated results show that the elasticity of poverty reduction with respect to growth is negative implying that the growth itself fails to yield positive reduction of poverty. In this sense there has been no trickle down effect and the growth is not considered as pro-poor. The market-driven economic growth tends to increase inequality alarmingly.

In this study we are not discussing the openness-growth relationship as such, but our empirical study covers the period of liberalization in India. So the empirical facts portrayed in this study are related, although indirectly, to the process of liberalization. India experienced faster economic growth in its mean national incomes during the post-reform period, but income inequality among states, as well as interpersonal inequality, has been rising in the country, particularly after a decisive step was taken towards opening the economy.

**References**


Ahluwalia, M. S. 1978. Rural poverty and agricultural performance in India, *Journal of Development Studies,* 14 (3): 298–323

Alesina, Alberto and Dani Rodrik, 1994, Distributive Politics and Economic Growth, *Quarterly Journal of Economics,* 109: 465-90

Arellano, M. and Bond, S. 1991: Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations, *Review of Economic Studies*, 58: 277-297.

Caselli, D., G. Esquivel, and F. Lefort, 1996, Reopening the Convergence Debate: A New Look at Cross-country Growth Empirics, *Journal of Economic Growth*, 1: 363-89.

Cornia, Giovanni Andrea, and Julius Court, 2001, *Inequality, Growth and Poverty in the Era of Liberalization and Globalization*, Helsinki: UNU/WIDER

Chattopadhyay, S. 2009. Priority Sector Lending and Agricultural Credit in India: Pre- and Post-Reform Scenario, in Sanyal et al (eds.) *Post Reform Development in Asia – Essays for Amiya Kumar Bagchi*, Orient BlackSwan, Hyderabad

Das, P (2007): "Economic Growth and Structural Break in India: Testing Unit Root Hypothesis", *The Journal of income and wealth,* 29(2): 29-43

Das, P., B. Dasgupta and P. K. Biswas, 2009, GENDER AND LABOUR: POST-REFORM SCENARIO IN INDIA, in Sanyal et al. (eds.) *Post Reform Development in Asia – Essays for Amiya Kumar Bagchi*, Orient BlackSwan, Hyderabad

Datt, G. and M. Ravallion, 1992, Growth and Redistribution Components of Changes in Poverty Measures: A Decomposition with Applications to Brazil and India in the 1980s, *Journal of Development Economics*, 38: 275-95.

Eswaran, M., A. Kotwal, B. Ramaswami and W. Wadhwa, 2009, Sectoral Labour Flows and Agricultural Wages in India, 1983-2004: Has Growth Trickled Down?, *Economic and Political Weekly*, 44(2): 46-55

Galbraith, J. 2005. Global Inequality and Global Policy, *Journal of Catholic Social Thought*, 2 (1): 125-51.

Government of India: Tenth Plan Document, III (3), Planning Commission, New Delhi.

- 2006. Towards faster and more inclusive growth: An approach to the 11th Five Year Plan, Draft, June 14, Planning Commission, New Delhi.

Himanshu, 2007, Recent Trendsin Poverty and Inequality: Some Preliminary Results, *Economic and Political Weekly*, 42 (6): 497-508

Kuznets, S. 1955. Economic Growth and Income Inequality. *American Economic Review*, XLV(1): 257-87.

Lewis, W A. 1954. Economic Development with Unlimited Supplies of Labour, *Manchester School of Economics and Social Studies*, 22 (2): 139- 91.

Rodrik, Dani, 1999. *The New Global Economy and Developing Countries: Making Openness Work.* Washington: Overseas Development Council (Policy Essay No. 24).

Saith, A. 1981, Production, prices, and poverty in rural India. *Journal of Development Studies*, 19 (2): 196–214.

World Bank, 1990, 2001. *World Development Report 2001/2: Attacking Poverty.* New York: Oxford University Press.