POVERTY REDUCTION IN RURAL INDIA DURING 2004-05 TO 2011-12: ROLE OF GROWTH, REDISTRIBUTION, AND POPULATION-SHIFTS

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OBJECTIVE
- Quantify relative contribution of the growth vis-à-vis the redistribution components to rate of poverty reduction.
- Quantify the importance of the population-shifts across land size classes.

POPULATION-SHIFTS
- Demographic changes also affect the pace of poverty reduction. Instead of rural-urban migration, we offer an alternative population-based explanation.
- Uneven reduction in TFR across land size classes and Indian states. Higher TFR in states with fewer non-farm opportunities.
- Smaller land holders have higher TFR (India – DHS)

LITERATURE
- Datt and Ravallion 1992 (India, Brazil), Ravallion and Huppi 1991 (Indonesia), Shorrocks 2013, Son 2003

CENTRALITY OF LAND
- 1991-2011: Average land holding size declined from 1.55 to 1.15 hectares
- Large variations across states and agro-climatic zones, in the structures and patterns in source of income, viz. wages, cultivation, livestock and non-farm business, in agricultural households.
- Small land holders eke out a marginal existence.

DATA
Survey of Consumption Expenditure 2004-05 & 2011-12
Consumption: MPCE-MRP
Land Groups: <0.01, 0.01-0.4, 0.41-1 and greater than 1 hectare
Metric: FGT 0,1,2

WHY 2004-05 TO 2011-12
- Rapid growth.
- Number of poor declined by 110 million to 216.6 million.
- Increase in annual rate of reduction in poverty to 2.3 percentage points (0.75 percentage points 1993-2005)
- Yet rural India accounted for 83 percent of India’s poor.

REGIONAL DIFFERENCES
- Population Growth: Over 2001-11, in eight (EAG) states it was 3 times that of other states
- Concentration of Poor: Share of EAG states increased from 57.7 percent in 2004-05 to 64.4 percent in 2011-12.
- Growth in Income: Bihar and West Bengal decline in real terms.
- TFR 2015-16: In Bihar TFR across the four land size classes mentioned earlier was 3.93, 3.02, 2.66 and 2.87 respectively while in Uttar Pradesh it is 3.42, 2.81, 2.60 and 2.41 respectively.
- North-South Divide

FINDINGS
\[ \Delta P = (\Delta P)_m + (\Delta P)_r = \text{Growth + Redistribution Component} \]

\[ \Delta P = \sum_{g=1}^{4} \left[ \left( \frac{v_{gt} + v_{gt+1}}{2} \right) \Delta P_g \right] + \sum_{g=1}^{4} \left[ \frac{\left( P_{gt} + P_{gt+1} \right)}{2} \Delta v_g \right] \]

\[ \Delta P = \sum_{g=1}^{4} \left[ \frac{v_{gt} \Delta P_g}{2} \right] + \sum_{g=1}^{4} \left[ P_g \Delta v_g \right] \]

- Largest Effect in Land Size Class 0.01-0.4 Hectares

INFORMING CURRENT DEBATE
- Formula for apportioning divisible pool of taxes between the centre and states decided by Finance Commission (FC).
- Incentives to be given to states that are far from the replacement rate of fertility. (ToR: XVth FC). Southern states objected to this.
- In the past some states have argued those with higher HCR poverty be given additional resources.
- Our findings support the idea of incentivizing states for population reduction.

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