

Growth Inclusiveness and Well-being in India: An Analysis in terms of Relative Deprivation

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Abstract

Last two decades have witnessed remarkable economic growth in many Asian countries. Almost all the countries including India proceeded towards market orientation and thereby achieved high momentum in economic growth. India, though achieved a high acceleration in economic growth, distributional issues have received much attention to the researchers and policy makers. Much sharper focus has been given on inclusive growth which ensures broad based participation by all the section of the economy. In this paper we are to examine to what extent the observed growth process in India is broad based and inclusive. Growth inclusiveness is examined in terms of the state of relative deprivation. Inter-personal expenditure gaps for different consumption items are used to assess the level of in-built differences in wellbeing among the people. Rural–urban differentials are made explicitly.

Keywords: *Growth, Consumption Expenditure, Relative Deprivation, Well-being, JEL Classification: D63, D31, I30,*

Introduction

Growth inclusiveness in the process of economic development has received much attention in recent years. Last two decades have witnessed remarkable economic growth in many Asian countries. Almost all the countries including India proceeded towards globalization policies and thereby achieved high momentum in economic growth. But it appeared that the benefits from rapid economic growth have not been percolated towards the poor and vulnerable section. Several studies yield the positive relationship between openness, inflow of capital and growth (*Lundberg and Squire, 1999*). Studies also emphasized on economic inequality in connection with globalization aspects (*Wood, 1995 ; Robertson, 2000 ; Stiglitz, 2002*). India though achieved a significant growth, distributional issues have received much attention to the researchers and policy makers. Much sharper focus has been given on inclusive growth which envisages adequate opportunities to ensure broad based participation by all the section of the economy particularly the poor (*Eleventh Plan, Planning Commission*).

Growth inclusiveness is defined as the process and outcome where all groups of people have participated in the growth process with benefit ensuring to every

section of the society. Some Economist assesses inclusiveness as the participation of lower end people in the growth process. Current literature emphasized on the economic opportunities created by growth its availability to all the sections of the society (Ali & Son, 2007; Ali & Zhuang, 2007). By inclusive growth we intend to explore the idea that the growth process should benefit all the section of the society.

Economic growth judged by an increase in per-capita income results in an increase in wellbeing of people. But it happens when there would be equitable allocation of resources with benefit ensuring to every individual belonging to every section of the society. Growth creates opportunities no doubt but access to such opportunities is important for growth to be inclusive. When benefit of economic growth is not percolated to all the sections of the society, inequality in the distribution of income will rise. Changes in the income distribution will not go in favour of the large mass and in that case growth will be non-inclusive. Inter personal differences in income will be broadened due to such non-inclusive growth process. Obviously an indignant feeling of people arises from the inter-personal shortages of income viewed as relative deprivation will go up resulting in social unrest. Such a state of relative deprivation hence acts as a norm to identify the state of participation of people in and benefit from the growth process. The idea of relative deprivation was first conceptualized by *Stouffer et. al. (1949)*. It was later elaborated by *Devis (1959)*, *Runciman (1966)*, *Crosby (1976)*. Relative deprivation arising out of non-inclusive growth has been quantified first by *Yitzhaki (1979)* and subsequently by *Hey and Lambert (1980)*, *Chakravarty and Chakraborty (1984)*, *Paul (1991)* and *Sen & Pal (2003, 2012,)*. *Sen and Pal* have decomposed analytically the changes in relative deprivation into some explaining factors in the context of Indian economy.

In this paper we are to examine to what extent the observed growth process in India is broad based and inclusive. Growth inclusiveness is examined in terms of the state of relative deprivation in the context of India and its major constituent states. Inter-personal expenditure gaps for different consumption items determine growth inclusiveness in a very sensible way. Thus in the present paper commodity-specific relative deprivation levels are used to assess the level of in-built differences in wellbeing among the people. Rural-urban differentials are made explicitly.

Methodological Framework

Income differences are the genesis of adverse feeling of people and hence relative deprivation. The state of relative deprivation thus captures the nature of non-inclusiveness of growth process.

Let $y = (y_1, y_2, \dots, y_n)$ is the structure of expenditure (n persons) where y_j 's are arranged in non-decreasing order as $y_1 \leq y_2 \leq \dots \leq y_n$.

The function of relative deprivation for person i with respect to person j is defined in terms of expenditure gap:

$$\begin{aligned} d(y_i, y_j) &= y_j - y_i && \text{if } y_i < y_j \\ &= 0 && \text{if } y_i \geq y_j \quad \dots (1) \end{aligned}$$

The average level of deprivation (relative) in the overall economy is

$$D = \frac{1}{n^2} \sum_{i=1}^n \sum_{j \geq i}^n (y_j - y_i) \quad \dots (2)$$

As the overall expenditure structure may be decomposed into sub-structures of expenditures on different consumption items, we can get item wise relative deprivation level corresponding to each consumption item.

Estimates

We have used Consumer Expenditure Data for India and its fifteen major constituent states (National Sample Survey Organization NSSO), India, 63rd Round, 2009-10). We have taken Modified Mixed Reference Period in our analysis.

Overall Deprivation

Monthly per-capita consumption expenditure (MPCE) is almost double in the urban area compared to the rural counterpart in India. Overall inequality and relative deprivation level are also high in urban India (Table 1). Among the states Kerala has the highest level of relative deprivation irrespective of rural and urban areas. Lowest inequality is observed in rural Bihar whereas in case of urban area, Gujarat exhibit the same. Bihar, Uttar Pradesh and Orissa (rural

area) reveal relatively lower level of relative deprivation. Higher deprivation level (urban area) is observed in Kerala, Maharashtra and Andhra Pradesh.

Table 1: Inequality and Relative Deprivation in Major Indian States

States	Rural		Urban	
	G	D	G	D
Andhra Pradesh	0.261	322.07	0.360	805.68
Karnataka	0.241	245.82	0.338	693.91
Tamil Nadu	0.255	295.8	0.323	629.20
Kerala	0.318	583.53	0.388	936.24
West Bengal	0.221	210.39	0.376	738.84
Bihar	0.206	160.68	0.325	402.35
Gujarat	0.255	228.66	0.305	582.24
Haryana	0.272	410.72	0.349	810.02
Madhya Pradesh	0.277	250.13	0.366	609.75
Maharashtra	0.232	267.49	0.378	921.18
Orissa	0.249	203.68	0.354	547.99
Punjab	0.284	468.31	0.328	691.75
Rajasthan	0.242	285.31	0.309	513.86
Uttar Pradesh	0.229	205.87	0.377	593.39
Assam	0.219	219.65	0.333	584.41
India	0.270	284.58	0.362	718.2

Data Source : NSSO, India

Commodity-wise Deprivation

Two important nutrient consumption items (Milk and Milk Products and Meat, Fish & Egg) and Expenditure on Education are taken into account in order to examine the relative deprivation level at commodity level.

Rural Area

In case of consumption of milk and milk products, Haryana, Punjab, Rajasthan shows higher relative deprivation (Table 2). Deprivation level is observed to be low in West Bengal and Orissa. Madhya Pradesh exhibits higher level of inequality.

Inequality in the consumption of meat, fish and egg is observed in Haryana and Karnataka. Highest deprivation level for this item is observed in Kerala.

Though Tamil Nadu shows high inequality in education expenditure, relative deprivation level is higher for Punjab, Haryana and Kerala.

Table 2. Inequality and Relative Deprivation for Different Consumption Items: Rural India

States	Milk and Milk Products		Meat, Fish, Egg		Education Exp.	
	G	D	G	D	G	D
Andhra Pradesh	0.257	17.22	0.256	20.75	0.534	25.08
Karnataka	0.205	12.50	0.395	21.73	0.542	15.18
Tamil Nadu	0.271	16.26	0.234	18.72	0.615	34.44
Kerala	0.297	19.62	0.257	41.12	0.499	44.93
West Bengal	0.333	8.34	0.275	28.11	0.315	9.13
Bihar	0.364	19.29	0.277	10.53	0.328	5.57
Gujarat	0.255	33.91	0.274	3.83	0.535	13.91
Haryana	0.258	80.49	0.432	4.32	0.464	44.08
Madhya Pradesh	0.425	33.15	0.375	8.62	0.520	9.88

Maharastra	0.279	17.06	0.229	10.06	0.469	12.21
Orissa	0.511	9.70	0.304	15.5	0.452	8.13
Punjab	0.255	64.26	0.392	4.31	0.523	48.64
Rajasthan	0.262	49.25	0.356	3.91	0.457	19.65
Uttar Pradesh	0.324	26.61	0.263	5.25	0.314	9.40
Assam	0.332	11.95	0.262	30.6	0.392	9.40
India	0.356	28.91	0.309	15.43	0.516	19.59

Data Source : NSSO, India

Urban area

Highest inequality in the consumption expenditure on milk and milk products (Table 3) is observed in Assam. Highest relative deprivation is observed in Haryana whereas Orissa shows the lowest deprivation level. Uttar Pradesh reveals a very low inequality level in the consumption of meat, fish and egg. West Bengal and Assam exhibit higher relative deprivation level in this item. High level of inequality in expenditure on education is observed in Orissa, Uttar Pradesh and Madhya Pradesh. High in Maharashtra, U.P. and A.P. Whereas relative deprivation is high in Haryana, Uttar Pradesh and Maharastra.

Table 3: Inequality and Relative Deprivation for Different Consumption Items: Urban India

States	Milk and Milk Products		Meat, Fish, Egg		Education Exp.	
	G	D	G	D	G	D
Andhra Pradesh	0.280	31.92	0.224	23.08	0.52	86.71
Karnataka	0.236	23.13	0.231	17.56	0.56	91.04
Tamil Nadu	0.246	27.06	0.193	18.72	0.58	74.82

Kerala	0.346	28.69	0.222	38.42	0.54	77.82
					4	
West Bengal	0.408	26.93	0.345	64.1	0.49	65.54
					3	
Bihar	0.387	34.83	0.303	13.96	0.49	40.29
					7	
Gujarat	0.269	50.57	0.183	3.47	0.49	62.61
					3	
Haryana	0.270	79.11	0.452	12.66	0.51	138.6
					9	
Madhya Pradesh	0.320	37.76	0.366	10.61	0.63	94.02
					1	
Maharastra	0.319	43.65	0.200	15.21	0.61	121.4
					3	
Orissa	0.416	22.46	0.306	24.48	0.67	75.94
					8	
Punjab	0.249	63	0.378	8.31	0.49	89.46
					7	
Rajasthan	0.275	59.68	0.201	4.82	0.60	92.71
					2	
Uttar Pradesh	0.370	49.21	0.094	2.53	0.64	118.1
					5	
Assam	0.434	26.04	0.377	75.4	0.52	53.23
					7	
India	0.310	42.5	0.260	18.7	0.57	92.38
					4	

Data Source : NSSO, India

Concluding Remarks

Inequality and relative deprivation are higher in the urban area than in the rural area for India and its major constituent states. Inequality in the expenditure on

education is substantially high in both rural and urban areas of different states. For each consumption item, urban area is more pronounced in relative deprivation. It is no doubt, in India, per-capita income/consumption has rapidly risen resulting in an increase in average welfare. But it has not been associated with even distribution of the fruits of growth. Relative deprivation has become high which results in an increase in discontent feeling of the people. Inequality and relative deprivation level in the consumption of different items reflect the non-inclusive character of contemporary growth process. Instead of relying upon the process of growth-benefits being trickled down, the Govt. should identify the areas prone to deprivation following the process so described in this paper and launch appropriate income generating programmes. Govt. should take care of the of redistribution policies so undertaken such that lower end people can be included in the growth process.

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