

## Incidence, Depth and Severity of Economic Poverty across social groups in Uttar Pradesh and Madhya Pradesh: 1999-00 and 2011-12

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### ABSTRACT

*This paper aims to analyse the pattern of economic poverty across social groups. Reduction of economic poverty in order to attain inclusive growth is a daunting task before policy makers. The economic poverty has many functional impacts on other dimensions of social and political development of the economy. It has been found that all the poverty measures viz. Head Count Ratio, Poverty Gap Index and Squared Poverty Gap Index are higher in the deprived social groups in both the states. The poverty reduction rate has been lower among marginalized class than advanced social groups in both states. Further the mean income shortfall of the poor persons from the poverty line has been higher in these social groups in comparison to advanced one in both the states. It shows that the life of poor persons from marginalized social groups is much more plight-full than advanced one in both states. The high income inequality among poor person, measured through SPGI, from underprivileged social groups also indicates that the economic life of poorest person from this class is much more vulnerable. Effective and efficient policy instrument is required in order to create social, economic and financial safety net which helps in reducing economic poverty and attaining inclusive growth.*

### Introduction

The Indian economic development planning, since its inception, has been aiming to achieve and maintain a high level of economic growth with equity dimension and this objective was renamed in 11<sup>th</sup> Five Year Plan as “Towards faster and more inclusive growth”. The 12<sup>th</sup> FYP (2012-17) is aimed to achieve “Faster, sustainable and more inclusive growth” also. This approach of development has evolved on the backdrop of high incidence of poverty and unemployment in Indian economy and because of a large section of society was not benefited from the high level of economic growth. Thus, the failure of “Trickledown theory”, which stated that a high level of economic growth will automatically solve the problems of poverty and unemployment at the bottom strata of economy, has led to rethinking

about the appropriate approach of development, which can benefit all the section of society irrespective of caste, sex, religion and ethnicity.

The incidence of economic poverty and unemployment rate are higher in rural India than urban India. The rural India has suffered most in all dimension of life and performed worst in all indicators of economic and social development. One reason for the low progress of developmental indicators of the rural India is that, the rural India is inhabited by the most deprived, illiterate and excluded persons and also, there is high inequality in access to education, health care facility, better job opportunities and productive assets. The historically deprived and excluded marginalized section of population in rural India has joined the agricultural labour force and a large proportion of small and marginal farmers and landless non-agricultural rural

labour households are poor. In Indian economy, the land is considered as an important income-yielding productive assets but a major section of India population has been denied from holding land only because of deep rooted of caste based division of work in ancient India.

The economic poverty is a hurdle for the progress of any society and it has many functional impacts on the society. "The fundamental feature of the poverty is that it affects the access of poor to markets, and this change in access has repercussions for the entire economy. Practically all markets are affected: the ability to obtain credit, to sell labour, to rent land for cultivation."<sup>1</sup> In Indian economic development planning, there was no any direct policy instrument to attack on poverty till 1970s. The strategy of direct attack on the poverty through the policy instruments of rural development and rural employment programmes were firstly adopted in 1970s. In Fifth Five Year Plan (1974-1979), economic poverty alleviation was accepted as one of the principle objective of economic planning in India, because the trickle-down (top to bottom) approach of economic development could not have helped to remove the problems of poverty and unemployment at bottom level of the economy. In recent years, government has been trying to eradicate poverty through sharing fruits of economic growth with excluded section of society (pro-poor growth approach), wage-employment, self-employment programmes and social sector schemes. In all these schemes, the government is specially focusing on the excluded marginalized section (SCs, STs, and Women) of society to empower them socially and economically.

## Conceptual Framework Of Poverty And Poverty Line

Poverty has become a global challenge and the high incidence of economic poverty puts severe constraint on the socio-economic and political

progress of a society. The widespread economic poverty across the globe has to be eradicated for poverty free world and for ensuring equity-based social, economic and political progress across the world. The Millennium Development Goal (MDG) has also set its first target to halve the incidence of economic poverty between 19990 and 2015. According to World Bank (2000), "poverty is pronounced deprivation in well-being". The concept of well-being is generally referred to the command over resources to meet the basic needs of human beings. According to Sen, poverty is deprivation of capabilities because well-being comes from a capability to function in society. Capability indicates what a person can do or be, the wide range of choices that are open to him. Deprivation of capabilities means to have inadequate income or consumption expenditure, or education, or poor health status, or social insecurity, or low self confidence, or a sense of powerlessness, or the absence of rights such as freedom of speech etc.

The most common approach of well-being to measure economic welfare is based on the household consumption expenditure or household income. According to Debraj Ray, poverty line is an expenditure threshold that is regarded as minimally necessary for "adequate" participation in economic life and people below this threshold are counted as poor.<sup>2</sup>The poverty line refers to the minimum consumption expenditure (or income) required by an individual to fulfill his/ her basic food and non-food needs. In other words, the term economic poverty refers to the inability to obtain minimum consumption expenditure (or income) to meet the basic needs of life such as food, clothing, shelter, health care and education .The poverty line separates poor from non-poor and the poor persons are those whose consumption expenditure (or income) falls below the poverty line. Some scholars have also argued that poverty line will be equal to "starvation line" if the accepted poverty line includes only expenditure on food items or poverty line based on the merely calorie intake. It means the poverty

<sup>1</sup> Debraj Ray, Development Economics, Oxford University Press, 2013, p.257.

<sup>2</sup> *ibid*, p.253.

line should include minimum consumption expenditure on both food and non-food items.

## Measuring Poverty Line In India

A minimum physical quantity of necessary commodities for subsistence level of living standard and multiplying these physical quantities by the price quotation of commodities is required to reach the minimum consumption expenditure. This minimum consumption expenditure becomes the poverty line which separates the poor from non-poor. The population whose level of consumption expenditure is below the determined minimum consumption expenditure is considered below poverty line (BPL), and is counted as poor.

Erstwhile Planning Commission (now it is replaced with NITI Ayog) has been a nodal government agency to measure the incidence of economic poverty in India. The first official effort to measure incidence of poverty in India was taken in 1962, when the erstwhile Planning commission had set of a Working Groups to define of poverty line which separate poor from non-poor. In this study, poverty line for 1999-00 and 2011-12 recommended by Prof. Lakdawala Committee, a committee constituted by Planning Commission in September, submitted its report in July 1993 and recommended for State- Specific poverty line, which has been used in this study.

In India, data on consumption expenditure is provided by National Sample Survey Office (NSSO), which conducts large household survey on consumption expenditure on quinquennial basis across the country. The consumption expenditure data provided by NSSO is based on the reference or recall period. According to NSSO, the time period for which consumption is recorded is called the reference or recall period, because the respondents are asked to recall and report the volume of consumption. It may vary from item to item. There are two recall periods- UPR (Uniform Reference Periods) and MRP (Mixed reference Periods) used by NSSO, on the basis of which consumption expenditure data is provided. In UPR, all expenditure

is reported for the 30-days reference period and in MRP, expenditure on clothing, health (institutional), education, footwear, and durables are reported for 365-days reference (recall) period and expenditure on all other items is recorded for 30-days recall periods. Thus, MRP is the mixture of both 30-days and 365-days recall periods and hence is called mixed recall period. In this study, as mentioned earlier, the Lakdawala poverty line has been used.

## Measurement Of Poverty

The measurement of poverty basically describes the way by which poverty is measured. Poverty is measured through the poverty index, and a poverty index is a summary of statistics on the economic welfare of the poor in a society. According to Sen, there are two steps to measure poverty, viz. identification (who are poor?) and aggregation (how the poverty characteristics of different people to be combined into an aggregate measure?). The first step, identification consists of defining an indicator of welfare such as income or consumption expenditure and establishing a minimum acceptable standard of that indicator to separate the poor from non-poor (the poverty line). The second step is aggregation of individual poverty i.e. measurement of poverty by preparing poverty Index. The method by which poverty is measured is important for comprehending what has happened to poverty as well as for anti-poverty policy evaluation (B. Zheng, 1997). According to Sen, an ideal measurement of poverty should satisfy poverty axioms- focus, monotonicity and transfer axiom. According to focus axiom, the poverty measure should be independent of the income distribution of above the poverty line (of non-poor). In monotonicity axiom, given other things, a reduction in the income of a poor person must increase the poverty measure and vice versa. According to transfer axiom, ceteris paribus, a pure transfer of income from a poor person to any other non-poor person must increase the poverty measure and vice versa.

In this study FGT (Foster-Greer-Thorbecke, 1984) family of poverty measures has been used.

The members of the family of poverty measures of FGT are: Head count Ratio (HCR), Poverty Gap Index (PGI) and Squared Poverty Gap Index (SPGI). The head count ratio simply measures the proportion of poor persons in total population or the fraction of people below the poverty line. It is the most commonly used measurement of poverty. But it does not indicate how poor are poor and hence does not change if people below the poverty line become poorer and also it violates the transfer axiom of poverty. It does not take into account the depth and severity of poverty. The use of HCR as a measure of poverty systemically biases policy in favour of individuals who are very close to poverty line—these people offer the biggest bang for the buck, because they are most easily taken above the poverty line (ibid, p.254). The HCR always has the tendency to channel the aid to the poor persons next to the poverty line, i.e. the least needy person first and the most needy person last (Zheng, 19997).

The PGI measures the depth of poverty i.e. how far, on average, by which household/individual falls below the poverty line. In other words, it shows the mean distance (or shortfall) of the income or consumption expenditure of the entire poor population from the poverty line. The PGI also measures the cost of eliminating poverty (relative to the poverty line), because it shows how much would have to be transferred to the poor to bring their income or consumption expenditure up to the poverty line. But this measure does not satisfy the transfer axiom of poverty and does not take into account the income inequality among the poor. The

Squared poverty gap index (SPGI) reflects the change in the severity of poverty. It captures the income distribution within poor. It is the mean square of proportion of poverty gap from the poverty line. The process of squaring the proportionate poverty gap from the poverty line puts more weight on the poorer person. It is distribution-sensitive poverty measure because it takes into account the income inequality among poor persons. A distribution-sensitive poverty measure is that poverty measure which satisfies the minimal transfer axiom. Any distribution-sensitive poverty measure will reflect the overall poverty changes due to the effect of anti-poverty policies, poverty eliminating, poverty alleviating schemes, and distributive schemes and programs. Importantly, the distribution sensitive poverty measure will suggest providing aid to the neediest poor person first and the least needy poor person last. “The scheme works as follow: income is given to the poorest person until his income equals the next poorest person, then income is distributed to these equal poor persons equally until each person’s income equal third poorest person’s income. This is repeated until all assistance income is distributed. Therefore, only distribution-sensitive poverty measures may lead to both horizontally and vertically anti-poverty policies (B. Zheng, 1997).” The SPGI satisfies focus, monotonicity, transfer, relative deprivation and decomposability axioms of poverty measurement.

Table 1.1 Lakdawala poverty Line (MPCE in Rupees)

	Rural		Urban	
	1999-00	2011-12	1999-00	2011-12
Madhya Pradesh	311.34	640.53	481.65	952.13
Uttar Pradesh	336.88	620.3	416.29	967.53

***On the Issue of comparability of poverty ratio for the period 1999-00 and 2011-12***

poverty ratio of 55<sup>th</sup> round is not comparable with earlier rounds of NSSO. There were two sets of MPCE in 55<sup>th</sup> round, the 30-days based MPCE and 7-days based MPCE. The MPCE based on 30-days recall period includes consumption of food items on 30-days recall period, the consumption of five non-food items- clothing, footwear, durables, education and institutional health expenses were collected from 365-days recall period and all other non-food item were collected from 30-days recall period. The Planning Commission had used the MPCE based on 30-days recall period to measure the extent of poverty for 1999-00, and further, it said that “The percentage and number of poor in 2004-05 estimated from MRP consumption distribution of

NSS 61st Round of consumer expenditure data are roughly (but not strictly) comparable with the poverty estimates of 1999-2000 based on MPCE-30 days recall period”. With the same methodology Planning Commission estimated the poverty ratios at the national and state levels for the years 1999-2000 and 2004-05, using the NSS large sample survey consumer expenditure data of 55th and 61st Rounds, respectively (C. Rangrajan , 2014). In this study, the percentage and number of poor persons in 1999-00 and in 2011-12 is based on the MPCE-30 days recall period and MPCE\_MRP, respectively. These estimates of poverty ratio are not comparable strictly but it is comparable roughly, which is the main limitation of this study.

Table 1.2: Percentage share of social groups in total population in U.P. and M.P. in 1999-00 and 2011-12

	Uttar Pradesh						Madhya Pradesh					
	RURAL		URBAN		TOTAL		RURAL		URBAN		TOTAL	
	1999-00	2011-12	1999-00	2011-12	1999-00	2011-12	1999-00	2011-12	1999-00	2011-12	1999-00	2011-12
ST	1.02	1.29	0.6	0.72	0.94	1.17	25.87	28.21	6.89	7.64	21	22.97
SC	25.27	26.57	15.33	13.56	23.29	23.79	14.54	18.4	14.32	14.1	14	17.3
OBC	46.36	55.5	32.56	50.14	43.62	54.36	39.56	40.63	34.81	45.63	38.39	41.91
OTHER	27.35	16.63	51.52	35.58	32.15	20.68	20.03	12.76	43.98	32.63	26	17.82

Source: Own calculation from 55<sup>th</sup> and 68<sup>th</sup> round of NSSO, consumption expenditure schedule

## Poverty Ratio Across Social Groups In UP And MP

The analysis of incidence of economic poverty across the social groups is necessary for understanding the exiting level of poverty, the economic condition of deprived sections, nature of economic growth and for evaluating the performance of anti-poverty policy programmes. Table 1.3 shows the percentage and number of poor persons across the social groups in Uttar Pradesh

and Madhya Pradesh in all sectors (rural, urban and total) in 1999-00 and 2011-12. From the table, it is clear that the percentage and number of poor persons in all social groups is decreased in both the states during the period 1999-00 and 2011-12. In rural sector, the poverty ratio has decreased across the social groups in UP. The annual rate of poverty reduction has been high in Other category (reduced by 10.90% annually) and has been low among SC (reduced by 6.52% annually) and OBC (reduced by 8.14% annually). The population share of ST in total population in UP is very less hence the poverty ratio

is high for ST. The sample size of ST in rural UP is less than hundred (77) in NSSO 68<sup>th</sup> round, due which we cannot infer any strong argument. The most marginalized social groups in UP are SCs and OBCs. And during the period 1999-00 and 2011-12, the annual rate of poverty reduction has been lowest among them in rural UP. In 2011-12, the poverty ratio and number of poor persons in SC and OBC was 19.41% and 11.95% and 136.31 and 189.85 lakhs, respectively. In rural MP, the most deprived and marginalized social groups are STs and SCs, and during 1999-00 and 2011-12, the poverty ratio across these social groups in rural MP has decreased. The annual rate of poverty reduction has been high in OBC (reduced by 6.18% annually, it fall from 27.9% to 12.98%) and low in SC (reduced by 3.14% annually). In rural MP, the most deprived social groups is ST, because in 2011-12, poverty ratio and number of poor persons was highest in this social group i.e. 36.3% and 50.1 lakhs persons, respectively and the poverty ratio in SC was 26.73%.

In urban sector, the economic condition of the ST, SC and OBC is worst in UP. During 1999-00 and 2011-12, the poverty ratio has reduced across the social groups in urban UP except in ST (in case of ST poverty ratio has increased by 5.54% annually). The annual rate of poverty reduction was highest in Other (4.48%) and lowest in SC (0.54%) and OBC (0.60%) during the period. In 2011-12, poverty ratio was high among SC (44.17%) and OBC (34.83%) in urban UP, thus, it indicates the rate of poverty reduction in urban UP is very slow. Therefore, there is high poverty ratio among the most marginalized social groups. In urban MP, poverty ratio is decreased across the social groups during 1999-00 and 2011-12 and the annual rate of poverty reduction across the social groups has been more than state average expect in the SC. In case of the SC, the poverty ratio decreased by only 3.54% annually whereas state average decrease was 3.82% annually. In 2011-12, the percentage of poor persons was much higher among the socially, economically and politically deprived (ST and SC) social groups in urban MP.

The poverty ratio across the social groups in MP and UP (rural +urban) also indicates

that the percentage of poor persons from the marginalized social groups is much higher than higher social groups. According to historical reasons – the marginalized social groups have been engaged in low paid jobs and due to lack of physical assets and human capital (skills), the economic backwardness (measured in terms of poverty ratio) is much higher among STs and SCs in MP and UP. During 1999-00 and 2011-12, the poverty ratio of social groups has decreased, but the annual rate of poverty reduction has been highest in the advanced (Other) social groups and it decreased by 7.42% annually (from 19.81% to 7.85%). The annual rate of poverty reduction has been low among the most deprived (SC and OBC) social groups in UP i.e. 5.47% and 5.81% annually for SC and OBC, respectively. In 2011-12, the percentage of poor persons in SC and OBC in UP was 22.43% and 16.45%, respectively. In MP, the poverty ratio has also decreased across the social groups during 1999-00 and 2011-12. And the rate of reduction has been high in OBC (reduced by 5.35% annually) and ST (reduced by 3.80% annually) and low in SC (reduced by 3.37% annually). In both years, the poverty ratio in ST and SC was much higher than rest of the social groups in MP. In 2011-12, the percentage of poor persons was highest (35.99%) in the ST followed by SC (28.78%). The most deprived social groups ST and SC, have been identified as those social groups who have experienced high incidence of economic poverty than national average. Although the poverty ratio has declined in SC fairly deter but in case of ST households, reduction in incidence of poverty have not been so satisfactory (Sundaram and Tendulkar, 2003 and Panagariya and More, 2013). Thus in both the states, the poverty ratio has reduced across the social groups but still the incidence of economic poverty is high among the most deprived social groups.

In UP, the incidence of economic poverty across the social groups in rural areas has decreased sharply in comparison of urban areas and the percentage of poor persons in all social groups is much lesser in rural sector than urban also. In MP, reduction in poverty ratio has been slightly higher in urban sector but in 2011-12, the percentage of poor

person in all social groups was much higher in urban sector than rural sector, except in STs. The high urban poverty also indicates that the level of urban poverty in marginalized social groups is much more than average poverty ratio in both the states. It

means the rural wage employment (MGNREGA), self-employment schemes and growth rate of state GDP have contributed positively in the process of poverty reduction in rural sectors in both the states (see also Panagariya and More, 2013).

Table 1.3: Incidence of economic poverty across the social groups in U.P. and M.P. during 1999-00 and 2011-12

	RURAL				URBAN				TOTAL			
	% of poor persons		Number of poor persons (in Lakh)		% of poor persons		Number of poor persons (in Lakh)		% of poor persons		Number of poor persons (in Lakh)	
	1999-00	2011-12	1999-00	2011-12	1999-00	2011-12	1999-00	2011-12	1999-00	2011-12	1999-00	2011-12
<b>Uttar Pradesh</b>												
ST	36.58	12.88	4.62	2.40	10.42	19.89	0.19	0.56	33.27	13.81	4.81	2.97
SC	43.60	19.42	136.31	74.45	47.15	44.17	22.21	23.43	44.06	22.43	158.52	97.88
OBC	33.10	11.95	189.85	95.69	37.45	34.83	37.46	68.34	33.75	16.45	227.31	164.00
OTHER	18.06	4.52	61.10	10.84	23.56	13.59	37.29	18.93	19.81	7.85	98.39	29.77
Total	31.68	12.71	391.93	183.30	31.62	28.43	97.15	111.20	31.67	16.06	489.08	294.60
<b>Madhya Pradesh</b>												
ST	57.19	36.30	62.93	50.10	58.73	32.68	5.64	4.20	57.31	35.99	68.57	54.20
SC	39.22	26.73	24.26	24.00	56.41	36.59	11.26	8.60	43.41	28.78	35.53	32.70
OBC	27.90	12.98	46.96	25.80	45.89	25.67	22.27	19.60	31.93	16.50	69.23	45.40
OTHER	11.00	7.18	9.37	4.50	24.12	15.00	14.79	8.20	16.49	10.83	24.16	12.70
Total	33.74	21.35	143.54	104.40	38.71	24.26	53.96	40.60	34.97	22.09	197.50	144.90

Source: Own estimation from NSSO 55<sup>th</sup> and 68<sup>th</sup> round, unit record data.

Note: Uttarakhand from UP and Chhatisgarh from MP has been excluded in 1999-00

Table 1.4 shows the incidence, depth and severity of economic poverty across the social groups in UP and MP. The Head Count Ratio (HCR) simply measures the incidence of economic poverty; the Poverty Gap Index (PGI) measures the depth (mean shortfall of consumption expenditure from the poverty line) of poverty and Squared Poverty Gap Index (SPGI) measures the severity of poverty by taking into account the inequality among the poor. The PGI as well as SPGI normally (though not necessary) move in same direction with HCR which enter as a component in both. Usually, across the social groups, higher levels of HCR (but not always) related

to higher levels of PGI and SPGI (Sundaram and Tendulkar, 2003).

Table 1.4 clearly shows that the incidence, depth and severity of economic poverty has reduced across the social groups in all sectors in UP except in ST in urban sector. In rural UP, during 1999-00 and 2011-12, the incidence, depth and severity of economic poverty has reduced across the social groups but the annual rate of reduction of depth of poverty has been higher than annual rate of reduction of incidence of poverty across the social groups. The annual rate of reduction of depth of poverty has been highest (reduced by 11-55% annually) in Other social groups and lowest in OBC

(reduced by 9.03% annually). In case of annual rate of reduction of severity of economic poverty, it is highest in Other (reduced by 12.73% annually) and lowest in OBC (reduced by 8.38% annually). In 2011-12, the incidence and depth of economic poverty was highest in SC (19.42% and 2.76%, respectively) but the severity of economic poverty was highest (0.7%) in ST. This indicates that the percentage of poor persons in ST is less than from SC, and the mean shortfall of consumption expenditure from the poverty line of poor person in ST is also lower than of SC. But there is high inequality in consumption expenditure among the poor persons from ST social groups in comparison to rest of social groups. All the poverty indicators (incidence, depth and severity) of economic poverty in Others were lower than rest of

the social groups and state average in rural UP in both the years. In rural MP, during 1999-00 and 2011-12, incidence, depth and severity of economic poverty have reduced across the social groups and the annual rate of reduction of incidence, depth and severity of economic poverty have been highest in OBC (annually reduced by 6.18%, 6.94% and 7.09%, respectively). The annual rate of reduction of incidence of economic poverty has been low (3.14%) in SC and the annual rate of reduction of depth and severity of economic poverty has been low in Other social groups (it annually reduced by 3.97% and 0.65%). In 2011-12, the incidence, depth and severity of economic poverty were highest in ST and followed by SC in rural MP.



Table: 1.4, Incidence, depth and severity of economic poverty across social groups.

	Head Count Ratio			Poverty Gap ratio			Squared poverty Gap ratio		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
<b>1999-00 Uttar Pradesh</b>									
ST	36.58	10.42	33.27	9.39	1.07	8.34	3.39	0.26	2.99
SC	43.60	47.16	44.06	8.71	10.10	8.89	2.53	3.10	2.61
OBC	33.10	37.45	33.75	6.01	7.69	6.26	1.63	2.30	1.73
OTHER	18.06	23.56	19.81	3.14	5.26	3.81	0.82	1.61	1.07
UP	31.68	31.62	31.67	5.94	6.77	6.11	1.66	2.05	1.73
<b>2011-12 Uttar Pradesh</b>									
ST	12.88	19.89	13.81	2.57	5.50	2.95	0.70	1.92	0.86
SC	19.42	44.17	22.43	2.76	9.22	3.54	0.57	2.82	0.84
OBC	11.95	34.83	16.45	1.93	7.25	2.97	0.57	2.09	0.87
OTHER	4.52	13.59	7.85	0.72	2.74	1.46	0.16	0.81	0.40
UP	12.71	28.43	16.06	1.96	5.90	2.80	0.50	1.73	0.76
<b>1999-00 Madhya Pradesh</b>									
ST	57.19	58.73	57.31	12.62	18.89	13.12	4.22	7.27	4.46
SC	39.22	56.41	43.41	7.97	13.95	9.43	2.35	5.02	3.00
OBC	27.90	45.89	31.93	5.38	12.01	6.87	1.57	4.36	2.19
OTHER	11.00	24.13	16.49	1.75	5.01	3.11	0.40	1.51	0.86
MP	33.74	38.71	34.97	6.90	9.68	7.59	2.13	3.40	2.45
<b>2011-12 Madhya Pradesh</b>									
ST	36.30	32.68	35.99	8.18	7.20	8.10	2.70	2.17	2.65
SC	26.73	36.59	28.78	4.30	7.76	5.02	1.03	2.22	1.28
OBC	12.98	25.67	16.50	2.27	5.04	3.04	0.65	1.40	0.86
OTHER	7.18	15.00	10.83	1.30	3.08	2.13	0.37	0.84	0.59
MP	21.35	24.26	22.09	4.19	4.95	4.38	1.26	1.39	1.29

Source: Own estimation from NSSO 55<sup>th</sup> and 68<sup>th</sup> round, unit record data.

Note: Uttarakhand from UP and Chhatisgarh from MP has been excluded in 1999-00.

In urban area, during 1999-00 and 2011-12, the incidence, depth and severity of economic poverty have reduced across the social groups in UP except ST. The annual rate of reduction of incidence, depth and severity of economic poverty have been highest in Other (advanced) social groups whereas the annual rate of reduction of incidence of economic poverty has been lower (reduced by 0.54% annually) in SC and OBC (0.60%). The sample size of ST in urban UP is only 33 in 2011-12 due to which we

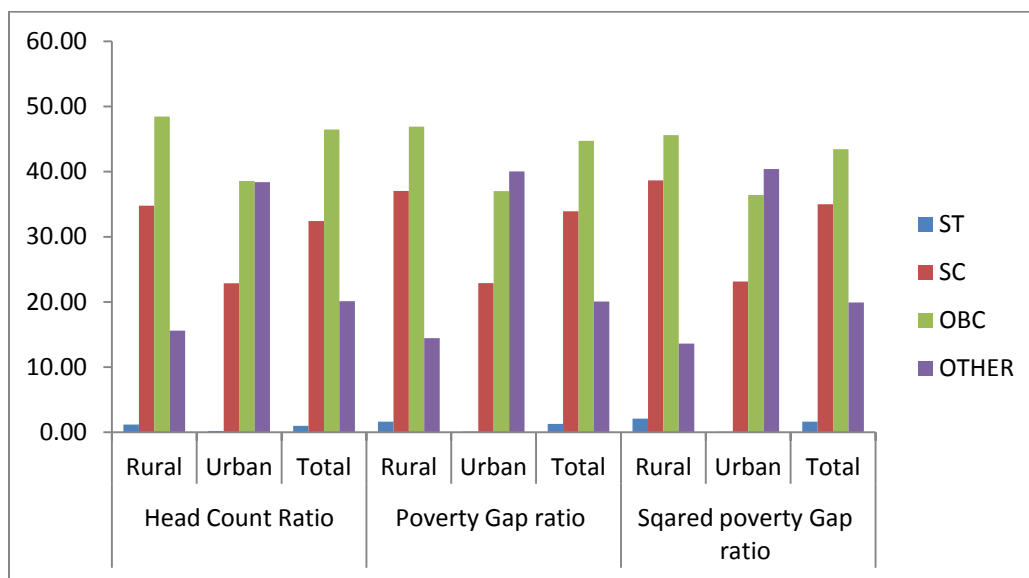
cannot make a strong argument about change in their economic condition. The annual rate of reduction of depth and severity of economic poverty has been low in most deprived (SC and OBC) social groups in urban UP. In 2011-12, the incidence, depth and severity of economic poverty were high in the most deprived social groups in urban UP. In urban MP, during 1999-00 and 2011-12, the incidence, depth and severity of economic poverty have reduced across the social groups also but the annual

rate of reduction of incidence, depth and severity of economic poverty have been highest in ST, (annually reduced by 4.77%, 7.72% and 9.58%, respectively), followed by OBC and SC social groups. In 2011-12, the incidence, depth and severity of economic poverty was highest (36.59%, 7.76% and 2.22%, respectively) in SC followed by ST and OBCs in urban MP.

In UP (both rural +urban), during 1999-00 and 2011-12, the incidence, depth and severity of economic poverty have reduced across the social groups. The annual rate of reduction of incidence of economic poverty has been highest in Other (it reduced by 7.42% annually) and lowest in SC (it reduced by 5.47% annually). In case of depth of economic poverty, it annually reduced by 8.30% in ST, 7.68% in Other, 7.39% in SC and 6.02% in OBC. And the annual rate of reduction of severity of economic poverty is 9.86% in ST, 9.01% in SC, 7.87% in Other and 5.57% in OBC. In 2011-12, the incidence and depth of economic poverty was highest (22.43% and 3.54%) in SC but the severity of economic poverty was highest (0.87%) in OBC. It indicates that there is high inequality in the consumption expenditure among the poor persons of OBC. Thus, the incidence, depth and severity of economic poverty are still high in SCs and OBCs in Uttar Pradesh. In MP, the incidence, depth and severity of economic poverty has been highest in deprived social groups (ST and SC) in both the years. During 1999-00 and 2011-12, the incidence of economic poverty has reduced across groups with largest reduction in OBC social group (in OBC, it reduced by 5.35% annually). The annual rate of reduction of incidence of economic poverty has been 3.80% in ST, 3.44% in Other and 3.37% in SC. It means, the reduction in the percentage of poor has been lower in SC.

As far as reduction in depth and severity of economic poverty is concerned, its reduction has been larger in OBC (reduced by 6.57% and 7.49% annually), SC (reduced by 5.12% and 6.85% annually), ST (reduced by 3.94% and 4.25% annually) and Other (reduced by 3.10% and 3.09% annually) social group. In 2011-12, the incidence, depth and severity of economic poverty was highest in ST and followed by SC social group which basically indicates that still the most deprived social groups in MP. The high incidence, depth and severity of economic poverty in these (ST and SC) social groups are an outcome of deep deprivation in wide range of economic and social indicators. In 2011-12, the incidence, depth and severity of economic poverty in ST social group was- 35.99%, 8.1% and 2.65% , respectively whereas in the SC social group, it was 28.78%, 5.02% and 1.28%. Thus, the incidence, depth and severity of economic poverty across the social groups in both states have reduced during 1999-00 and 2011-12, but still it is much higher in the most derived social groups in both states. In UP, it is much high in SC and OBC social groups and in MP, it is much high in ST and SC social groups. Basically, the deprived sections of society in both states are the marginal landholder and landless, casual workers, agriculture workers and illiterates, and these major economic and social bottlenecks put major constraint on their economic and social progress which finally push and keep them into the vicious cycle of economic poverty. Caste is strongly related with incidence of poverty, since certain castes (SC/ST) are lacks physical assets, and capital and human capital, and are mainly engaged in low paid occupations. The incidence, depth and poverty are much higher among deprived (SC/ST) social groups in both rural and urban Uttar Pradesh (Ravi S. Srivastava).

Figure 1.1: Share of social groups in incidence, depth and severity of economic poverty in Uttar Pradesh in 1999-00.

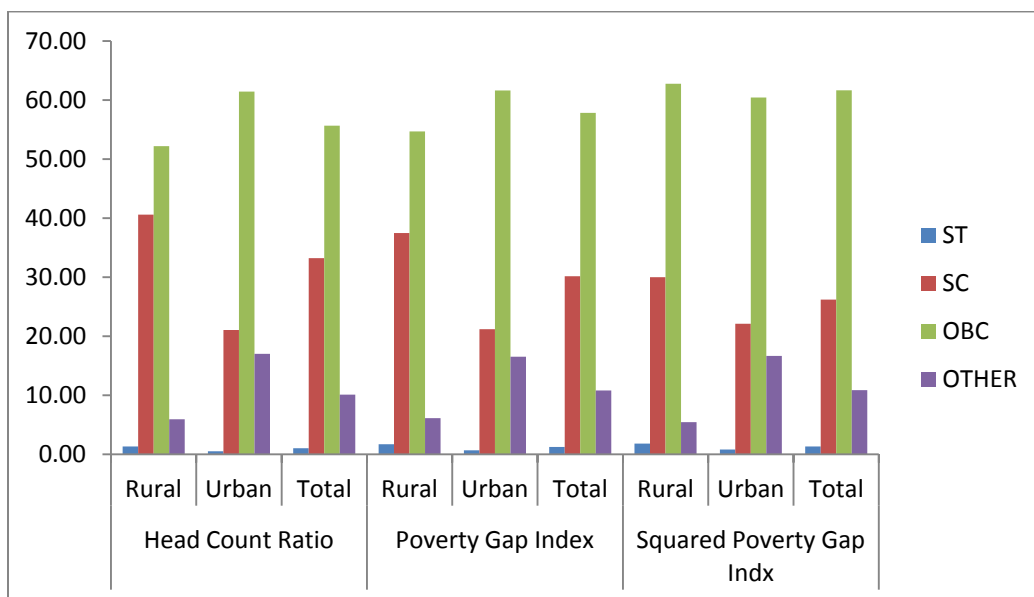


Source: Own estimation from NSSO 55<sup>th</sup> round, unit record data

The figure 1.1 and 1.2 shows the share of social groups in incidence, depth and severity of economic poverty in Uttar Pradesh for the year 1999-00 and 2011-12. It is clear that in rural Uttar Pradesh, the share of OBC in incidence, depth and severity of economic poverty was highest followed by SC in both the years. But in 2011-12, share of OBC in severity and depth of economic poverty has increased sharply in comparisons of 1999-00 and the share of OBC in depth and severity of economic poverty was much higher than share in incidence of

economic poverty. In urban area, the share of OBC and Others in incidence of economic poverty was almost equal but share of Others in depth and severity of economic poverty in urban UP was highest in 1999-00. In 2011-12, share of OBC in incidence, depth and severity of economic poverty was much higher than rest of social groups in all sectors (rural, urban and in overall- rural plus urban) followed by the SC because both SC and OBC are the most deprived and marginalized social groups of Uttar Pradesh.

Figure 1.2: Share of social groups in incidence, depth and severity of economic poverty in Uttar Pradesh in 2011-12

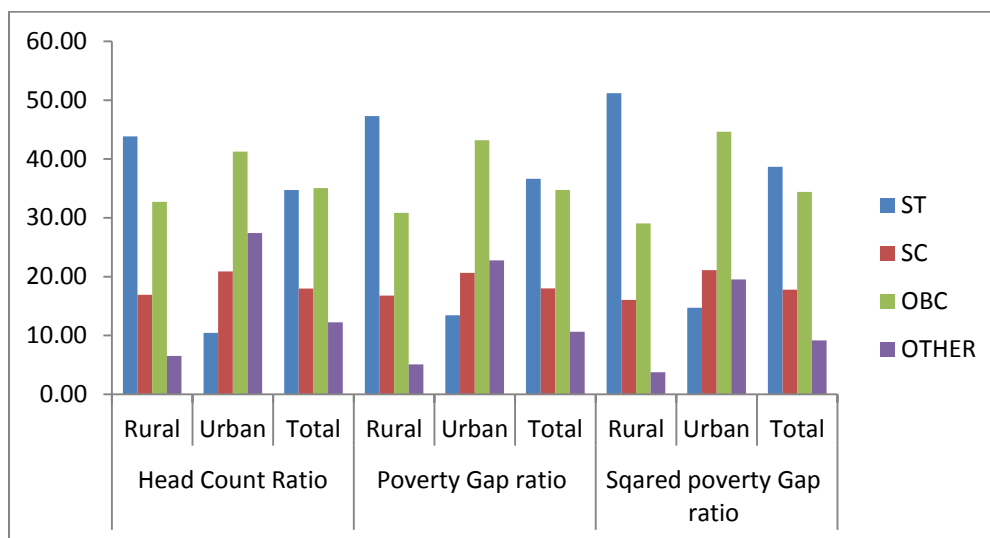


Source: Own estimation from NSSO 68<sup>th</sup> round, unit record data.

The figure 1.3 and 1.4 shows the share of social groups in incidence, depth and severity of economic poverty in Madhya Pradesh in 1999-00 and 2011-12. In 1999-00, the share of ST in incidence, depth and severity of economic poverty was highest in all sectors followed by OBC except in urban areas. In urban areas the share of OBC in all indicators of poverty was highest. Same pattern also exists in 2011-12. Thus, the share of ST in incidence, depth and severity of economic poverty is highest in rural areas and in total (rural+urban) followed by OBC, whereas the share of OBC in incidence, depth and severity of economic poverty is highest in urban

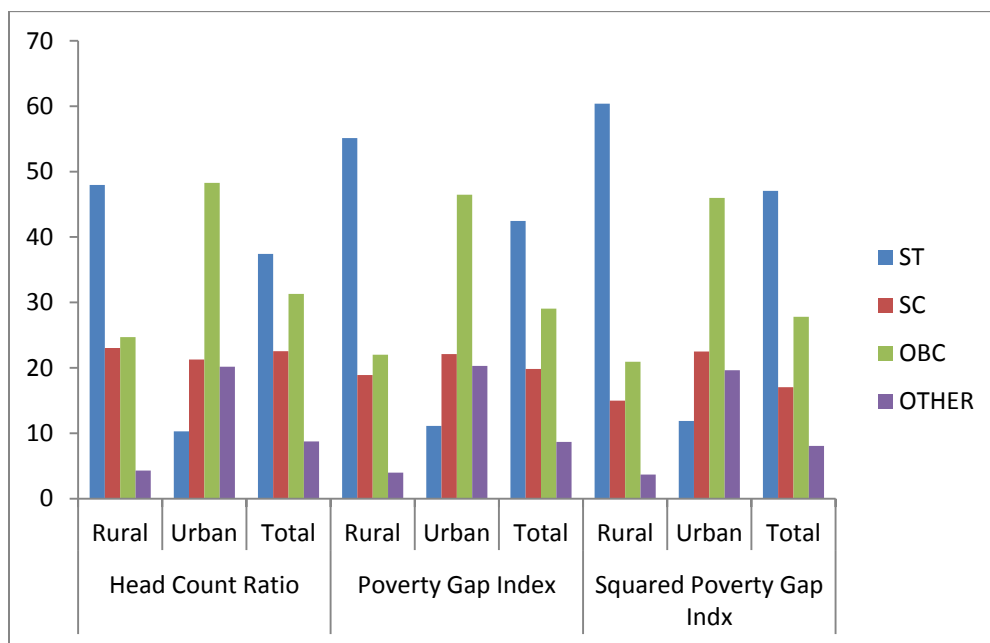
areas of Madhya Pradesh. So, the economic condition of the ST is worst in rural areas and in Madhya Pradesh as a whole followed by OBC. Though in urban areas, economic condition of OBC is worst because their share in all indicators of economic poverty is much higher followed by the SC. The study of Sundaram and Tendulkar (2003) also found that the economic condition of ST is worst in rural area and the economic condition of the SC is worst in urban area. Here, above analysis shows that the economic condition of the OBC in urban Madhya Pradesh is worst followed by the SC social groups.

Figure 1.3: Share of social groups in incidence, depth and severity of economic poverty in Madhya Pradesh in 1999-00



Source: Own estimation from NSSO 55<sup>th</sup> round, unit record data.

Figure 1.4: Share of social groups in incidence, depth and severity of economic poverty in Madhya Pradesh in 2011-12



Source: Own estimation from NSSO 68<sup>th</sup> round, unit record data.

### Concluding Remarks

The analysis of incidence, depth and severity of economic poverty across the social groups clearly shows that in Uttar Pradesh, the incidence of

poverty is still high in Schedule Caste. The mean shortfall of consumption expenditure (a proxy of income) of poor persons from this social groups from the poverty line is large and also there is high income inequality among the poor persons from SC

social group. The incidence, depth and severity of poverty in SC is much higher than state average. In Schedule Tribe social community, the incidence of poverty is less than SC and OBC but the severity of poverty is almost equal to SC and OBC. The performance of advanced social community in achieving better level of economic status is much satisfactory and that's why, the incidence, depth and severity of poverty is much lower in these social groups. The mean shortfall of income of poor persons from SC and OBC from the poverty line is large and also the severity of poverty which indicates the income inequality among poor persons is also high in these social groups.

The economic growth rate of state in recent past has not helped much to this section of society because the depth and severity of poverty is still much higher in SC and OBC than Other and even than state average. Although, during 1999-00 and 2011-12, the incidence, depth and severity of economic poverty have reduced across the social groups but the reduction rate in all poverty indicators has been higher in privileged social groups than deprived social groups. The ST has performed well in reducing the incidence, depth and severity of poverty because their share in total population is much less (1.17% in 2011-12). In recent years, the governments employment generation and social security schemes and political interest have helped them to achieve a high level of human capital base. Despite of these, the most deprived section of society- SC and OBC in Uttar Pradesh are lagging much behind the advanced social community and state average in all economic and social indicators. The high level of economic poverty in deprived social groups is the outcome of high deprivation in the wide range of economic, social and political indicators.

In Madhya Pradesh, the incidence, depth and severity of economic poverty is much higher in ST and SC than rest of social groups. The reduction in incidence, depth and severity of economic poverty has taken place across the social groups but still the deprived sections (ST and SC) in Madhya Pradesh are facing severe economic hardship in their daily life. The reduction rate of incidence, depth and severity

of poverty in ST, SC and OBC is much less than reduction rate in same social groups in Uttar Pradesh. The bad economic condition of ST and SC in Madhya Pradesh puts severe constraints on their effort to make satisfactory progress in a wide range of indicators related to social, economical and political development. Thus, the deprived and marginalized section of society in Madhya Pradesh is still living in bad economic environment due to low educational base, engagement in low paid occupations and lack of income-yielding assets.

## Policy Implication

The incidence of economic poverty can be reduced through;

- 1- Growth-centred strategy for poverty reduction because in the recent years, the incidence of economic poverty has reduced across social groups with high economic growth.
- 2- Raising public investment in rural infrastructure and agricultural sector including irrigation facility, water conservation and management, providing cheap agriculture inputs (seeds and fertilizers) preservation and transportation of perishable commodities like fruits and vegetable.
- 3- Shifting pattern of public expenditure from revenue to capital expenditure.
- 4- Creating non-farm jobs opportunities in rural sector and also raising the skill profile of labour force by skill development programmes (or vocational training facilities) with special focus on deprived sections of the society.

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