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Poverty, Income and Wealth Distribution: Are our Resources Scarce in Relation to our Needs?

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Abstract: **India is an over populated country. In 2015 its current population is 1.28 billion. The resources of India are insufficient to fulfill the needs and wants of the citizens of India. This paper discuss about the unequal distribution of income and wealth between the rich and poor people in India. India is shining for only selected few. The impressive economic growth of our country has bought smile on the face of the rich and powerful even as the rest suffer in distress and drudgery.**

"In India, the distribution of assets is extremely unequal, with the top 5% of the households processing 38% of the total assets and bottom 60% of household owing a mere 13%", according to the human development report released by planning commission. In the year 2011-12 in India almost 21.92% of people are laying below poverty line.

In this paper, Gini Coefficient is taken as a indicator of inequality between rich and poor. If the value of Gini Coefficient is higher, the income gap is also higher. It is shown in this paper that the value of Gini Coefficient is increased day by day.

The income distribution in rural and urban areas and also taken as the measure of inequality between rich and poor.

Scarcity of water, changes in climatic condition due to global warming causes food insecurity in a over populated country like India. Ultimately this food insecurity lead to the increase in price level i.e. inflation. This paper is also discussed about the scarce resources in relation to our needs.

Keywords: **Gini Coefficient, Poverty line, and Scarcity.**

1. INTRODUCTION

In the present economic scenario in India high growth of population lead to a serious problem of availability of necessary resources. The resources of India are scarce to fulfill the needs of over populated country. The income gap between the rich and poor will increase day by day. So in present socio-economic scenario poverty is a serious problem in India. Therefore, to overcome from this kind of serious problem, it is necessary to study the problem and take some measure. Present paper does the same task. It first identify the problem of poverty and income distribution in India then suggest some steps for improving the economic condition in India.

Objective of the Study:

The objectives of this study are as follows:

1) To identify the income inequality in rural & urban areas and also within rural & urban area.

2) To identify the gap between the rich and poor in respect of income and wealth distribution with the help of Gini Coefficient.

3) To identify the scarcity of resources to fulfill the needs and wants of the citizens of the over populated country like India.

4) To identify the GDP growth rate in India during the last few decades.

2. METHODOLOGY

This study is done with the help of secondary data collected from different websites and various previous studies. The study period is seven year starting from 2005-06 to 2011-12. These data are tested with the help of some statistical tool.

Link between inequality and poverty:

Small changes in income distribution can have a large effect on poverty. A simple arithmetical example can help visualize this. Imagine a country where the share of national income that goes to the poorest 20% of the population increases from 6% to 6.25%. A change in income distribution of one quarter of one percent would barely affect the Gini coefficient, but for the poor this represents a 4% increase in their total income. Such a small redistribution would have the same effect on poverty as doubling the annual growth of national income from 4%, which is the projected growth rate of many African countries, to 8%, which is necessary to achieve the income poverty Millennium Development Goal (MDG) - example from White and Anderson (2001).

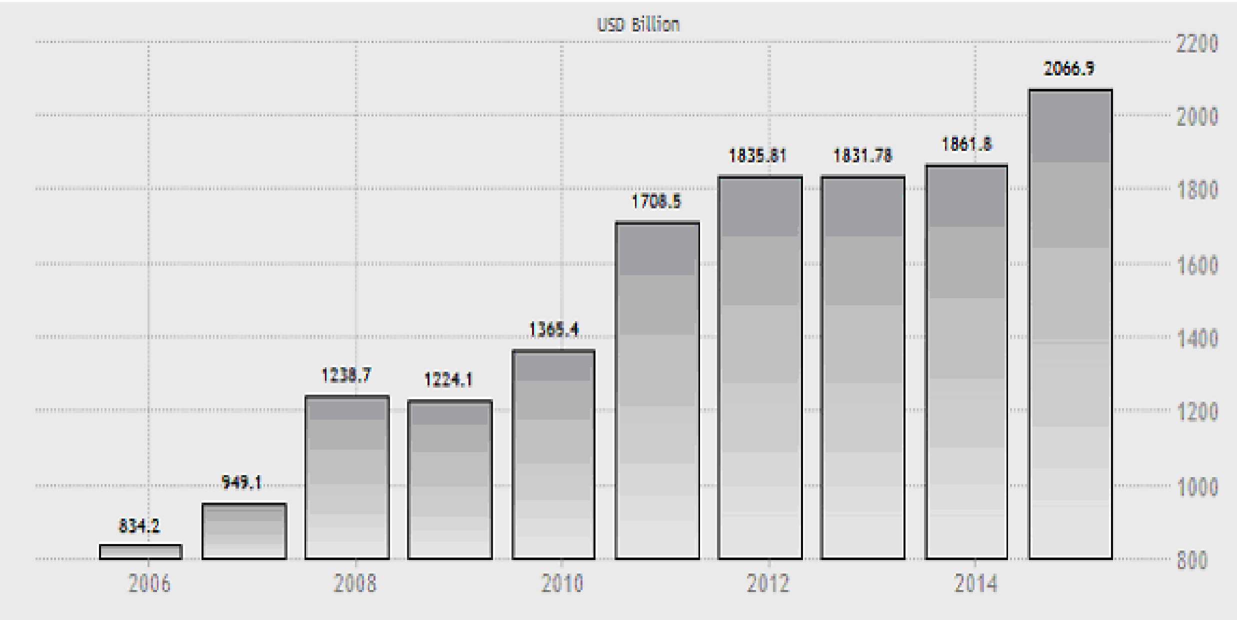
Changes in income distribution have even larger effects on measures of the depth and severity of poverty, as confirmed by evidence from Cote d'Ivoire and Bangladesh (Wodon, 1999). Again, a numerical example helps to show the importance of distribution for poverty. In Table 1, distribution 1 has only half the headcount of 2, and compares favourably with 3, but its poverty gap and gap squared are higher than those in either 2 or 3. This is only because its Gini coefficient is marginally higher. Similarly, distribution 2 has lower poverty gap and poverty gap squared measures than 3, although its headcount is considerably higher. Again this is due to very marginal changes in the Gini coefficient.

GDP:

Gross Domestic Product (GDP) is the broadest quantitative measure of a nation's total economic activity. More specifically, GDP represents the monetary value of all goods and services produced within a nation's geographic borders over a specified period of time. Higher the value of GDP higher will be the growth rate.

The Gross Domestic Product (GDP) in India was worth 2066.90 billion US dollars in 2014. The GDP value of India represents 3.33 percent of the world economy. GDP in India averaged 550.27 USD Billion from 1970 until 2014, reaching an all time high of 2066.90 USD Billion in 2014 and a record low of 63.50 USD Billion in 1970. The World Bank Group reports GDP in India.

Table:1



Economic Inequality:

Economic inequality, also known as income inequality, wealth inequality, gap between rich and poor, gulf between rich and poor and contrast between rich and poor, refers to how economic metrics are distributed among individuals in a group, among groups in a population, or among countries. Economists generally think of three metrics of economic disparity: wealth, income (income inequality), and consumption. The issue of economic inequality can implicate notions of equity, equality of outcome, and equality of opportunity.

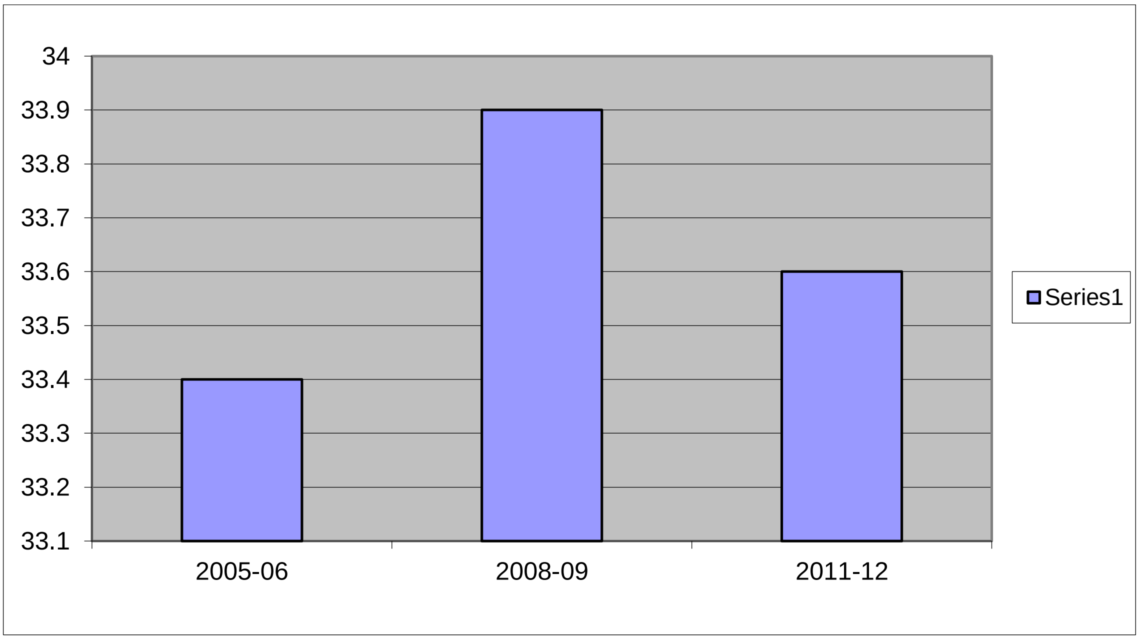
Gini Index:

Gini index measures the extent to which the distribution of income (or in some case consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual and household.

Gini Index in India

2005-06	2008-09	2011-12
33.4	33.9	33.6

Table:2



From table: 1 and 2 it is shown that during the period 2006 to 2008 India's GDP as well as Gini Index was grow at a faster rate. Since we know that GDP shows the countries economic growth rate where as Gini Index measures the distribution of income (or in some case consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. Therefore in this period countries economic growth as well as the inequality in distribution of income increase. So it can be said that India is shining for only a select few. The impressive economic growth of our country has brought smiles on the faces of the rich and the powerful even as the rest suffer in distress and drudgery.

From 2008 to 2012 GDP was grow but in this period inequality in income distribution was fall slightly. So it can be said that the situation of poor was slightly improved but do not able to meet the expectation.

Income inequality in rural and urban area:

Data on household consumption expenditure, collected by National Sample survey Office under the Ministry of Programme Implementation, could be used as a proxy to analyze income inequality. The table below shows the difference between rural and urban income from 2004-'05 to 2011-'12.

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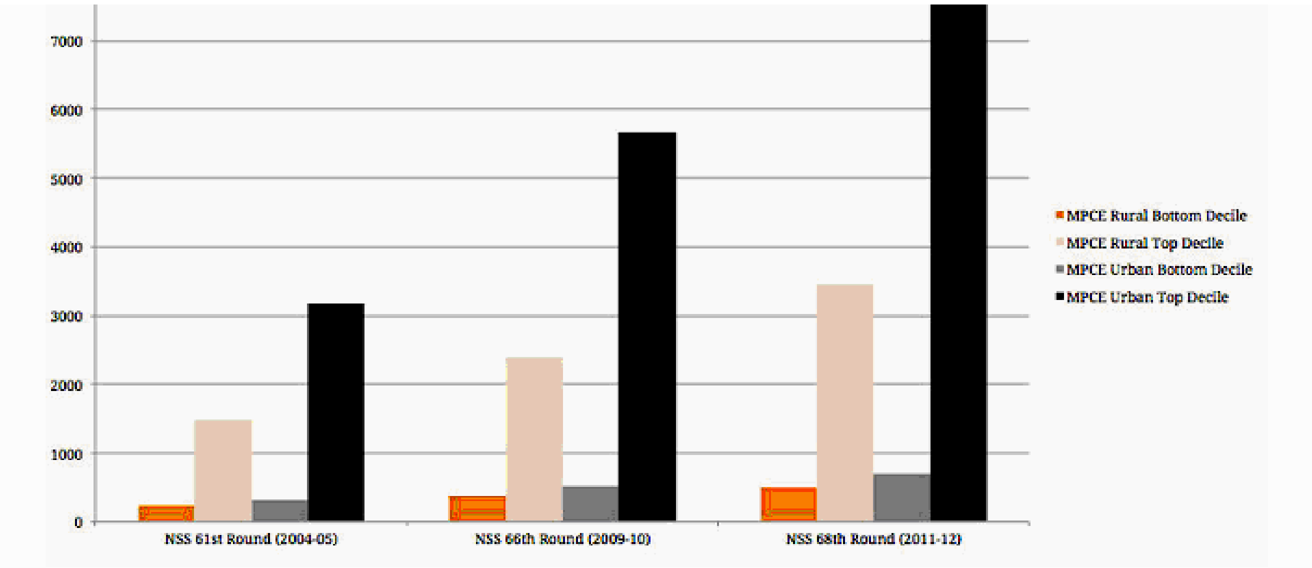
Income in Urban and Rural Areas, Top and Bottom Deciles(Rs):

Table:3



The income for the bottom decile (bottom 10% of the population) has increased from Rs 227.8 in 2004-'05 to Rs 503.5 in 2011-'12. During the same period, the income of the top decile (top 10% of the population) increased from Rs 1,478 to Rs 3,460.

The story is similar in urban areas. Social protection is a cushion for those at the bottom against the effects of inequality. Social protection policies play an important role in reducing poverty and inequality and supporting inclusive growth by boosting human capital and productivity, supporting domestic demand and helping transform national economies. According to a report by the International Labour Organization, only 27% of the global population enjoys access to comprehensive social security systems whereas 73% are covered only partially or not at all.

The latest 68th round of NSS made during June 2011 and June 2012 shows that monthly per capita consumption increased by 18 per cent in the two years, 2009-10 and 2011-12. As will be seen from the Table 4 given below, the average per capita expenditure in 2004-05 was Rs. 559 for rural India and Rs. 1052 for urban India.

It increased to Rs. 1281 for rural India and Rs. 2481 for urban India in 2011-12. According to the provisional data, poverty ratio declined by roughly 7% in rural areas and 1 per cent in urban areas. Further, according to this increase in per capita consumption expenditure 26 per cent of Indian population was living below the poverty line in 2011-12 compared to 29.8% in 2009-10 on the basis of Tendulkar committee poverty line in 2011-12 norm and the absolute number of poor according to this were 310 million.

Table: 4. Monthly Per Capita Consumption Expenditure since 1987-88

Monthly per capita expenditure since 1987			Annual increase in monthly per capita expenditure for different time periods		
	INDIA			INDIA	
Year	Rural	Urban	Year	Rural	Urban
1987-88	₹ 158	₹ 250	1987-94	7.29%	13.98%
1993-94	₹ 281	₹ 458	1993-05	7.50%	11.79%
2004-05	₹ 559	₹ 1,052	2004-10	13.2%	13.9%
2009-10	₹ 928	₹ 1,786	2009-12	19.2%	17.25%
2011-12	₹ 1,281	₹ 2,481			

Besides, according to this data the gap between the rural and urban incomes and consumption areas is narrowing down. This is welcome but requires certain qualifications. It is well-known that 2009-10 was a drought year which depressed consumption during the year and therefore comparing it with consumption expenditure two years later for 2011 -12 exaggerates the increase in consumption during this period. Over a longer seven-year period between 2004-05 and 2011-12, the annual compound growth rate in real consumption is less than 4 per cent.

It is important to note that compound GDP growth rate from 2004-05 to 2011-12 has been greater than 8 per cent. In a fast growing economy investment does grow faster than consumption raising its share in GDP.

But considering the abysmal standards of consumption at the bottom rungs of the society, it is certainly not a happy development that consumption by the poor (taking rural consumption as a proxy for it) is growing at less than half the rate at which the economy is growing.

The rise in per capita rural consumption expenditure in recent years is due to the increase in procurement prices and rise in wages in the rural areas rather than due to higher agricultural growth. Besides, the consumption expenditure of bottom 10 per cent of rural population even according to 68th NSS Survey 2011-12 is only paltry.

This shows that benefits of growth have not reached them. Though India's growth story is undeniable, but even the findings of 68th round (2011-12) of National Sample Survey reaffirms that the benefits from this growth in the economy have been cornered by the upper crust, while the poorest continue to languish in near destitution.

The New Index of Poverty: Multidimensional Poverty Index (MPI):

Human Development Report (HDR) 2010, measures poverty in terms of a new parameter namely "Multi dimensional Poverty Index (MPI) which has replaced the human poverty index (HPI) since 1997. The multidimensional poverty index (MPI) indicates the share of the population that is multi dimensionally poor adjusted by the intensity of deprivation in terms of living standards, health and education.

According to this parameter, as will be seen from Table 5. India with a poverty index of 0.296 and poverty ratio of 41.6 per cent in terms purchasing poverty (PPP) of $ 1.25 a day and 28.6 per cent (as per national poverty line) is not favorably placed when compared with countries like China and Sri Lanka.

In fact, the difference in population below the poverty line (BPL) as per multidimensional poverty index (MPI) and national poverty indicator widens substantially in case of India while for other countries there is less of difference and in some cases even a fall (see Table 5). This multidimensional poverty index has been prepared by the ' Oxford Poverty and Human Development Initiative" for United Nations Development Programme (UNDP).

Table 5 : Multidimensional Poverty Index

Country	Multidimensional Poverty Index*	Population below Income Poverty Line	
		PPP $ 1.25 a day 2000-2008**	National Poverty Line 2000-2008**
Poland	(41)	Less than 2	14.8
Malaysia	(57)	Less than 2	12.8
Russia	0.005 (65)	Less than 2	19.6
Brazil	0.039 (73)	5.2	21.5
Turkey	0.039 (83)	2.6	27
China	0.056 (89)	15.9	2.8
Sri Lanka	0.021 (91)	14	22.7
Thailand	0.006 (92)	Less than 2	-
Phillippines	0.067 (97)	22.6	-
Egypt	0.026 (101)	Less than 2	16.7
Indonesia	0.095 (108)	29.4	16.7
South Africa	0.014 (110)	26.2	22.0
Vietnam	0.075 (113)	21.5	28.9
India	**0.296 (119)**	**41.6**	**28.6**
Pakistan	0.275(125)	22.6	-
Kenya	0.302(128)	19.7	46.6
Bangladesh	0.291(129)	49.6	40.0

India's appalling record of inability to ensure basic levels of nutrition and other basic needs to its people is responsible for its huge poverty level as measured by the new international multi- Dimensional Poverty Index (MPI). About 645 million people, that is, 55% of India's population is poor as measured by this composite index made up of 10 markers of health, education and standard of living achievement levels.

This MPI attempts to capture more than just income poverty at the household level. It is composed of ten indicators: years of schooling and child enrolment (education), child mortality and nutrition (health), electricity, flooring, drinking water, sanitation, cooking fuel and assets. Standard of living, indicators education and health each has a 1/6 weight and standard of living indicator has a 1/8 weight.

4. SCARCITY OF INDIA'S RESOURCES

Since India's independence, the mammoth task of feeding its hundreds of millions, most of whom are extremely poor, has been a major challenge to policymakers. In the coming decades, the issue of food insecurity is likely to affect almost all Indians. However, for the poorest amongst us, it could be catastrophic. India ranks 65 of 79 countries in the Global Hunger Index. This is extremely alarming.

In the past few years, uneven weather patterns combined with over exploited and depleting water resources in various parts of India have wreaked havoc on food security, particularly for small and marginal farmers, as well as the rural poor.

The recently launched Global Food Security Index (GFSI) estimates that in 2012, there are 224 million Indians, around 19% of the total population, who are undernourished. The same report also estimates that while the Indian government has various institutions designed to deal with the impact of inflation on food prices, it only spends 1% of agricultural GDP on research to build food security for the poorest. Overall, India ranked 66th on the GFSI. It is estimated that one in four of the world's malnourished children is in India, more even than in sub-Saharan Africa.

Water insecurity, further exacerbated by climate change, is arguably the most impactful factor on India's food security. India's total water availability per capita is expected to decline to 1,240 cubic meters per person per year by 2030, perilously close to the 1,000 cubic meter benchmark set by the World Bank as 'water scarce'.

Factors such as increasing usage, poor infrastructure, and pollution have led to a decline of water quantity and quality in India. Climate change, meanwhile, is expected to cause a two-fold impact.

One, increasing temperatures have hastened the rate of melt of the Himalayan glaciers; upon which major Indian rivers like the Ganges, Indus and Brahmaputra depend.

Second, the effect of climate change on monsoons in India will cause them to become more erratic, arriving earlier or later and lasting for shorter, more intense periods of time. India's farming communities depend overwhelmingly on the monsoon, as their cropping patterns are built around it. The combined effect of climate change and over exploitation is violating the water cycle, degrading aquifers and eroding ground water resources.

Over 50% of agricultural land in India depends entirely on groundwater. In North and Northeast India, where perennial rivers (rivers that have water year round, i.e. glacier fed rivers in India, such as the Ganges) sustain the agricultural land, have to deal with issues such as flooding caused by climate change impacts such as speedier glacier melt and erratic monsoons.

Meanwhile, farmers in states in West and South India, where rivers are seasonal, have to depend heavily on rapidly depleting groundwater resources.

5. OBSERVATIONS

During the study period India's GDP was grow at a faster rate but Gini Index shows an increasing trend which means the rise in growth rate is limited to few. High Gini Index means rise in income inequality. There is a disparity in income distribution between rural and urban areas. During the study period the increase in income in the rural area is much lesser than urban area. Consumption by the poor is growing at less than half the rate at which the economy is growing in this period. According to the Multi-dimensional Poverty Index (MPI) 55% of India's population is poor. The scarcity of resources is also a serious problem to fulfill the needs and wants of the citizens of India. It leads to a shortage in supply in relation to demand, which increase the price level. So the poor people are not able to fulfill their basic needs. Therefore these problems create an alarming situation in the country. Government and NGO's should take some steps to overcome this kind of serious problem.

6. CONCLUSION

1. Since growth rate is high in the study period but that growth will not reach to every section of the population that is why the income inequality grows up which is shown by the gini coefficient. So for the equal distribution of resources government should increase the direct tax for the higher income group.

2. Government should have to collect more taxes from higher income group and when the government income will increase that should be distributed to the poor in the form of subsidy.

3. Another problem is scarcity of our resources. So the misuse of resources should minimize by proper distribution of it. So black marketing of any item should stop by the government by giving heavy punishment to the black marketers.

4. During the study period consumption by the poor is growing at less than half the rate at which the economy is growing. There is a disparity between the rural and urban income. Growth of rural income is much lesser than the growth of urban income. In India rural population is higher than urban population. Rural people are mostly dependent on agriculture. But in most of the cases agriculture is dependent on weather condition. So development of technology for agriculture is very much necessary to improve the income growth in rural area.

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