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A STUDY ON THE DYNAMICS OF INCOME & EXPENDITURE AND DISTRIBUTION PATTERN IN VILLUPURAM AND CUDDALORE DISTRICTS

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ABSTRACT

The review of the important studies indicates that the impact of economic reforms on the pattern of income distribution or income inequality has not been conclusively proved by the scholars who have examined these issues in various countries. The review of the studies also indicate that economic reforms or the structural adjustment programmes will reduce poverty, though there is no clear view about the impact on the degree of income distribution. Also, review suggests that no effort has been made to analyse the pattern of income distribution with the help of primary data, since all these works depend mainly on secondary data. Thus, it becomes pertinent to examine the issue of income distribution and the extent of income distribution in the post-reform period with the help of primary data, which is attempted in this study.

KEYWORDS: *Reduce Poverty, Degree of Income Distribution, Labour Services*

INTRODUCTION

Income, for the households and individuals is the sum of all the wages, salaries, profits, interest payments, rents and other forms of earnings received in a given period of time. In economics, factor income is the flow of revenue accruing to a person or nation from labour services and from ownership of land and capital. Income distribution is the way in which, a nation's total gross domestic product (GDP) is distributed amongst its population.Income distribution has always been a central concern of economic theory and economic policy. Economists have concerned with factor income distribution, that is, the distribution of income between the main factors of production, land, labour and capital. They have also examined the distribution of income across individuals and households. Important theoretical and policy concerns include the relationship between income inequality and economic growth.

INCOME DISTRIBUTION

Income distribution is the manner in which, income is divided among the members of the economy. It reveals the percentage of individuals, who are at various wage levels, and such information can reveal more about overall wage patterns than average income can. Distribution of income among individuals and families also depends on the distribution of resource ownership and the prices paid for the resources of different kinds in different employments. A perfectly equal income distribution would mean, everyone in the country has exactly the same income. The distribution of income lies at the heart of an enduring issue in political economy—the extent to which government should redistribute income from those with more income to those with less. The ownership pattern of resources is unequally distributed among individuals and families. This unequal ownership pattern of resources gives rise to an unequal distribution of income in a society. People at the bottom of the income ladder own a small share of the nation's resources on which the market places a high value.

Income inequality is inevitable, since total equality of income levels among the people of a country is well nigh impossible. Moreover, some amount of income inequality is expected, as it will lead to increased savings and investment. However, when the degree of inequality increases, it leads and / or exacerbates both social and economic problem (Williams, 1962).

The main theoretical approach to assess the determinants of inequality involves some version of the Kuznets (1955) curve. In this model, the agricultural/rural sector initially constitutes the bulk of the economy. This sector features low per capita income and, perhaps, relatively little inequality within the sector. The industrial/urban sector starts out small, has higher per capita income and, possibly, a relatively high degree of inequality within the sector. Economic development involves, in part, a shift of persons and resources from agriculture to industry. Thus, at early stages of development, the relation between the level of per capita product and the extent of inequality tends to be positive.

As the size of the agricultural sector diminishes, the main effect on inequality from the continuing urbanization is that more of the poor agricultural workers are enabled to join the relatively rich industrial sector. In addition, many workers who started out at the bottom rungs of the industrial sector tend to move up in relation to the richer workers within this sector. The decreasing size of the agricultural labour force tends, in addition, to drive up relative wages in that sector. These forces combine to reduce indexes of overall inequality. Hence, at later stages of development, the relation between the level of per capita product and the extent of inequality tends to be negative (Kakwani, 1997).

INCOME INEQUALITY AT THE GLOBAL LEVEL

Global inequalities reflect both inequalities across nations, driven mainly by divergences in economic performance across countries that cumulate over time and by national inequality that depend on factor prices, patterns of resource ownership and other factors. From 1000 to 1800, there was a period of slow growth in per capita income and material progress with no spectacular increases in living standards but also without large apparent inequalities across countries. In contrast, in the last two centuries (1800-2000), the world has seen an unprecedented increase in the capacity to create material wealth and undergo technical change (particularly the 20th Century). At the same time, this is also a period of large disparities in income per head, living standards across (and within) countries and regions of the world (Solimano, 1996).

Maddison (2001), using comparable data of GDP across countries and over time in Purchasing Power Dollars, reports a steady increase in inter-regional inequalities since 1870 and throughout the 20^{th} Century. His measure of regional dispersion is the ratio of income per head of the richest to the poorest region of the world. This ratio shows a steady rise from around 5:1 in 1870 to 9:1 in 1913, to 15:1 in 1950 and to 19:1 in 1998. The only decline in regional inequality is between 1950 and 1973 from 15:1 to 13:1; that is, during the period of the "golden age of capitalism". The rapid growth and technical progress of the last century and a half has been accompanied by rising inequality in the world economy, at least between top and bottom in the distribution of world GDP.

Latin America increased its share in the world GDP from 2.5 per cent in 1870 to 8.7 per cent in 1998. However, the increase in the relative position of Latin America in the world economy stopped in the 1970s. Thereafter, the growth performance of the Latin American region has been below its historical record and its income share remained virtually constant during the last quarter of the 20th Century (Solimano, 2001).

Level of Income Inequality in India

The debate on economic policy and reform began in India in the 1980s, and continues today. Prior to the extensive introduction in 1991 of the new economic policy, there was widespread apprehension that liberalization and excessive reliance on market forces would lead to increases in regional, rural-urban and vertical inequalities in India. Nearly twenty years later, the issue is still under debate, with various studies unable to give an unequivocal verdict.

In India, beginning in 1980, there is both an upward trend in the average as well as a wider spread in the distribution of incomes. A more formal test of convergence between states for the four decades confirms this break. For the 1960s and 1970s, the convergence coefficient is positive and insignificant. For the 1980s and 1990s, this coefficient increases and becomes statistically significant. The magnitude of the coefficient suggests that in the latter two decades, states are diverging at an annual rate of about 1.2 percent a year, which underscores rising inequality. Moreover, the Gini-index, which was declining from 35 in 1950s to 30 during 1970s and also 1980s, started to increase thereafter and has gone upto 37 in the 1990s (Bhalla, 2003).

A number of studies based on the National Sample Survey (NSS) estimates of household consumption expenditure reveal mixed evidence on aggregate and regional trends. For example, Bhalla (2003) reported that both urban and rural Gini coefficients declined between 1993-1994 and 1999-2000. According to his calculations, rural inequality decreased in 15 out of 16 major states of India, and urban inequality declined in 8 of the 17 states over this period. He therefore concluded that inequality had not worsened in India during the period of reform. Another study by Singh and others (2003) could not find strong evidence of increases in household inequality for the period 1993-1994 to 1999-2000. According to them, there are some indications of increases in regional inequality, but they are neither uniform nor overly dramatic.

The Government of India's National Human Development Report (2001) published the state-wide Gini coefficients for the years 1983, 1993-1994 and 1999-2000. These coefficients were estimated using the 38^{th}, 50^{th} and 55^{th} rounds of Household Consumer Expenditure survey conducted by the National Sample Survey (NSS) of India. Comparing the level of inequality between 1993-1994 and 1999-2000, among the 32 states and union territories reports showed that seven states experienced an increase in rural inequality and fifteen states experienced an increase in urban inequality. There were five states where both urban and rural inequalities increased. It is interesting to note that all these five states were located in the North-Eastern part of India.

Using data from different rounds of the NSS, Jha (2004) has calculated rural and urban inequality in India. He showed that both rural and urban Gini coefficients increased in the period between 1993-1994 and 1997, and declined between 1997 and 1999-2000.

STATEMENT OF THE PROBLEM

In any economy, zero inequality is not possible and not advisable from the view point of faster growth, as it stimulates saving and investment. However, when it breaches the threshold level, it leads to many socio-economic evils and also perpetuates into a political problem. Governments have been and are forced to take corrective measures to bring down the degree of income inequality. In India too, the Government was compelled to address inequality with the introduction of 'inclusive growth' approach during the 11^{th} Plan, though many monetary and fiscal measures have been in existence.

When the Government embraces market economy by reducing its controls and regulations in the sphere of economic activity, theory suggests that the pattern of income distribution in the economy changes. This happens due to the fact that the rate of growth of the sectors differ so also their sectoral share in the GDP. Hence, the income levels of the households which depend on the agriculture and the non-agriculture sectors differ, which also force similar changes in the expenditure levels among them. Hence, it is quite important to examine the income and expenditure pattern of the households which are engaged in the agricultural and non-agricultural sector on the basis of primary data, which is attempted in this study.

SIGNIFICANCE OF THE STUDY

The interventionist measures or the welfare measures which are initiated by the Government in the wake of increasing inequality can only act as a 'safety net' to the poor people. It is held that the only way and a better way to bring down inequality is by putting the economy into a higher growth trajectory or by 'increasing the size of the cake'. During the post-reform period in India, the average annual growth rate of the economy has undoubtedly gone up, as it was able to come out of its 'Hindu rate of growth'. However, the moot point is: had the poor benefited from these reforms? And if yes, to what extent? Was the Government able to achieve 'growth with equity'?

Answers to such questions are still being debated as the country has completed two decades under reforms. A study needs to be carried out to examine the impact of changes in the sectoral shares on the income pattern and expenditure pattern among the households, which are engaged in the agricultural and non-agricultural sector. This is significant to understand the nature of income distribution at the household level, which can help in framing suitable policy measures to change the pattern of income distribution. Such an attempt is made in this study, with the help of primary data collected from the sample households.

OBJECTIVES OF THE STUDY

This study is based on the following objectives:

- To examine the income and expenditure pattern at the all-India level during the post-reform period;
- To examine the income and expenditure pattern among the major states of India during the post-reform period;

- To study the pattern of income and expenditure distribution among the sample households in the study area;
- To trace the extent of savings, investment, credit and indebtedness among the sample households in the study area; and
- To examine the factors which influence the pattern of income and expenditure among the sample households in the study area.

METHODOLOGY OF THE STUDY

The study examines the pattern of household income distribution at the macro and micro levels with the help of secondary and primary data. At the macro level, the household income pattern is analysed with the help of data published by the National Sample Survey Organisation (NSSO) through its consumer expenditure survey. These data have been collected for the period 1991-92 to 2011-12. This is done at the all-India level and also among the major states of the country.

At the micro level, the income and expenditure distribution pattern of the sample households is analysed on the basis of the data gathered through field survey. For this purpose, a standard questionnaire was prepared and a pilot study was conducted in order to test the applicability of the same. After making the necessary modifications in the questionnaire, the field survey was conducted. The questionnaire included information pertaining to the identification particulars of the respondents, family particulars, employment pattern, employment and wage particulars, movable and immovable assets, household income details, household expenditure on food and non-food items, extent of saving and investment, loan particulars, extent of indebtedness and income distribution among the sample households. The collected data have been examined on the basis of their area, sex, age, level of education, type of occupation and other factors in order to find out the extent of income inequality among the sample households.

SAMPLING DESIGN

Sampling in this study is based on multi-stage random sampling. In the first stage, in Tamil Nadu, Kanchipuram district is purposively chosen. In the second stage, two taluks viz., Vikravandi and Tindivanam Taluks have been chosen since, the former is more backward and agriculture-oriented than the latter, while the latter is the district headquarter and highly connected with other areas and more non-agriculture oriented. In the third stage, from these two taluks, the study area has been identified, viz., Nagalur and Vilamburvillages from Vikravandi taluk and Nagar and Tindivanam towns from Tindivanam taluk have also been purposively selected as they present different scenarios. In the fourth and final stage of sampling, the number of sample households has been identified. This is shown below.

Source: Government of India, Primary census abstract, 2011, Census of India, New Delhi.

As shown above, from each area, 50 households have been identified as the sample households. Hence, from these four sample areas, 200 households have been selected as the sample households, and they form the sample for the present study.

Table 1: Sampling Design

Taluk	Village	Sample Households
Tindivanam	Tindivanam Town	50
	Nagar	50
Vikravandi	Nagalur	50
	Vilambur	50
Total		**200**

FINDINGS OF THE STUDY

In the study area, overall, females form 39 per cent of the sample size, while in Tindivanam and Nagar, they form 28.2 per cent and 26.9 per cent respectively, and in Nagalur and Vilambur, males account for more around two-thirds of the sample size.

overall, 37.5 per cent of the respondents belong to the age group of upto 40 years, which is 31.2 per cent among males and 47.4 per cent in the case of females, which suggests that female respondents are relatively young, compared to male respondents.

The age level-wise educational qualifications of the respondents indicate that the level of literacy of the respondents who belong to the urban based Tindivanam is higher than that of those who are located in the rural based Uthiremerur.

The area-wise religion of the respondents indicates that Hindus account for 78 per cent of the total sample size, which is also similar in Nagalur and Vilambur, while it is less in the urban based Priperumpudur and Nagar.

The proportion of respondents who belong to the FC community is higher in Tindivanam and Nagar (37.5 per cent and 34.4 per cent respectively), while the share of BC is the highest in Vilambur(30.7 per cent), while the percentage of SC and ST respondents is the highest in Nagalur(31.6 per cent).

[3:48 PM, 2/19/2019] William: SC and ST respondents is the highest in Nagalur(31.6 per cent).

The share of those who reside in single storey houses is the highest at 56 per cent, which is 60 per cent in Nagar, while the percentage of those who dwell in thatched and tiled houses is higher in Nagalur and Vilambur(31.3 per cent and per cent respectively).

In the case of those who reside in Tindivanam, 70 per cent have upto 4 members in their families, which is also 70 per cent in Nagar, 58 per cent in Nagalur and 66 per cent in Vilambur. Hence, the family size of the respondents who are located in Vikravandi taluk (Nagalur and Vilambur) is considerably higher than that of those who reside in Tindivanam taluk (Tindivanam and Nagar).

The proportion of respondents who are involved in agriculture is less in Tindivanam and Nagar (8 per cent each) than in Nagalur(62 per cent) and Vilambur(64 per cent). This indicates that Nagalur and Vilamburare agriculture oriented, while Tindivanam and Nagar are non-agriculture oriented, since the proportion of respondents who belong to non-agriculture is92 per cent each in Tindivanam and Nagar.

In Nagalur and Vilambur, the proportion of respondents who are involved as agricultural labourers is quite higher than that of those who belong to Tindivanam and Nagar; on the other hand, the proportion of skilled workers is higher in Tindivanam and Nagar than in Nagalur and Vilamburand similarly, the share of professionals is higher in the former than in the case of the latter. This underlines the fact that there is greater diversification of workforce in Tindivanam and Nagar (Tindivanam taluk) than in Nagalur and Vilambur(Vikravandi taluk).

CONCLUSIONS

The review of the important studies indicates that the impact of economic reforms on the pattern of income distribution or income inequality has not been conclusively proved by the scholars, who have examined these issues in various countries. The review of the studies also indicate that economic reforms or the structural adjustment programmes will reduce poverty, though there is no clear view about the impact on the degree of income distribution. Also, review suggests that no effort has been made to analyse the pattern of income distribution with the help of primary data, since all these works depend mainly on secondary data. Thus, it becomes pertinent to examine the issue of income distribution and the extent of income distribution in the post-reform period with the help of primary data, which is attempted in this study.

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