

# Has rural population living in dryland regions benefitted from “shining India”? \*

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## Introduction

- In India, average per capita income has increased from USD 161 in 1975 to USD 1570 in 2013. Has this percolated to the rural population living in marginalized dryland regions?

## Objectives

- To analyze trends in income, sources of income and inequality in income among rural households
- To quantify the long-term trends in poverty among rural households
- To identify the factors influencing income of rural households and poverty reduction

## Data and Methodology

VDSA panel household survey data

Years: 1975/76-1984/85, 1989/90, 2001/02-2012/13

**Study villages:** Two villages (Aurepalle and Dokur) of Mahbubnagar district in Telangana, Two villages (Shirapur and Kalman) of Solapur district and another two villages (Kanzara and Kinkhed) of Akola district in Maharashtra.

**Sample size:** 240 households in 1975/76 and 381 in 2012/13 (original sample plus all split households formed from the original families in subsequent years).

Household incomes were computed for all farm and non-farm sources. Farm income sources include crop, livestock and farm labor. Non-farm income sources include service, business, non-farm labor, caste occupation, remittances and rental income. Income inequality was measured through Gini Ratio.

Poverty was computed using head count ratio using \$2.00 PPP per day as poverty line.

## Income and inequality in income

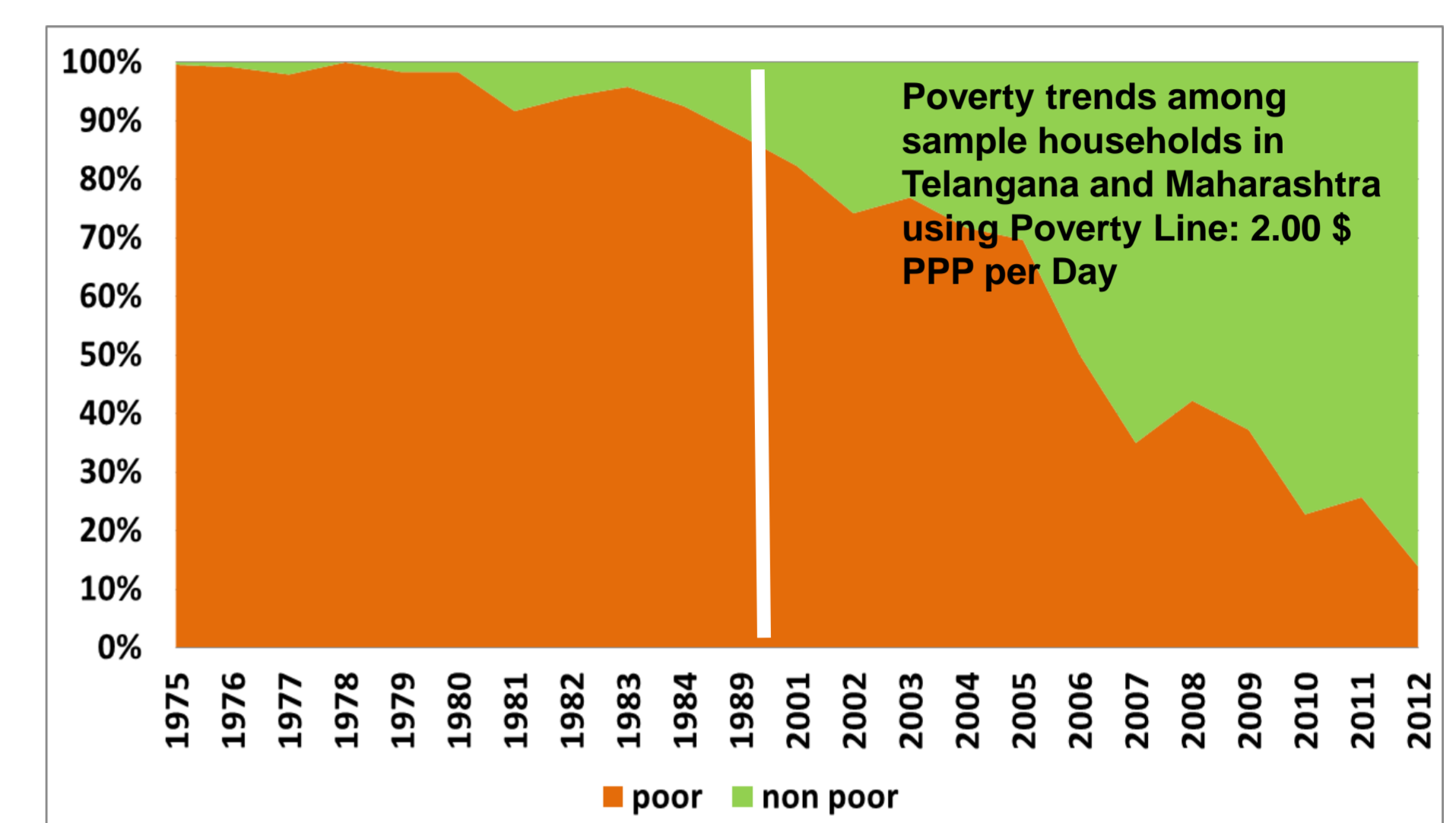
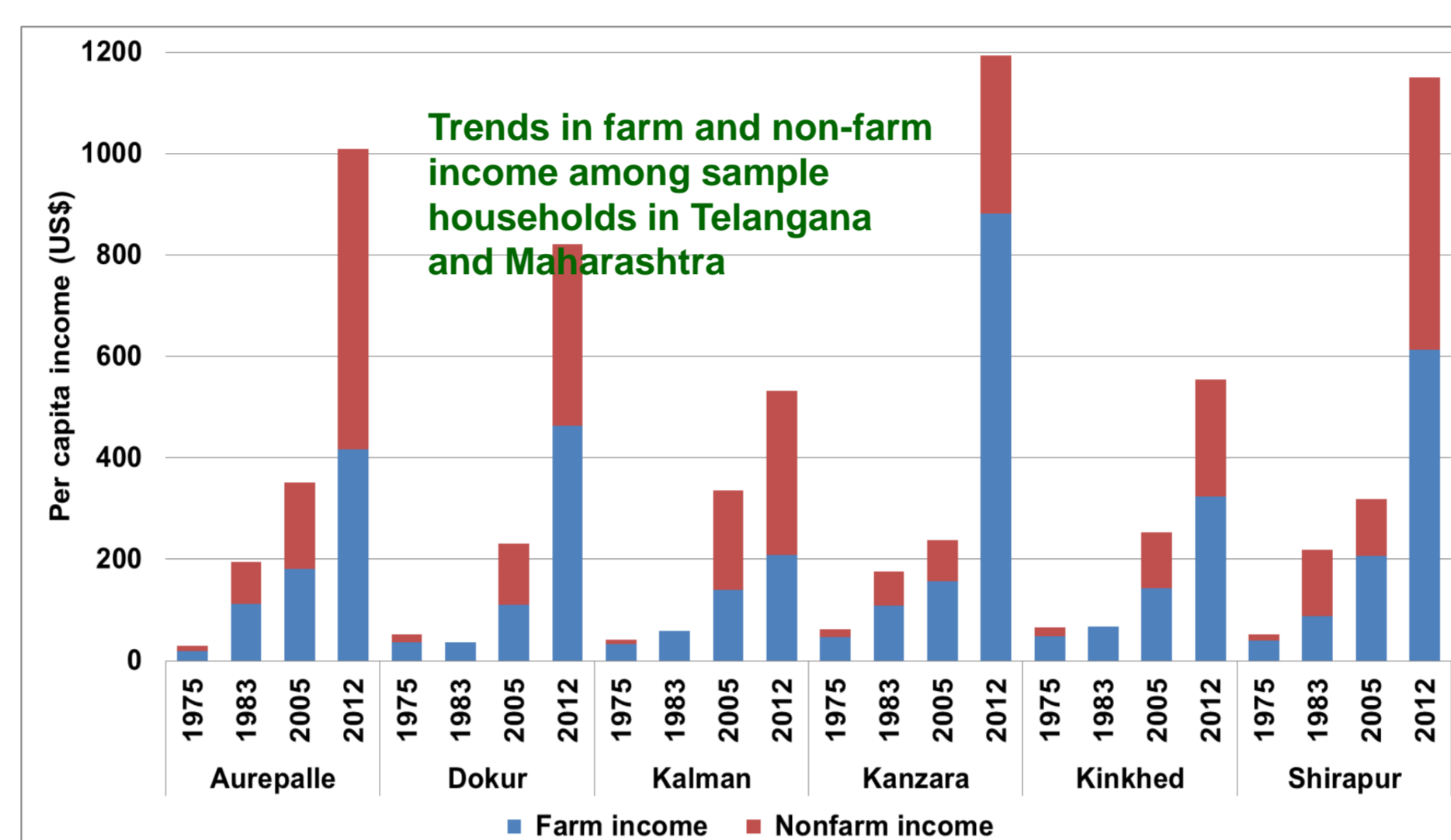
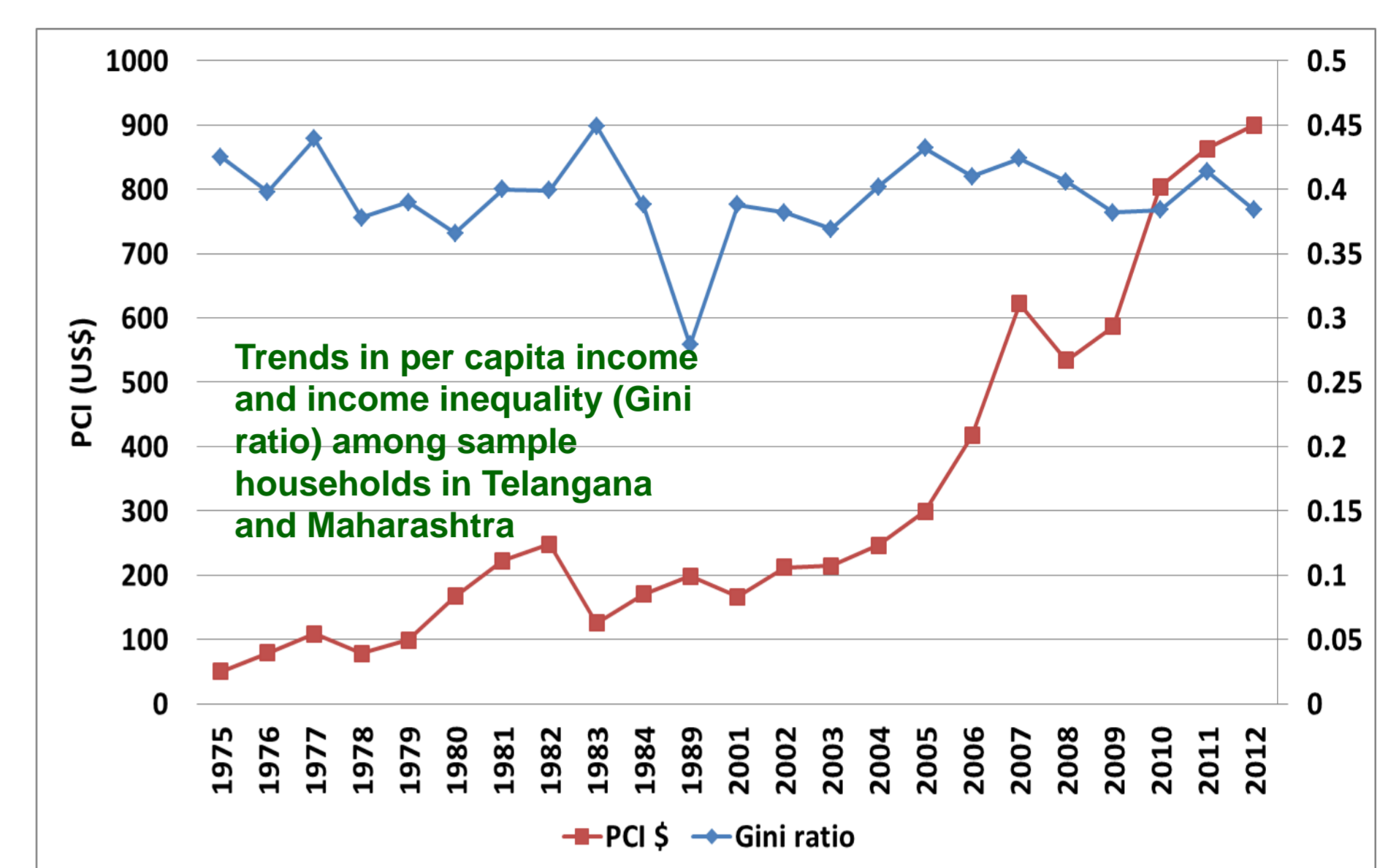
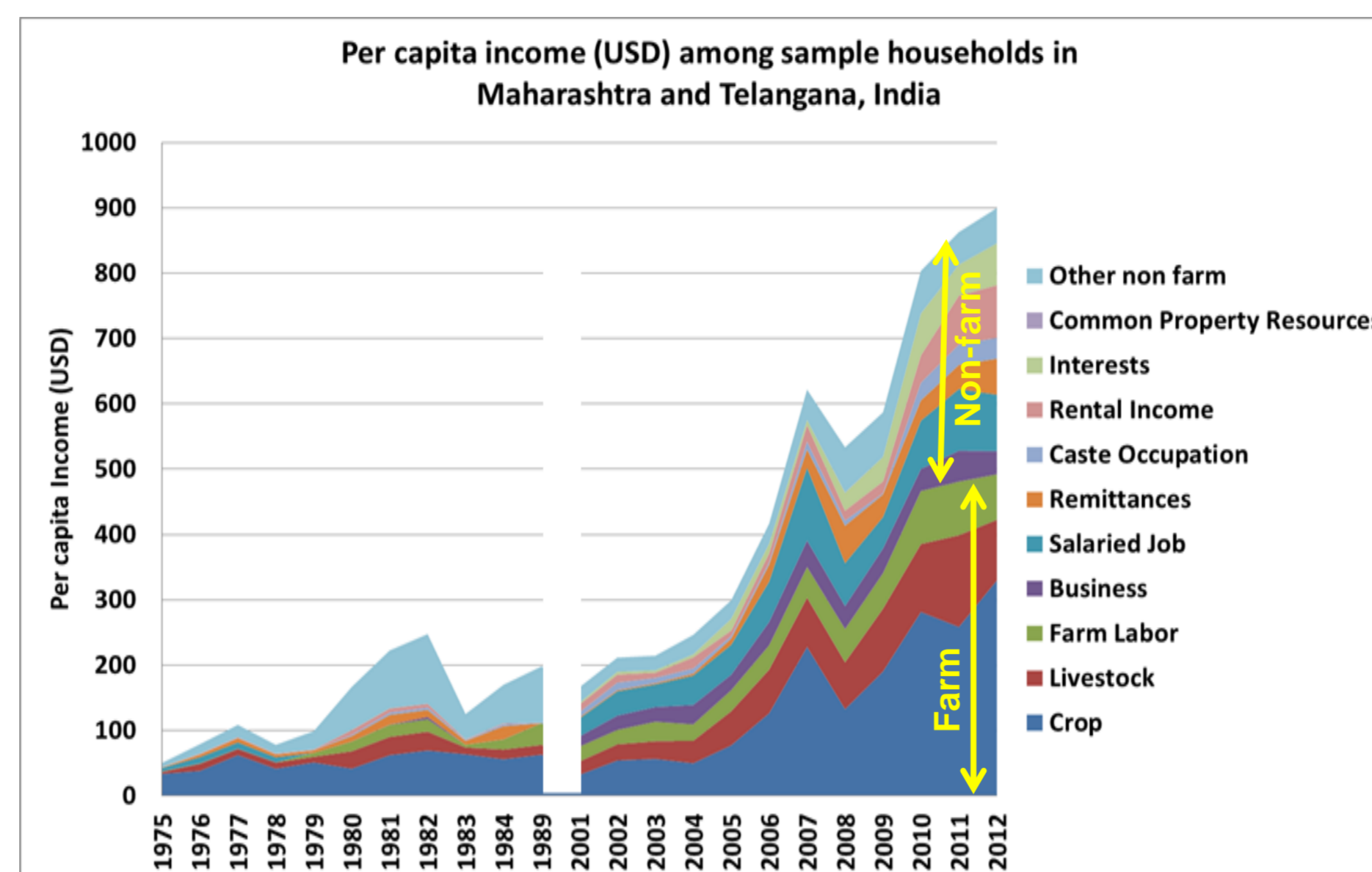
Average per capita real income has increased over time. Rapid increase was observed during the last 10 years. Per capita income increased from USD 50 in 1975/76 to USD 125 in 1983/84. Further, it increased from USD 299 in 2005/06 to USD 900 in 2012/13.

Income sources have diversified. It led to an increased dependence on non-farm sources for livelihoods. Income level and rate of increase varied across the study villages.

Income inequality (Gini ratio) has not only reduced from 0.425 in 1975/76 to 0.384 in 2012/13, but also fluctuated across years. This indicates that larger society has benefited from the rise in per capita income.

## Poverty

Poverty rate has declined in the last decade. Poverty has reduced from 99.6 percent in 1975/76 to 95.8% in 1983/84. It has reduced further to 69.7 percent in 2005/06 and to 13.9 percent in 2012/13.



Particulars	Poor				Non-Poor			
	1975	1983	2005	2012	1975	1983	2005	2012
<b>Resource Endowments and Human Capital</b>								
Own Total Area (Acres)	1.4	1.0	0.7	1.0	2.3	5.1	1.4	1.1
Own Dry Area (Acres)	1.3	0.9	0.5	0.6	2.1	4.6	0.8	0.5
Own Irrigable Area (Acres)	0.1	0.2	0.3	0.4	0.2	0.5	0.6	0.7
Cash Crops Area (Acres)	0.5	0.4	0.3	0.1	0.5	3.0	1.0	0.7
Food Crops Area (Acres)	1.1	0.9	0.4	0.4	2.2	3.1	0.8	0.6
MV Adoption Rate (%)	9.5	14.8	84.1	87.6	0.0	17.5	89.0	96.8
Dependency ratio	0.5	0.8	0.6	0.6	0.7	0.9	0.4	0.4
Age of HH Head (Years)	45	51	49	52	40	47	50	49
Average years of education	2.0	2.0	3.7	4.5	2.0	4.7	5.3	5.7
<b>Asset Ownership and Liabilities</b>								
Land Value (US\$)	282	339	819	5166	420	1338	1798	7637
Livestock (US\$)	55	16	63	68	19	117	97	177
Building (US\$)	124	41	228	489	377	231	459	951
Farm Equipment (US\$)	29	10	58	46	60	63	200	205
Consumer Durables (US\$)	64	34	84	364	44	226	323	945
Stock Inventory (US\$)	24	7	14	31	34	66	31	43
Savings (US\$)	20	4	26	94	13	82	116	227
Borrowings (US\$)	38	22	112	190	22	53	303	400
<b>Household Income and Expenditure</b>								
Per Capita Income (US\$)	45	95	165	193	471	696	558	980
Share of Farm Income (%)	74.8	70.3	62.4	56.6	99.7	57.8	51.6	55.9
Share of Non-Farm Income (%)	25.2	29.7	37.6	43.4	0.3	42.2	48.4	44.1
Household Total Expenditure (US\$)	23	31	138	271	13	136	237	432
Share of Food Expenditure (%)	49.4	56.3	52.1	56.4	34.3	41.0	41.7	45.2
Share of Non-Food Expenditure (%)	50.6	43.7	47.9	43.6	65.7	59.0	58.3	54.8

## Factors Influencing Income and Poverty

- Increase in per capita real income was associated with expansion of non-farm sector, intensification of agriculture through adoption of modern varieties (MVs) and diversification of agriculture (cultivation of high value crops, non-crop farming activities, integration of crop-livestock), increase in average years of education and reduction of dependency ratio
- Poverty reduction in the dry-land areas was associated with land ownership, technology adoption, educational achievement of household members, accumulation of farm and non-farm capital and access to financial capital

## Conclusion

- Increase of rural household income and poverty reduction can be achieved through
  - development and promotion of high yielding (modern) varieties
  - supporting households for accumulation of agricultural capital (such as farm equipment and livestock resources) and non-agricultural capital
  - supporting education in the villages
  - building better infrastructure and road network
  - providing access to financial capital through credit market

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