

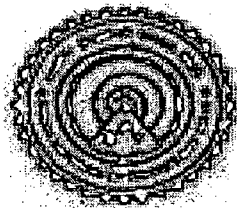
**IMPACT OF ECONOMIC REFORMS ON POVERTY
AND
INCOME DISTRIBUTION IN INDIA: A COMPARISON
WITH CHINA**

BY

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DEPARTMENT OF HUMANITIES AND SOCIAL SCIENCES**

**Submitted
In fulfillment of the requirement of the Degree of Doctor of
Philosophy**

to the



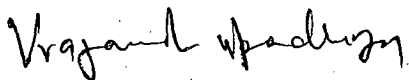
**INDIAN INSTITUTE OF TECHNOLOGY DELHI
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CERTIFICATE

Certified that Shri Arvind Kumar Chaturvedi was permitted to work for his Ph.D Degree in economics at the Indian Institute of Technology Delhi on the problem entitled **"Impact of Economic Reforms on Poverty and Income Distribution in India: A Comparison with China"**. He has faithfully carried out his study under my guidance and supervision and the accompanying thesis is his genuine and original work.

The result contained in his thesis have not been submitted, in part or full, to any other University or Institute for the award of any degree or diploma.

Shri Arvind Kumar Chaturvedi has completed necessary course work and put in the required attendance in this Department.



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Dated 30 December, 2008

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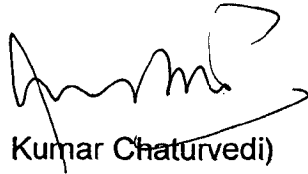
I would like to express my deep sense of reverence to my parents in-laws, brothers and sisters for their constant encouragement and motivation.

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I dedicate this research work to my elder brother Dr. Y.N. Chaturvedi, who was a constant source of inspiration to me, but unfortunately could not see the completion of this work, and left for his heavenly abode just before the submission of this thesis.

A handwritten signature in black ink, appearing to read 'Arvind Kumar Chaturvedi', with a long horizontal stroke extending to the right.

(Arvind Kumar Chaturvedi)

ABSTRACT

China and India are two countries, which have lately received global attention because of the recent growth and size of the economy. There are many similarities and many differences in the two countries. Both passed through economic crisis of sort three decades back and both resorted to revolutionary changes in the economic policies. This package of 'new policies' was to reform the economy. In this thesis an attempt has been made to (i) evaluate the economic reforms in the two countries after assessing the prevailing economic situation and past trends (ii) to assess their impact of reforms on poverty and income distribution and (iii) to compare these in India and China

China began in 1978 with changes in the agricultural sector, which was rather ad hoc. Soon thereafter the changes started showing results and gradually China introduced the reforms to other sectors as well. India too began causally and in an unplanned manner in mid-1980s, when several departures from earlier practices were made. But these were so sporadic and basic, that we cannot include them in larger package called 'Economic Reforms'. In 1991 with the change of Government in New Delhi, India launched in a well planned manner, the package of economic reforms, which covered many sectors of the economy.

Soon after the introduction of economic reforms, both China and India realized the advantages generated by the reform-package and hence increased the pace and coverage of the reforms in later years. In a span of first 10 years or so (for China 1978-1990, and India 1991-2000), greater results were visible. All economic indicators pointed towards improved economy. These changes are clearly visible in our analysis of economic reform in China and India. Our analysis covers three different phases of economic reforms. These are years 1978-1990, 1990-2000 and 2000-2006 for China. For India, the three phases are 1991-1996, 1996-97 – 1999-2000 and after 1999-00. These are referred to as phase I, II and III respectively.

However ,the analysis is not restricted to these phases due to availability of data

Due to non-availability of reliable micro-level data for China, the analysis carried out here for India and China are not the same. While several quantitative analyses have been carried out for India to draw conclusions, we have only referred to several similar studies and their conclusions, for China. Thus our study is India centric and the comparisons have been made with China.

For the purpose of evaluation and inferential analysis of Indian economic reforms, we have carried out macro-level analysis of data. The data used in our analysis is from official publications from Central Statistical Organization (CSO), Planning Commission and RBI. We have also used data from CMIE for our macro-level analysis. Since India does not have reliable data on income, we have used NSS data on consumer expenditure to analysis the impact of economic reform on poverty in India.

For China, we have used official data for macro-level analysis of the economy. However, we have not used any primary or secondary data for the income or expenditure analysis, rather we have only presented the findings of studies done by other researchers using official micro level data, for the purpose of comparison .

Our study finds that India and China had similar patterns of growth in the reforms period. Immediately following reforms, Indian economy grew faster than earlier periods. In the late nineties it slowed down but again picked up after 2001. China also had "waves" of growth. Most of the sectors recorded dramatic growth in 1980s and then slowed down. The pace of growth increased once again till about 2005 and the retardation began, thereafter.

Both India & China have shown tremendous growth and success in poverty reduction. China scores over India in this regard. About 500 million people

have been brought out from the clutches of poverty in China in twenty-five years, whereas India's achievements do not match China's in terms of numbers or proportions. Like in China, India also has a wide inequality of income/expenditure. Some Indian states have grown faster and have performed relatively better in controlling poverty. Punjab, Kerala and Gujrat have recorded higher impact while states like Uttar Pradesh, Bihar, Orissa and Madhya Pradesh have remained at the bottom, even after the reforms.

All the measures of inequality like Gini, Theil index, (and others used here for India, like CV, log ratio) endorse similar conclusions that the inequality among states is widening over time despite improvement in consumption expenditure. It suggests that some states have gained more from the reform-package compared to others. The same is true of China. In China, too, the income and consumption inequalities have been widening. Our study did not try to identify the "reasons" for this increase in regional-inequality.

The convergence analysis carried out in this study (for India) shows slow convergence. Perhaps it is pointing towards a polarization of sorts, where there are two poles emerging in India. This suggests that the 'top' group of states is showing convergence within this group, and similarly the 'bottom' group of states is showing convergence within that group only.

We have not carried out similar analysis (of convergence) for China, but have referred to several such studies in brief, and one study (Yanrui Wu) in detail. There are contradictory conclusions in most of such studies, as their time periods, variables and coverage are different.

A broad analysis carried out here clearly suggests similar trends for China and India. However further investigation to identify the causal factors and determinants, can only be done with the micro level data in both the countries.

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