

Study on impact of income inequality on poverty levels

T. PONNARASI*, K. SITA DEVI AND M.P. SARAVANAN

Department of Agricultural Economics, Annamalai University, CHIDAMBARAM (T.N.) INDIA

ABSTRACT

Inequality in income distribution and poverty are not, of course, unrelated. A transfer of income from a person in the top income group to one in the middle income range must, *ceteris paribus*, reduce inequality. But it may leave the perception of poverty quite unaffected. Hence, it is important to recognize that inequality and poverty are associated with each other and the role of inequality in the prevalence of poverty cannot be neglected. This paper is an attempt to study the impact of income inequality on poverty levels in varying irrigation environs of Coimbatore district. Inequality in income distribution was studied using Gini-coefficient and Lorenz curve. The levels of poverty in the study region was worked out using Head Count Measure. The result from the study show that the Gini co-efficient for income distribution among agricultural labourers was 0.1 and 0.2 in irrigated and dry blocks respectively and the poverty levels shown by Head count ratio was 60 per cent among the sample respondent in irrigated block and 80 per cent of those in dry blocks. This paper concludes that poverty level increases with inequality in income distribution and is a major factor responsible for poverty in the study region.

Key words : Inequality, Poverty, Income, Poverty line, Lorenz curve and Gini coefficient.

INTRODUCTION

People must not be allowed to become so poor that they afford or are hurtful to society. It is not so much the misery and plight of the poor but the discomfort and cost of the community which is crucial to this view of poverty. We have a problem of poverty to the extent that low income creates problems for those who are not poor.

Inequality and poverty are not of course, unrelated. A transfer of income from a person in the top income group to one in the middle income range must, *Ceteris paribus*, reduce inequality; but it may leave the perception of poverty quite unaffected. Similarly, a general decline in income that keeps the chosen measure of inequality unchanged, may infect lead to a sharp increase in starvation, malnutrition and obvious hardship, i.e., in sum poverty; it will be right to claim that poverty is unchanged. It's of course, an important matter to recognize that inequality and poverty are associated with each other, and the role of inequality in the prevalence of poverty cannot be neglected.

Datt and Ravillion made a study of poverty line in India for the period 1951-52 using National Sample Survey data. The poverty line was based on the nutritional norms of per capita daily intake of 2400 calories in rural areas and 2000 calories for urban areas. The study revealed that between 1951-52 and 1991-92, the national head count index of poverty declined from 53.00 per cent to 38.00 per cent. Rural poverty during this period declined from 55.00 per cent to 39.00 per cent, but urban poverty declined from 43.00 to 33.00 per cent.

Gautham and Krishnaiah (1993) examined the wage

employment of rural labour and variation in wage earnings by labour class in Andhra Pradesh. The results revealed that the wage employment was 165 days in farming and 60 days on non-farm activities. The total farm earning of male was three times that of children and three and half times that of female labour. Wage employment was high in irrigated villages as compared to the unirrigated villages.

Thus this paper is an attempt to study the trends in income distribution and its effect on poverty, in two different irrigation environments.

MATERIALS AND METHODS

The study region selected constitutes an irrigated area and a dry area with an assumption that the distribution of income or inequality and poverty level may vary between these two regions. The sample respondents selected were agricultural labourers. The data collected included the employment pattern, income, food consumption pattern and amount spent on food items.

Sampling procedure :

The hypothetical assumption of the study is that the levels of poverty among the rural households may vary between irrigated and dry tract, the respondents in the rural setting beings categorized as agriculturists, agricultural labourers and other workers. Based on the above assumption, purposive sampling method was used in the study. Of the twenty-nine district in Tamil Nadu, Coimbatore district was purposively selected since it has both irrigated and dry tract within the vicinity. In the second

* Author for correspondence.