

## Rural-urban income disparities : evidence from Indian states

B. SYED FAZLUL HUQ AND A. ABDUL RAHEEM

Accepted : September, 2009

**Key words :** Income disparities, Empirical analysis, Per/capita consumption, Per capita income

There are wide regional variations and rural and urban disparities in per capita consumption. The per capita total consumption in urban areas is 63 per cent greater than that of rural areas, while the per capita food consumption expenditure in urban areas exceeds that of rural areas by 41 per cent. Defining poor as the lowest 30 per cent expenditure class, and the rest as non-poor, the total consumption of the non-poor was 2.2 times that of the poor in rural areas and 2.7 times in urban areas. It was found that the per capita consumption was lowest among the agricultural labourers in rural areas and among the casual labourers in urban areas. Per capita consumption of agricultural workers is about three-fourths the average for rural areas, while the per capita consumption of casual workers in urban areas is about three-fifth the average for urban areas. Male and female-headed households do not differ significantly in per capita consumption. In rural areas, the per capita consumption of female-headed households is 6.5 per cent more than that of male-headed households, while in urban areas the per capita consumption of female-headed households is 4.1 per cent less than that of male-headed households. The per capita consumption is inversely related to the size of the household in both rural and urban areas and the extent of land owned in rural areas. The rural and urban sectors of an economy are interconnected economically, financially, and socially. Ideally, resources such as capital and labour should move freely between these two sectors. In an undistorted economy, marginal returns to production factors should be equal. As a result, labour productivity and consequently per capita income should be the same. Many have argued that there should not be any distinction between rural and urban sectors. Indeed, there has been a growing interest in the development literature on the linkages between rural and

urban development. The aim of this empirical work is to explore the evolution of rural-urban disparities and its relation with income.

In India programmes for reducing income inequalities and poverty alleviation are an integral part of development plans. In order to evaluate these programmes and assess their effectiveness in reducing income inequalities, various statistical data on income distribution are being collected and analyzed. There are wide regional variations and rural and urban disparities in per capita consumption. The per capita total consumption in urban areas is 63 per cent greater than that of rural areas, while the per capita food consumption expenditure in urban areas exceeds that of rural areas by 41 per cent. Defining poor as the lowest 30 per cent expenditure class, and the rest as non-poor, the total consumption of the non-poor was 2.2 times that of the poor in rural areas and 2.7 times in urban areas. It was found that the per capita consumption was lowest among the agricultural labourers in rural areas and among the casual labourers in urban areas. Per capita consumption of agricultural workers is about three-fourth the average for rural areas, while the per capita consumption of casual workers in urban areas is about three-fifth the average for urban areas. Male and female-headed households do not differ significantly in per capita consumption. In rural areas, the per capita consumption of female-headed households is 6.5 per cent more than that of male-headed households, while in urban areas the per capita consumption of female-headed households is 4.1 per cent less than that of male-headed households. The per capita consumption is inversely related to the size of the household in both rural and urban areas and the extent of land owned in rural areas. The rural and urban sectors of an economy are interconnected economically, financially and socially. Ideally, resources such as capital and labour should move freely between these two sectors. In an undistorted economy, marginal returns to production factors should be equal. As a result, labour productivity and consequently per capita income should be the same. Many have argued that there should not be any distinction between rural and urban sectors. Indeed, there has been a growing interest in the

**Correspondence to:**

B. SYED FAZLUL HUQ, P.G. and Research Department of Economics, The New College, University of Madras, CHENNAI (T.N.) INDIA

**Authors' affiliations:**

A. ABDUL RAHEEM, P.G. and Research Department of Economics, The New College, University of Madras, CHENNAI (T.N.) INDIA