

# A Comparison of Developmental Outcomes in Gujarat and Tamil Nadu

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The long-standing debate on growth and development has been renewed in recent works of Jagdish Bhagwati and Amartya Sen. This paper intervenes in this debate with evidence from Tamil Nadu. Tamil Nadu, which, unlike Kerala, did not have initial advantages over Gujarat, outperforms the latter on nearly every development indicator at the level of indicators as well as in the rate of change. This is despite Gujarat having a slightly higher economic growth rate. Tamil Nadu's relative success is the result of state intervention in providing essential public services. Further, the history of social mobilisation in the state has been crucial in ensuring the formulation and efficient execution of social welfare measures.

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Jagdish Bhagwati and Arvind Panagariya in their recent book *Why Growth Matters* (2013) discuss economic reforms as a two-part process. Track I reforms are a set of policy measures intended to push economic growth to a higher plane. Track II reforms consist of public welfare policies, funded by revenues from higher economic growth. Thus, Track I reforms precede Track II reforms and the latter is dependent on the former; or growth precedes development. In their words,

Growth would create more jobs and opportunities for gainful improvement in income directly pulling more of the poor above the poverty line and additionally would allow the government to pull in more revenues, which would enable the government to spend more on healthcare, education, and other programmes to further help the poor (Bhagwati and Panagariya 2013: 27).

They argue that two decades of reform in India in general and Gujarat, in particular, have generated high economic growth and better social outcomes. The higher economic growth, we are told, has resulted in a higher rate of decline in poverty in the last two decades. This is attributed to a “pull-up” strategy rather than to the traditional “trickle-down” effect. The book also argues that there has been progressive improvement in the lives of disadvantaged groups such as the scheduled tribes (STs), scheduled castes (SCs), Other Backward Classes (OBCs), and religious minorities in Gujarat.

In *An Uncertain Glory: India and Its Contradictions* (2013), Jean Dreze and Amartya Sen provide a counterpoint to Bhagwati and Panagariya. They argue that growth is not an end in itself; rather it is only a means to achieve growth-mediated development. Dreze and Sen envision a larger role for the state and prescribe state intervention in providing basic social infrastructure such as healthcare and education. They show that 20 years of sustained economic growth in India has not resulted in a corresponding improvement in social indicators. The high economic growth in Gujarat has not translated into proportionally better social outcomes. For this reason, Dreze and Sen consider the Gujarat model a weak one. In a similar vein, Hirway (2013) and Sood (2012) also question whether the economic reforms inaugurated in Gujarat in the 1990s are capable of realising more inclusive social outcomes.<sup>1</sup>

Sen has offered the case of Kerala as an example of inclusive social outcomes. Bhagwati and Panagariya (2013) contend that a comparison between Gujarat and Kerala is unfair, for the latter had historical advantages over the former. They argue that a valid comparison can only be made between the rate of

change in certain indicators and not between absolute levels. They successfully show that on the rate of change in certain development indicators, Gujarat has indeed done well compared to Kerala.<sup>2</sup>

Against the backdrop of the above debate, this paper compares the performance of Gujarat and Tamil Nadu. Both states have aggressively embraced the pro-market policies needed for what Bhagwati calls Track 1 reforms and both have achieved economic growth higher than the national average. Both the states have other similarities. For instance, they are highly urbanised and industrialised among the developed states in the country. However, on social developmental outcomes such as rate of poverty reduction, health and education, Tamil Nadu has performed better than Gujarat in the last two decades. Tamil Nadu outshines Gujarat both at the level of indicators as well as the rate of change in those indicators, which are comparable by the standards set by Bhagwati and Panagariya. Unlike Kerala, Tamil Nadu did not have an initial advantage over Gujarat. In fact, in many indicators, Gujarat was ahead of Tamil Nadu to start with.

The first section of the paper provides a detailed account of economic growth by sectors and the contribution of different sub-sectors to overall economic growth in both states. It also provides the trend growth rate for both states. The second section analyses the level of poverty and rate of poverty reduction in both states, and discusses trends in inequality. The third compares levels and rates of changes in education and health. The last section explores the possible explanations for better social and economic outcomes in Tamil Nadu.

## 1 Dynamics of Economic Growth

Both Gujarat and Tamil Nadu have had a consistently high economic growth rate. This is attributed to the economic reforms initiated by them in the early 1990s. They have both decisively embraced neo-liberal policies and have heavily subsidised the corporate sector through various tax exemptions (Datta 2009; Vijayabaskar 2010; Hiraway 2013).<sup>3</sup> Whether their sustained higher economic growth is due to the policies initiated in the 1990s or something else is beyond the purview of this paper, which is concerned with explaining the differential developmental outcomes despite a similar growth rate.

Table 1 provides the sector-wise growth rate and the contribution of each sector to aggregate growth in each of the states in the last two decades. The overall gross domestic product (GDP) growth of Tamil Nadu for this period was 7% per annum,

**Table 1: Gross State Domestic Product (GSDP) Growth Rate by Sectors and Their Contribution to Growth**

Sector	Tamil Nadu			Gujarat		
	1991-2001	2001-12	1991-2012	1991-2001	2001-12	1991-2012
Agriculture	2.4 (8.1)	5.0 (4.8)	2.6 (5.5)	1.4 (4.7)	5.5 (9.9)	4.7 (10.5)
Manufacturing	5.4 (18.6)	8.5 (21.0)	6.7 (19.6)	9.2 (36.0)	10.2 (30.8)	9.7 (30.7)
Construction	8.0 (8.3)	10.0 (11.1)	9.6 (10.5)	5.4 (4.6)	13.2 (7.2)	8.5 (6.1)
Industry	6.2 (30.7)	8.1 (31.6)	7.1 (29.8)	8.6 (47.2)	9.9 (40.8)	9.3 (40.7)
Services	7.5 (61.2)	8.4 (63.6)	8.4 (64.7)	7.5 (48.1)	10.0 (49.4)	9.2 (48.9)
GSDP	6.0 (100)	7.9 (100)	7.0 (100)	6.5 (100)	9.2 (100)	8.3 (100)

GSDP at 1999-2000 constant prices; figures in parenthesis show contribution to GSDP growth. Source: Central Statistical Organisation.

while for Gujarat it was about 8.3% per annum. Though Gujarat's growth rate is better than Tamil Nadu's, the gap between them has been closing over the last decade.

If the data is disaggregated, we find that the growth rates of the construction and service sectors have been the highest in Tamil Nadu. In Gujarat, it is the manufacturing sector that has experienced the highest growth. Manufacturing has grown at 9.7% per annum in Gujarat, while the corresponding growth rate for Tamil Nadu has been 6.7%. The service sector also had a higher growth rate in Gujarat compared to Tamil Nadu. It is evident that Gujarat has been consistently performing better in all sectors compared to Tamil Nadu. Another important dimension is that Gujarat's growth pattern is more diversified than Tamil Nadu's. For instance, agriculture witnessed a growth rate of 4.7% per annum in Gujarat, while the corresponding figure for Tamil Nadu was just 2.6% per annum.

There is a significant difference between the two states on drivers (contribution of sub-sectors to aggregate growth) of economic growth. In Tamil Nadu, the key driver of economic growth has been the service sector, while in Gujarat both service and industry have contributed equally to growth. The service sector contributed about 64% of the overall economic growth in Tamil Nadu in the last two decades, and the corresponding figure for Gujarat was 49%. Industry continues to be a more significant driver of economic growth in Gujarat compared to Tamil Nadu. Industry contributed about 40% of the overall economic growth in Gujarat, while the corresponding contribution in Tamil Nadu was 30%. Within industry, manufacturing contributed about 30% to the overall economic growth in Gujarat, while it contributed just 19% of the growth in Tamil Nadu.<sup>4</sup> Agriculture contributed to growth to the tune of 10.5% in Gujarat, while Tamil Nadu witnessed a decline in the contribution of agriculture to overall growth. Despite these differences, both the states exceeded the national rate of growth during this period.

Do the consistently high economic growth rates of these two states translate into developmental outcomes at a similar rate? Do these outcomes diverge or converge over time as overall growth rates tend to converge?

## 2 Incidence of Poverty, 1994-2012

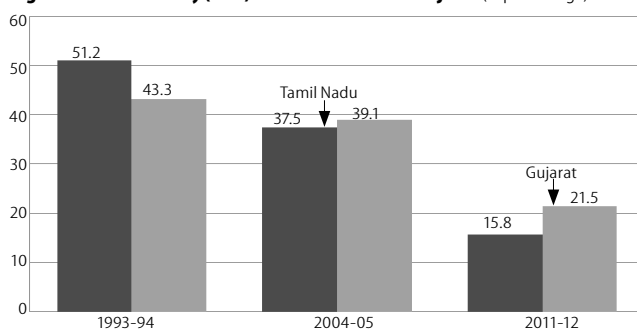
To estimate the incidence of poverty and inequality, unit record data from three quinquennial rounds of consumption expenditure surveys (CES) conducted by the National Sample Survey Office (NSSO) have been used. These surveys were conducted during 1993-94, 2004-05 and 2011-12. This paper uses the methodology recommended by the Tendulkar Committee and the corresponding poverty lines provided by the Planning Commission to estimate the incidence of poverty in both states.<sup>5</sup>

### 2.1 Rural Poverty

Table 2 (p 57) provides an estimate of rural poverty based on the headcount ratio (HCR) at the aggregate level, and for social and religious groups in Tamil Nadu and Gujarat. In 1993-94, the proportion of population who were poor in rural Tamil

Nadu was 51.2% (Figure 1). It drastically came down to 15.8% by 2011-12. The corresponding figures for Gujarat were 43.3% and 21.5%, respectively. It is evident that though Gujarat was

**Figure 1: Rural Poverty (HCR) for Tamil Nadu and Gujarat** (in percentage)



better placed in the 1990s, it compared unfavourably with Tamil Nadu in 2011-12. Tamil Nadu gained 34 percentage points in poverty reduction in rural areas during the last two decades, while Gujarat gained 22 percentage points. Tamil Nadu thus gained more than 12 percentage points over Gujarat in poverty reduction.

**Table 2: Incidence of Poverty (HCR) and Rate of Poverty Reduction (Per Annum) among Socio-Religious Groups (Rural)**

Social Group	1993-94		2004-05		2011-12		1993-94 to 2004-05		2004-05 to 2011-12		1993-94 to 2011-12	
	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat
SC/ST	65.8	54.4	51.2	54.3	24.0	33.8	1.3	0	3.9	2.9	2.3	1.1
OBC	-	-	32.6	41.7	13.0	18.9	-	-	2.8	3.3	-	-
General*	45.6	37.4	22.2	13.7	1.0	6.1	2.1	2.2	3.0	1.1	2.5	1.7
Hindu	51.3	43.4	38.0	39.9	16.2	22.7	1.2	0.3	3.1	2.5	1.9	1.1
Muslim	37.3	36.4	18.0	31.0	1.6	7.7	1.8	0.5	2.3	3.3	2.0	1.6
Other minorities	57.0	59.1	36.1	22.1	13.9	15.2	1.9	3.4	3.2	1.0	2.4	2.4
All	51.2	43.3	37.5	39.1	15.8	21.5	1.2	0.4	3.1	2.5	2.0	1.2

\* General includes the OBC population in 1993-94 as the OBCs were not then counted. It cannot be compared across time.

Source: Calculated by the author using NSS CES unit record data for the respective years.

If we look at the rate of decline in poverty between 1993-94 and 2011-12, rural poverty declined at 2 percentage points per annum in Tamil Nadu. The rate of decline in rural poverty in Gujarat during the same period was about 1.2 percentage point per annum, which was much lower than in Tamil Nadu. The rate of decline in rural poverty during sub-periods was also higher in Tamil Nadu than in Gujarat. In the first sub-period, between 1993-94 and 2004-05, the rate of decline in poverty in Tamil Nadu was about 1.2 percentage points per annum, while the corresponding figure for Gujarat was 0.4 percentage points per annum. Again, in the second sub-period, between 2004-05 and 2011-12, Tamil Nadu outperformed Gujarat in poverty reduction. The rate of decline in rural poverty in Tamil Nadu was 3.1 percentage points per annum, while the decline in Gujarat was 2.5 percentage points.

### 2.1.1 Poverty Reduction across Rural Social and Religious Groups

Across social and religious groups in rural areas, Tamil Nadu has done better in poverty reduction as compared to Gujarat. The incidence of poverty among scs/sts in rural Tamil Nadu was 66% in 1993-94, and it came down to 24% in 2011-12. The corresponding figures for scs/sts in Gujarat were 54% and 34%, respectively. Thus, there was a poverty reduction of

about 42 percentage points for scs/sts in rural Tamil Nadu from 1992-93 to 2011-12. This was much higher than that for any other caste group in the state. The corresponding gain for scs/sts in terms of poverty reduction in Gujarat was 20 percentage points, that is, only half of what Tamil Nadu achieved. If we look at the rate of decline in poverty among scs/sts in rural areas between 1993-94 and 2011-12, it was 2.3 percentage points per annum in Tamil Nadu. This was higher than the state average of 2 percentage points per annum for the same period. The comparative figure for Gujarat was just 1.1 percentage points. Clearly, poverty among scs/sts in rural Tamil Nadu has significantly declined in comparison with their counterparts in Gujarat.

In sub-periods too, scs/sts have been better off in rural Tamil Nadu than in rural Gujarat. The rate of decline in poverty among them in Tamil Nadu in the first period of 1993-94 to 2004-05 was 1.3 percentage points; the rate increased to 3.9 percentage points in the second period between 2004-05 and 2011-12. In rural Gujarat, there was no decline in poverty among scs/sts in the first period, while the second period witnessed a decline at the rate of 2.9

percentage points per annum, which was lower than that of Tamil Nadu. Though we do not have comparable figures over time for OBCs, the incidence of poverty among OBCs in 2011-12 was 13% in Tamil Nadu and 19% in Gujarat.

In terms of poverty reduction, Muslims have also done

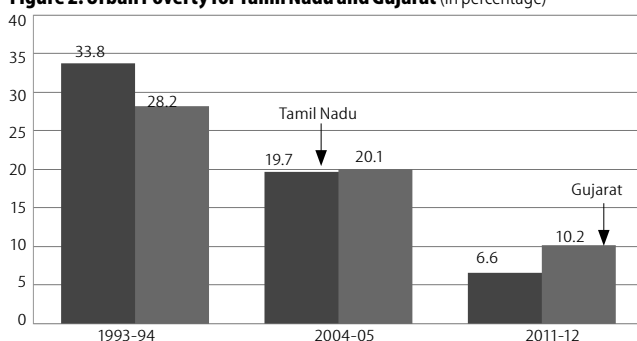
much better in rural Tamil Nadu than in rural Gujarat. The incidence of poverty among Muslims in rural Tamil Nadu was 37.3% in 1993-94 and it came down to 1.6% in 2011-12. The corresponding figures for Muslims in rural Gujarat were 36.4% and 7.7%, respectively. The gain Muslims made in terms of reduced poverty during the period was 35 percentage points in rural Tamil Nadu, while it was 29 percentage points in rural Gujarat. Similarly, the rate of decline in poverty among Muslims in rural Tamil Nadu was 2 percentage points per annum between 1993-94 and 2011-12, while the corresponding figure for Muslims in Gujarat was 1.6 percentage points per annum. In the first sub-period between 1993-94 and 2004-05, the rate of decline of poverty among Muslims was 1.8 percentage points per annum in rural Tamil Nadu, and the corresponding rate in Gujarat was just about 0.5 percentage points. However, Muslims in Gujarat did better than in Tamil Nadu in the second period from 2004-05 to 2011-12, when the rate of decline of poverty among Muslims in Gujarat was 3.3 percentage points per annum, and the corresponding figure for Tamil Nadu was 2.3 percentage points per annum.

Overall, poverty reduction among the historically disadvantaged and marginalised in rural areas has been much higher in Tamil Nadu than in Gujarat.

### 2.1.2 Poverty Reduction by Rural Livelihood Categories

The following economic groups in the rural sector have been considered in this paper – self-employed in agriculture (SEAG); self-employed in non-agriculture (non-farm production and business) (SENA); wage labour engaged in agriculture (AGLA); wage labour in non-agriculture (OLAH); and households that have more than one source of income (Other).<sup>6</sup> Poverty reduction among both farm labour and non-farm labour was higher in Tamil Nadu compared to Gujarat. The incidence of poverty among farm and non-farm labour in Tamil Nadu in 1993-94 was 69% and 44%, respectively. This came down to 25% and 10% by 2011-12. The incidence of poverty for the corresponding groups in Gujarat in 1993-94 was 61% and 46%, respectively and it came down to 31% and 29% in 2011-12. Farm labour in Tamil Nadu gained by 34 percentage points in terms of poverty reduction between 1993-94 and 2011-12. The corresponding gain for Gujarat was 30 percentage points.

**Figure 2: Urban Poverty for Tamil Nadu and Gujarat** (in percentage)



Poverty reduction among non-farm labour in Tamil Nadu was 34 percentage points from 1993-94 to 2011-12, and the corresponding figure for Gujarat was 17 percentage points; less than half of what Tamil Nadu achieved. The annual rate of decline in poverty among farm labour for the entire period of 1993-94 to 2011-12 was 2.4 percentage points in Tamil Nadu

**Table 3: Incidence of Poverty (HCR) and Rate of Poverty Reduction (Per Annum) by Rural Livelihood Categories**

Household Type	1993-94		2004-05		2011-12		1993-94 to 2004-05		2004-05 to 2011-12		1993-94 to 2011-12	
	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat
SENA	37.2	33.1	24.6	28.0	7.7	7.6	1.1	0.5	2.4	2.9	1.6	1.4
AGLA	69.5	61.1	54.3	57.8	25.5	31.0	1.4	0.3	4.1	3.8	2.4	1.7
OLAH	44.0	46.4	34.2	45.9	10.0	28.9	0.9	0.0	3.5	2.4	1.9	1.0
SEAG	42.7	34.1	23.8	27.3	17.5	22.5	1.7	0.6	0.9	0.7	1.4	0.6
Other	24.2	17.2	17.1	18.4	6.4	9.2	0.6	-0.1	1.5	1.3	1.0	0.4
All	51.2	43.3	37.5	39.1	15.8	21.5	1.2	0.4	3.1	2.5	2.0	1.2

SEAG: Self-employed in agriculture, SENNA: Self-employed in non-agriculture, AGLA: Wage labour in agriculture, OLAH: Wage labour in non-agriculture, Other: Households that have more than one source of income.

Source: Same as in Table 2.

**Table 4: Incidence of Poverty (HCR) and Rate of Poverty Reduction (Per Annum) for Social-Religious Groups (Urban)**

Social Group	1993-94		2004-05		2011-12		1993-94 to 2004-05		2004-05 to 2011-12		1993-94 to 2011-12	
	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat
SC/ST	54.0	44.0	40.5	22.5	9.0	19.3	1.2	2.0	4.5	0.5	2.5	1.4
OBC	-	-	17.3	36.5	6.4	15.5	-	-	1.6	3.0	-	-
General*	30.0	25.3	6.5	11.4	1.8	5.1	2.1	1.3	0.7	0.9	1.6	1.1
Hindu	33.6	25.7	20.1	17.7	7.0	9.7	1.2	0.7	1.9	1.1	1.5	0.9
Muslim	35.4	46.3	19.1	42.3	3.7	14.6	1.5	0.4	2.2	4.0	1.8	1.8
Other minorities	32.9	17.5	16.0	2.1	5.9	0.0	1.5	1.4	1.4	0.3	1.5	1.0
Total	33.8	28.2	19.7	20.1	6.6	10.2	1.3	0.7	1.9	1.4	1.5	1.0

\* General includes the OBC population in 1993-94 as the OBCs were not then counted. It cannot be compared across time.

Source: Same as Table 2.

compared to 1.7 percentage points in Gujarat (Table 3). Non-farm labour too did better in Tamil Nadu. The rate of decline of poverty among non-farm labour in Tamil Nadu was 1.9 percentage points per annum for the period 1993-94 to 2011-12, and the corresponding rate for Gujarat was 1 percentage point per annum.

### 2.2 Incidence of Urban Poverty, 1994-2012

The data on incidence of poverty and its rate of decline in urban areas is given in Table 4. In both measures of poverty, Tamil Nadu has done better than Gujarat. In the period 1993-94 to 2011-12, the incidence of urban poverty came down from 33.8% to 6.6% in Tamil Nadu (Figure 2). The corresponding figures for Gujarat were 28.2% and 10.2%, respectively. The gain that Tamil Nadu made in poverty reduction in urban areas during the period 1993-94 to 2011-12 was about 27 percentage points, while Gujarat gained about 18 percentage points. Significantly, Gujarat was in a better position at the beginning, but lost out to Tamil Nadu during the period considered.

In terms of the rate of decline of urban poverty as well, Tamil Nadu has done better than Gujarat. The rate of decline in urban poverty in Tamil Nadu during 1993-94 to 2011-12 was about 1.5 percentage points per annum, and the corresponding rate for Gujarat was 1 percentage point per annum. In the sub-periods too, Tamil Nadu has performed more consistently than Gujarat. While in the first sub-period of 1993-94 to 2004-10, the rate of decline in urban poverty was 1.3 percentage points per annum in Tamil Nadu, it progressed to 1.9 percentage points per annum during the sub-period 2004-05 to 2011-12. The corresponding figures for Gujarat were 0.7 and 1.4 percentage points per annum, respectively.

#### 2.2.1 Poverty Reduction across Urban Social and Religious Groups

Urban Tamil Nadu has outperformed urban Gujarat in reducing poverty among marginalised and disadvantaged social groups. For instance, the incidence of urban poverty among scs/sts in Tamil Nadu was 54% in 1993-94 and it came down to 9% in 2011-12 (Table 4). The corresponding figures for Gujarat were 44% and 19.3%, respectively. In the period 1993-94 to 2011-12, scs/sts in Tamil Nadu gained 45 percentage points in poverty reduction, while their counterparts in Gujarat gained 20 percentage points. Similarly, if we look at the rate of decline of urban poverty among these caste groups, it was about 2.5 percentage points per annum in Tamil Nadu during this

entire period, while Gujarat witnessed just 1.4 percentage points per annum.

In the first sub-period (1993-94 to 2004-05), scs/sts did better in Gujarat than in Tamil Nadu. The rate of poverty decline among scs/sts in urban Gujarat during this sub-period was 2 percentage points per annum, while the corresponding figure for Tamil Nadu was just 1.2 percentage points. However, Tamil Nadu overtook Gujarat in the second sub-period (2004-05 to 2011-12). The rate of decline of poverty among scs/sts between 2004-05 and 2011-12 in urban Tamil Nadu was about 4.5 percentage points per annum, compared to 0.5 percentage points per annum in urban Gujarat.

The incidence of poverty among Muslims in urban Tamil Nadu was 35.3% in 1993-94. It came down to 3.7% by 2011-12. The corresponding figures for Muslims in Gujarat were 46.3% and 14.6%, respectively. Thus poverty reduction among Muslims between 1993-94 and 2011-12 was 31 percentage points in both states. The rate of poverty decline among Muslims in urban areas was the same (1.8 percentage points per annum) in both states between 1993-94 and 2011-12.

However, there was a slight variation in the rate of decline in poverty in the sub-periods. Muslims in Tamil Nadu did better (1.5 percentage points per annum) in the first sub-period (1993-94 and 2004-05), while the corresponding figure for Gujarat was 0.4 percentage points per annum. Muslims in urban Gujarat gained in poverty reduction during the second sub-period of 2004-05 to 2011-12. The rate of reduction of poverty among Muslims in urban Gujarat was 4 percentage points per annum from 2004-05 to 2011-12, while the corresponding figure for Tamil Nadu was 2.2 percentage points per annum.

### 2.2.2 Poverty Reduction by Urban Livelihood Categories

In urban areas, the economic groups considered are as follows – self-employed (SEMP); wage/salary earners (RWSE); casual labour (CALA); and other households with multiple sources of income (Other). Compared to Gujarat, Tamil Nadu has done better in poverty reduction among all these groups in the last

**Table 5: Incidence of Poverty (HCR) and Rate of Poverty Reduction (Per Annum) for Urban Livelihoods Categories**

Household Type	1993-94		2004-05		2011-12		1993-94 to 2004-05		2004-05 to 2011-12		1993-94 to 2011-12	
	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat
SEMP	32.1	22.5	18.6	21.5	5.2	9.5	1.2	0.1	1.9	1.7	1.5	0.7
RWSE	21.2	20.3	12.2	11.9	2.8	6.1	0.8	0.8	1.3	0.8	1.0	0.8
CALA	59.3	60.8	49.9	62.9	14.5	35.4	0.9	0.0	5.1	3.9	2.5	1.4
Other	41.4	16.8	10.1	7.0	4.4	9.2	2.8	0.9	0.8	-0.2	2.1	0.4
All	33.8	28.2	19.7	20.1	6.6	10.2	1.3	0.7	1.9	1.4	1.5	1.0

SEMP: Self-employed, RWSE: Wage/salary earners, CALA: Casual labour, Other: Other households with multiple sources of income.

Source: Same as Table 2.

two decades. For instance, take casual labourers. The incidence of poverty among casual labour in urban Tamil Nadu in 1993-94 was 59.3% and came down to 14.5% by 2011-12 (Table 5). The corresponding figures for casual labour in Gujarat were 60.8% and 35.4%, respectively. It is evident that the base level of poverty was almost the same in both states in the early 1990s. Thus, poverty reduction was phenomenal in Tamil Nadu in comparison to Gujarat during this period. Urban poverty among casual labour declined 2.5 percentage points per annum

in Tamil Nadu between 1993-94 and 2011-12, while it fell 1.4 percentage points per annum in Gujarat.

In sum, Tamil Nadu has done much better in poverty reduction than Gujarat in all measures and across all categories, except for urban Muslims. This is despite the base levels of poverty in both states having been almost the same in the early 1990s. It points to that the nature of the growth process in the two states is different, though both have been marked by high growth.

### 2.3 Inequality

The debate on the effect of inequality on poverty reduction is an ongoing one – whether the reduction in poverty in both states is due to growth or redistribution needs further probing. It is expected that redistribution of income will bring down the poverty level when inequality is high.<sup>7</sup> In the case of Tamil Nadu, something else is at play as inequality continues to be higher than in Gujarat. The inequality measures for Tamil Nadu and Gujarat are provided in Table 6. Rural inequality was lower than urban inequality in both states. The level of inequality has been the same in rural Tamil Nadu in the last two decades (1993-94 to 2011-12). For instance, the Gini ratio based on consumption expenditure in rural Tamil Nadu was

**Table 6: Consumption Inequality (Gini coefficient)**

Sector	State	1993-94	2004-05	2011-12
Rural	Tamil Nadu	0.31	0.32	0.3
	Gujarat	0.24	0.27	0.29
Urban	Tamil Nadu	0.35	0.36	0.34
	Gujarat	0.29	0.31	0.29

Source: Same as Table 2.

0.31 points in 1993-94 and 0.30 points in 2011-12. The level of inequality in rural Gujarat was lower than that in Tamil Nadu at all three points of time. However, inequality has increased over time in rural Gujarat – from 0.24 points in 1993-94 to 0.29 points in 2011-12. Thus the gap between the two states in rural inequality has been narrowing.

Urban inequality has been stable in both the states in the last two decades. As in rural areas, the level of inequality was higher in Tamil Nadu than in Gujarat. The Gini ratio for urban Tamil Nadu has not changed over time – it was 0.35 in 1993-94 and 0.34 in 2011-12. However, what is interesting is that both inequality and the rate of poverty reduction have been higher in Tamil Nadu in comparison to Gujarat. Therefore, as stated earlier, the causes for the faster reduction of poverty in Tamil Nadu are not directly influenced by the level of and changes in inequality.

### 3 Education and Health Indicators

This section explores the performance of Tamil Nadu and Gujarat in education and health indicators. The discussion on education is largely based on data drawn from the NSSO's 50th round (1993-94) and 66th round (2011-12). These are both quinquennial large-sample rounds, and broad estimates of education produce fairly accurate estimates. However, the data cannot be used for much disaggregation. For health indicators,

the paper uses data from the National Family Health Survey 1 (NFHS 1) and NFHS 3 and the census.

### 3.1 Literacy Rate

The literacy rate (measured for those six years old and above) is a basic indicator of educational outcome. Table 7 provides details of the performance of both states in terms of literacy rate. Tamil Nadu fared better than Gujarat in both 1993-94 and 2011-12. The literacy rate was 67% in Tamil Nadu in 1993-94 and it increased to 81% in 2011-12. The corresponding figures for Gujarat were 65% and 78% respectively. The gain in literacy among scs/sts in Tamil Nadu was higher

**Table 7: Literacy Rate by Caste and Gender**  
(Six years old and above)

Caste/Gender	1993-94		2011-12	
	Tamil Nadu	Gujarat	Tamil Nadu	Gujarat
SC/ST	51.5	52.7	74.8	67.6
OBC	-	-	82.4	75.2
General	71.5	69.0	94.2	88.2
Male	78.3	76.8	87.5	84.5
Female	55.8	51.6	74.8	70.4
All	67.0	64.6	81.1	77.9

Source: Calculated by the author using NSS employment and unemployment unit record data for the respective years.

than in Gujarat. The literacy rate of scs/sts in Tamil Nadu was 52% in 1993-94 and increased to 75% in 2011-12. The corresponding figures for scs/sts in Gujarat were 53% and 68%, respectively. The scs/sts in Tamil Nadu gained in literacy by 23 percentage points from 1993-94 to 2011-12, while in Gujarat they gained by 15 points during the same period. We do not have comparable figures for OBCs. However, the literacy rate among OBCs in Tamil Nadu in 2011-12 was 82% compared to 75% in Gujarat.

In the 1990s, the level of literacy among these deprived caste groups was more or less the same in both states. However, as the data shows, in the last 20 years, deprived caste groups have acquired education at a much faster rate in Tamil Nadu than in Gujarat.

### 3.2 Educational Status of Workforce

An educated workforce is a key factor to increasing productivity in any economy. Tamil Nadu has performed better in this regard. The percentage of the workforce that was illiterate in 1993-94 in Tamil Nadu was about 40%, and it came down to 20.4% in 2011-12. The corresponding figures for Gujarat were 41% and 24%, respectively. Tamil Nadu gained 5 percentage points more than Gujarat in reducing illiteracy among the workforce. Similarly, the percentage of the workforce who were graduates (or above) in Tamil Nadu was 4.2% in 1993-94, and it increased to 14.3% by 2011-12. The corresponding

**Table 8: Percentage Distribution of Usual Status Workers (Principle + Subsidiary) by Level of Education across Social Groups** (15 to 59 years)

Level of Education	1993-94								2011-12							
	Tamil Nadu				Gujarat				Tamil Nadu				Gujarat			
	SC/ST	OBC	General*	All	SC/ST	OBC	General	Total	SC/ST	OBC	General	All	SC/ST	OBC	General	Total
Illiterate	58.2	-	33.4	39.7	56.3	-	35.3	41.6	29.5	18.24	3.15	20.5	37.8	26.1	10	24.1
Up to primary	25.3	-	32.8	30.9	26.6	-	30.8	29.6	29.6	27.36	12.2	27.5	26.2	34.1	18.9	26.9
Secondary and higher secondary	15	-	28.7	25.2	15.6	-	27.7	24.1	33.6	38.98	34.4	37.7	30.3	35.1	50.5	38.8
Graduate and above	1.6	-	5.1	4.2	1.5	-	6.14	4.8	7.3	15.43	50.3	14.3	5.6	4.7	20.5	10.1
Total	100	-	100	100	100	-	100	100	100	100	100	100	100	100	100	100

\* General includes the OBC population in 1993-94 as the OBCs were not then counted. It cannot be compared across time.

Source: Same as Table 7.

figures for Gujarat were 4.8% and 10%, respectively. Though they began at a similar level, Tamil Nadu has educated its workforce faster than Gujarat.

Table 8 provides the distribution of the workforce by education across caste groups. It shows that the deprived castes have gained education at a faster rate in Tamil Nadu than in Gujarat. In 1993-94, 58% of sc/st workers in Tamil Nadu were illiterate, and this came down to 29% by 2011-12. The corresponding figures for Gujarat were 56% in 1993-94 and 37.8% in 2011-12. The gain that sc/st workers made in acquiring education in Tamil Nadu between 1993-94 and 2011-12 was 29 percentage points, and the corresponding gain in Gujarat was 18.2 percentage points. Similarly, in acquiring higher education, scs/sts in Tamil Nadu gained more than scs/sts in Gujarat in the last two decades. Graduates and above among scs/sts in the workforce in Tamil Nadu was 1.6% in 1993-94 and it increased to 7.3% by 2011-12. The corresponding figures for scs/sts in Gujarat were 1.5% and 5.6%, respectively.

### 3.3 Basic Health Indicators

Table 9 (p 61) and Table 10 (p 62) provide details of basic health indicators for both Tamil Nadu and Gujarat. Tamil Nadu has performed better in certain basic health indicators in comparison to Gujarat. For instance, the life expectancy rate in Tamil Nadu stood at 67 for males and 71 for females in 2005-06. The corresponding figures for Gujarat were 64.9 for males and 69 for females. The maternal mortality ratio (MMR) in Tamil Nadu was 97 against 148 in Gujarat. Similarly, in measures such as the infant mortality ratio (IMR) and the under-5 mortality ratio (U5MR), Tamil Nadu performed better than Gujarat in the two decades under consideration. The IMR stood at 71 in Tamil Nadu in 1992-93 and it came down to 22 by 2011. The corresponding figures for Gujarat were 74 and 41, respectively. The gain Tamil Nadu made in reducing IMR from 1992-93 to 2011 was 49 points and the gain that Gujarat made in the same period was 33 points. The U5MR stood at 95 in Tamil Nadu in 1992-93 and came down to 25 by 2011. The corresponding figures for Gujarat were 104 and 52, respectively. The gain that Tamil Nadu made from 1992-93 to 2011 in reducing U5MR was 70 points and the corresponding gain for Gujarat was 52 points.

Further, Tamil Nadu has performed better in reducing the percentage of undernourished children compared to Gujarat. In Tamil Nadu, 48% of children were undernourished in

1992-93 and it came down to 31% in 2005-06. The corresponding figures for Gujarat were 50% and 51.7%. Thus, there was no reduction in undernourishment among children in Gujarat.

Tamil Nadu has performed better in key reproductive and child health (RCH) indicators as well.

The top-most priorities of any RCH programme in India are ensuring safe motherhood and improved child health, and raising contraceptive prevalence rates. The secondary literature (Dreze and Sen 2013; Sharma 2012) shows that Tamil Nadu has performed better than Gujarat on both counts. Table 9 provides details on the status of RCH indicators in

**Table 9: Basic Health Indicators (2005-06)**

Indicators	Tamil Nadu	Gujarat
Male life expectancy (2006-10)	67.1	64.9
Female life expectancy (2006-10)	70.9	69.0
IMR (per 1,000 live births, 2011)	22	41.0
U5MR (per 1,000 live births, 2011)	25	52
MMR (per 1,00,000 live births, 2007-09)	97	148
Total fertility	1.8	2.4
Children who are undernourished (stunted) (%)	31.1	51.7
Vaccination (%)	80.9	45.2
Antenatal care (%)	99.0	87.0
Safe delivery (%)	89.0	62.0
Child immunisation (%)	80.9	45.2

Source: Select socio indicators, NFHS 3 (2005-06), IIPS and Sample Registration System (SRS) Census.

Tamil Nadu and Gujarat. In Tamil Nadu, antenatal check-ups were done in 99% of cases, compared to 87% in Gujarat. The rate of safe delivery in Tamil Nadu was 89%, while the corresponding figure for Gujarat was 62%. The child immunisation coverage in Tamil Nadu stood at 80.9%, whereas it was just 45.2% in Gujarat.

### 3.4 Caste and Health Indicators

As in the overall trend, Tamil Nadu has also done better than Gujarat in the caste-wise performance of health indicators. In 1992-93, the IMR for the scs in Tamil Nadu was 90 points and it came down to 37 points by 2005-06. The corresponding figures for Gujarat were 70 and 65 points, respectively. Thus, scs gained 53 points in reducing IMR in Tamil Nadu from 1992-93 to 2005-06, while the scs in Gujarat gained a meagre 5 points in the same period. In the U5MR too, the scs in Tamil Nadu have done better than Gujarat. The U5MR among scs stood at 127 in 1992-93 in Tamil Nadu, and it drastically came down to 48 by 2005-06. The corresponding figures for scs in Gujarat were 119 and 86.6, respectively. The gain scs in Tamil Nadu have made in reducing the U5MR between 1992-93 and 2005-06 was 79 points, while scs in Gujarat gained by 32 points. In the case of indicators such as child immunisation and mother's antenatal care as well, the deprived caste groups in Tamil Nadu have performed better than those in Gujarat. Child immunisation in Tamil Nadu was about 80%, while it was 45% in Gujarat in 2005-06. Comparative studies by different scholars on the performance of different caste groups in health indicators endorse the argument advanced here.<sup>8</sup>

### 4 Possible Explanations

Tamil Nadu has performed much better in crucial development indicators than Gujarat in the last two decades despite both states having had similar rates of high economic growth. This section explores the possible explanations for such differential outcomes.

Dreze and Sen locate the relative success of Tamil Nadu in the nature of state intervention in providing basic public services. In their words,

Less well known, but no less significant, is the gradual emergence and consolidation of universalistic social policies in Tamil Nadu...Tamil Nadu, unlike most other states, also has an extensive network of lively and effective healthcare centres, where people from all social backgrounds can get reasonably good healthcare, free of cost (2011).<sup>9</sup>

In this context, a brief account of various interventions made by the Tamil Nadu government, such as providing mid-day meals and public health services and streamlining the public distribution system (PDS) and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), is in order.

Tamil Nadu has a long history of providing mid-day meals for school children. The programme began with the slogan of "combating classroom hunger" in 1956 (Rajivan 2006). It retained children in schools and effectively reduced children from lower castes dropping out. The programme was expanded from 1982 onwards. As Harriss notes,

From July 1982...rural pre-school children registered from the age of 2 at *balwadis* or nurseries and all of the 3.8 million registered school attenders under the age of 10 have been entitled to one free meal daily throughout the year. 5.6 million participated in the scheme at its inception. Then in September 1982 it was extended to children in urban areas and in the cities of Madras, Madurai and Coimbatore adding an increment of 6.5 lakhs of participants. Two months later a monthly supply of tooth powder was distributed via the infrastructure built up ... In January 1983, old-age pensioners were included, netting in a further 1.9 lakhs. A year later ex-servicemen's widows became eligible for free meal (Harriss 1984: 4).

Over the years the programme has been integrated with the larger goal of combating malnutrition and promoting child development in the state. In addition, the state also provides free textbooks to all children up to Class 8 in government and government-aided schools and free uniforms to all beneficiaries of the mid-day meal scheme. These have enhanced enrolment in primary and upper primary schools.

Gujarat too began providing mid-day meals ahead of many other states. However, in terms of access and performance, Tamil Nadu rates better. About 44% of children belonging to rural poor households had access to school meals in Tamil Nadu, while the corresponding figure for Gujarat was a meagre 7.3%. In urban area, the access rate was 28% in Tamil Nadu and 5% in Gujarat (Viswanathan 2006).

Similarly, the better performance of Tamil Nadu in health indicators has to be seen in the light of the state providing primary health services and better access to them by all social groups. Compared to Gujarat, the per capita health expenditure in Tamil Nadu is much higher. The average per capita health expenditure from 2005-06 to 2009-10 was Rs 382 in Tamil Nadu, and the corresponding figure in Gujarat was Rs 265. However, what is significant in Tamil Nadu is the utilisation pattern and access to government health services. For instance, the average expenditure a household incurs for hospitalisation in a government health facility is much lower in Tamil Nadu than in Gujarat. In 2004, the expenditure per household on hospitalisation in public health institutions in

Tamil Nadu was Rs 934 in rural areas and Rs 1,666 in urban areas. The corresponding figures for Gujarat were Rs 2,253 and Rs 4,185 (Sharma 2012). Further, Dreze and Sen (2013) show that the private costs of obtaining healthcare in public institutions are indeed low in Tamil Nadu compared to other states; in the case of outpatient care in rural areas, the cost is actually zero. Tamil Nadu also has a higher share of people going to government health facilities in both rural and urban areas compared to Gujarat.

The efficiency in public health administration in Tamil Nadu is usually attributed to good coordination between public health managers and the technical staff. This certainly makes a contribution, but there are other significant factors at play. Mehrotra (2006) argues that the real explanation for such

**Table 10: Key Health Indicators for Caste Groups in Tamil Nadu and Gujarat**

State	1992-93				2005-06			
	SC	ST*	Others	All	SC	ST	Others	All
IMR								
Tamil Nadu	90	-	65	71	37	-	38	38
Gujarat	70	92	70	74	65	86	47	63
USMR								
Tamil Nadu	127	-	85	95	48	-	45	45
Gujarat	119	127	98	104	87	116	56	77
Under-nutrition of children cross caste groups (in percentage)								
Tamil Nadu	53.0	-	45.0	49.0	39.7	-	28.2	31.1
Gujarat	61.0	48.0	42.0	48.0	54.5	60.9	39.0	51.7
Child immunisation among caste groups (in percentage)								
Tamil Nadu	59.0	-	67.0	65.0	72.3	-	84.6	80.9
Gujarat	-	36.0	52.0	50.0	51.2	39.5	48.6	45.2
Mother's antenatal care (in percentage)								
Tamil Nadu	92.0	-	95.0	94.0	98.0	-	99.2	98.9
Gujarat	85.0	69.0	77.0	75.0	85.3	73.9	95.3	87.4

\* Accurate figures for STs are not available as the population of STs in Tamil Nadu is less than 1%. Source: NFHS 1 (1992-93) and NFHS 3 (2005-06).

performance has to be located in the social movements that Tamil Nadu witnessed in the last century. This is endorsed by Sinha (2012), who notes that the caste-based reservation policy in Tamil Nadu has ensured medical education to the middle castes and classes from rural district towns. Consequently, a cadre of doctors with roots in small towns, who are willing to work in primary health centres in villages, has emerged in Tamil Nadu.

One needs to take into account the performance of the PDS in understanding poverty reduction and food security.<sup>10</sup> The functioning of the PDS in Tamil Nadu has been rightly acknowledged for its efficiency and inclusiveness (Dreze and Sen 2011). The state has been maintaining universal PDS, while most other states, including Gujarat, have gone in for a targeted PDS since 1997. It is shown that continuous public pressure from below ensures effective and transparent functioning of the PDS without much leakage or corruption in Tamil Nadu (Srinivasan 2010). A recent study by Khera (2011b) shows that the PDS in Tamil Nadu has performed better than other states in inclusiveness, integrity of the system, quality of PDS grain, physical access (distance and time), predictability, reliability, record-keeping, and institutional arrangements. The PDS in Tamil Nadu provides 35 kilograms of rice per month for Antyodaya Anna Yojana cardholders

and 20 kg of rice per month to other cardholders free of cost since 2011 (Alamu 2011).

In contrast to Tamil Nadu, the PDS in Gujarat is exclusionary and inefficient (Khera 2011a). The per capita purchase of PDS grain in Gujarat is low and has been falling over time. Tamil Nadu, on the other hand, has a high per capita PDS consumption and the highest per capita rice purchases from the PDS by consumers. Further, Tamil Nadu has a diversion rate (which means the proportion of grain that does not reach beneficiary households) of only 4.4%, which is one of the lowest. The diversion rate in Gujarat is as high as 63%. The study further shows that half the poorest in Gujarat do not get any subsidised grain due to poor coverage and the exclusionary nature of the targeted PDS. Since the PDS is universal in Tamil Nadu, the poor get their fair entitlement. The coverage of the PDS is widespread in Tamil Nadu compared to other states in India, including Gujarat. A political commitment nurtured through paternalist populism, coupled with the collective action of the people, has contributed to this success of the PDS in Tamil Nadu.

In understanding poverty reduction in rural areas, the performance of the MGNREGA is important. The MGNREGA guarantees employment to all rural families and in the process creates productive assets for the community. Tamil Nadu has performed relatively well in implementing the MGNREGA. A recent study by the Woodrow Wilson School (2012) at Princeton University shows that Tamil Nadu tops all states in ensuring women's participation in the programme.<sup>11</sup> It has also done better in average person-days worked in the programme. The recent round (2011-12) of NSSO employment and unemployment data shows that about 40% of rural households in Tamil Nadu have participated in the MGNREGA for more than 60 days, compared to 19% in Gujarat.

Tamil Nadu scores better in caste-wise inclusiveness of the programme as well. In 2011-12, 46% of the SCs participated in the programme for more than 60 days in Tamil Nadu, compared to 26% of the SCs in Gujarat. The OBCs in Tamil Nadu have also availed themselves of the benefits of the programme. Around 39% of the OBCs in Tamil Nadu have participated in the programme for more than 60 days, against 10% in Gujarat. Thus, the MGNREGA is one of the main sources of livelihood in rural Tamil Nadu. It is significant that the MGNREGA, along with the universal PDS, has brought a new kind of freedom to people who were historically dependent on agriculture as landless labourers in rural Tamil Nadu (Vijayabaskar 2011). A detailed study done at the village level in Tamil Nadu (Srinivasan 2010) argues that the emergence of backward castes and dalits has changed the caste composition of rural political power, which has compelled elected representatives to ensure the effective implementation of welfare programme at the panchayat level.<sup>12</sup>

## Conclusions

The analysis clearly shows that high economic growth in Tamil Nadu has been accompanied by improvements in health, education, and nutrition compared to Gujarat. The rate of poverty reduction has been much higher in Tamil Nadu than Gujarat in



the last two decades. The fruits of two decades of economic growth are more widely shared in Tamil Nadu as socially and religiously marginal groups have performed much better in various development indicators than Gujarat. In other words, Tamil Nadu has outperformed Gujarat in almost all development indicators, though Gujarat was ahead of Tamil Nadu in many indicators, including growth rate, in the early 1990s. Unlike Kerala, Tamil Nadu did not have any historical advantage. It shares the same plane of high economic growth with Gujarat, but it has delivered better development outcomes. That is to say, in comparison to Gujarat, Tamil Nadu has done better not just in the level of indicators, but also the rate of change in the indicators – a standard suggested by Bhagwati and Panagariya for any comparison between states.

The reasons for the relative success of Tamil Nadu can be attributed to certain “universalist” social policies such as the PDS, mid-day meals, and a public health infrastructure that the state has introduced and implemented efficiently. These

policy interventions by successive governments in Tamil Nadu indicate that the two-track reform process (reform for economic growth and subsequent welfare provisioning) suggested by Bhagwati and Panagariya need not be independent and sequential. It is state intervention through social policies, not waiting for growth to happen, that accounts for Tamil Nadu's superior performance.

As the secondary literature suggests, the relative success of Tamil Nadu cannot be attributed to technical intervention in the policy space alone, but also social mobilisation, without which such technical intervention would have not worked. For instance, the MGNREGA is a policy that was brought in by the central government in all the states, but it has worked much better in Tamil Nadu than other states because of popular interventions at the local level. Creative state inventions, along with responsive public institutions, will deliver if they are supported by social mobilisation and pressure from below. This is what the story of Tamil Nadu shows.

## NOTES

- 1 Sood's (2012) detailed works on Gujarat's trajectory of development indicates that it has not performed better in any social outcome given its high economic growth. He even doubts whether such growth is sustainable in the long term given the manifold social and economic disparities in the state.
- 2 For instance, the authors show that Kerala has a historical advantage in the education and health indicators and Gujarat has been catching up with Kerala in improving literacy and life expectancy in the last two decades.
- 3 The authors argue that both states have been giving undue tax exemptions to the corporate sector, and at times been taking blatant pro-corporate positions on labour laws. This trend prevails in the various special economic zones (SEZs) that the two states have supported in the last decade.
- 4 However, Nagaraj and Pandey (2013) argue that manufacturing in Gujarat is not broad-based as export-oriented petroleum refining alone accounts for about a quarter of gross value added in registered manufacturing. The share of other industries to manufacturing has declined in the state.
- 5 The Tendulkar methodology requires a mixed reference period (MRP) series of expenditure to calculate the incidence of poverty. Since the 1993-94 data set does not have an MRP series, the author constructed it. The method used to construct the MRP series is the following: MRP = 30 days reference period data for all other items + 365 days reference period for low frequency items (cloth, footwear, durable goods, education and medical) – 30 days reference period for low frequency items.
- 6 The classification is based on the main source of income of households.
- 7 According to Bhagwati and Panagariya (2013), it is only growth that matters in poverty reduction rather than redistribution. However, Kapoor (2013) argues that changes in inequality do affect the incidence of poverty.
- 8 See Mehrotra (2006) for a detailed comparison in health performance of different caste groups in Tamil Nadu and Uttar Pradesh. The author locates the relative success of Tamil Nadu in creative technical interventions by the state in public health, and social mobilisation that has made the environment conducive for such intervention to work better.

- 9 The authors note that the relative success of Tamil Nadu in comparison to other states lies in a set of universal social policies, including the PDS, ICDS, and mid-day meals that the state has been providing to its people. They also attribute the better performance of the MGNREGA to robust administrative regulation and accountability due to pressure from the below. For further details, see Dreze and Sen (2011).
- 10 Himanshu (2013) argues that more than 50% of poverty reduction between 2004-05 and 2009-10 can be attributed to the PDS.
- 11 The study compares the performance of states in India in implementing the programme using certain basic indicators such as number of days worked, level of wages, and women's participation. Tamil Nadu comes out as a relatively better performing state.
- 12 Srinivasan (2010) provides a detailed account on how the programme works at the ground level in Tamil Nadu, and the changes it has brought about in the socio-economic institutional set up at the village level.

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