

Poverty and Inequality in Jammu and Kashmir: A Sensitivity Analysis

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Saeed Owais Mushtaq¹ , Javaid Iqbal Khan¹ and Mehak Majeed² 

Abstract

The importance of adult equivalence and economies of scale in the estimation of poverty and inequality are well-established. Empirical investigations have validated that all measures of poverty and inequality are sensitive to various choices of equivalence scales. The current research attempts to examine the effects of equivalence scales on poverty and inequality measurement within the region of Jammu and Kashmir (J&K) in order to validate whether poverty estimates are sensitive to these scales or not. Despite being industrially backward and politically fragile, J&K reflects better economic indicators than most other Indian states. The findings of the current study validate the same. The application of adult equivalence generates mixed results, and the economies of scale highlight the fact that standard measures of poverty and inequality are overstated. Most importantly, welfare rank reversal takes place when household size and gender of the household are tested for.

JEL Codes: D63, I32, P43

Keywords

Poverty, inequality, adult equivalence scales, economies of scale