

# **VULNERABILITY TO CONSUMPTION VOLATILITY ACROSS INDIAN STATES**

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## **ABSTRACT**

One way to conceptualize vulnerability of an entity is to equate it with its certainty equivalent consumption growth (CECG), since any risk adverse individual would prefer to forego a certain amount of growth, in order to avoid the effects of vulnerability. This study analyzes the vulnerability of Indian States to consumption volatility using the CECG framework. National Sample Survey data over the period 1957 to 2006 is used for the analyses. The results show that: (i) some of the typically better off states in terms of per capita income also face high volatility in consumption growth and hence can be classified as vulnerable; and, (ii) states show considerable fluctuations in their relative rankings over time.

Key words: Vulnerability; Consumption Volatility; Certainty Equivalent Consumption Growth.