International Journal of Applied and Advanced Scientific Research (IJAASR)
Impact Factor: 5.255, ISSN (Online): 2456 - 3080
(www.dvpublication.com) Volume I, Issue I, 2016

AN ANALYSIS OF ECONOMIC INEQUALITIES AND LIFE SATISFACTION IN INDIA

Dr. Suganda Ramamoorthi
Associate Professor of Economics, Lady Doak College, Madurai, Tamilnadu

Cite This Article: Dr. Suganda Ramamoorthi, "An Analysis of Economic Inequalities and Life Satisfaction in India", International Journal of Applied and Advanced Scientific Research, Volume 1, Issue 1, Page Number 136-144, 2016

Abstract:

Economic inequalities are wide in India. This could indicate variations in the life satisfaction. Welfare economics associates material wealth with welfare. An emerging approach to welfare is Economics of Happiness. It explores income and other factors other than influence life satisfaction. This study is undertaken to find out whether there exist wide variations in life satisfaction among different income groups. A comparative analysis of the influence of income, material assets, social relations, family, health, leisure and job satisfaction on life satisfaction among the poor and the rich was carried out. The main aim of the study was to find out the underlying dimensions of life satisfaction experienced by the rich and poor across a variety of domains. The sample size was 248. Factor analysis, Chi-square and Likert's five-point scale was applied. The study indicates that there exists diversity in the economic and social aspects among the rich and the poor. Although income had a direct influence on life satisfaction, divergence in psychological needs and social needs among the two groups was observed. The results indicated that there was very less difference in the life satisfaction among the rich and the poor.

Key Words: Economics of Happiness, Life Satisfaction & Well-Being,

Introduction:

India is one of the very few countries which has extreme diversities be it in religion, cultural practices, geographical spread, economic growth and many more. Although it is the seventh largest country in the world, it houses a huge population of 1.2 billion which is the second largest in the world. The official count of the number of languages spoken in India is 1652. It has about 3000 different castes (ethnic groups). All the religions of the world have a place in India. It is the largest democracy in the world and yet has extreme inequalities of income. Its economic diversity is reflected by the fact that its purchasing power parity is the fourth in the world but ranked as a poor country. In 2012, in rural India, the per capita expenditure of a poor person was Rs.521 per month which is Rs.17 per day and for the rich it was Rs.4481 per month that is Rs.149 per day. In the urban sector, the poorest was spending Rs.700 (Rs.23 per day) and the richest Rs.10,282 (Rs.342 per day). Almost 35 percent of the people are living below poverty line. Agriculture and allied activities still remain the major occupation but is not the highest contributor to GDP. In the last two decades, after the liberalisation process was initiated, India's growth has been tremendous but it has also been accompanied with increased income inequalities and increasing poverty levels. According to the World Bank report 2013, the Gini Coefficient has increased from 3.4 to 3.7 in the last decade. It does seem to be an alarming situation with one section getting richer and a larger section living in abject poverty. Does that mean that the poor are living in a condition of misery and the rich in absolute state of happiness? Until some time back these questions were considered mere rhetoric. But in this decade academicians and policy makers have focused on quality of life and happiness of people.

Man's one fundamental pursuit is to maximize his happiness. All attempts to gain material wealth is basically to increase his living conditions to enhance his quality of life so as to live a life of happiness and satisfaction. In the evolution of life and lifestyles, the underlying philosophy is wellbeing of human beings. The main emphasis was directed towards material growth. It was presumed that material well-being would ensure maximization of happiness. The other dimensions of well-being were less explored and less understood. Economics of happiness has captured the attention of economists in the second half of this century although the topic of happiness has been the cornerstone of all disciplines. By and large, studies on happiness are interdisciplinary in nature as it involves various dimensions. Life satisfaction or happiness is a psychological phenomenon which is experienced by the individual alone. It is as much an indigenous experience as is exogenous. Life satisfaction is influenced by a number of factors. An individual's life satisfaction is a subjective phenomenon and is not exclusively associated with one's material possessions alone.

An emerging approach to welfare economics is the Economics of Happiness. Earlier approaches essentially assume that there is a direct relation between wealth and material wellbeing and life satisfaction. Factors like income, job, family size, etc. as indicators of level of satisfaction have not been very symptomatic. It is generally believed that there is a very strong correlation between size of income and level of happiness. Aggregation of individual welfare is the welfare of the nation. But welfare itself cannot be defined in objective terms and is not universal. Economists are investigating various methods to identify variables, measure and compare life satisfaction that leads to increased happiness.

Much of the literature on life satisfaction has been devoted in assessing the impact of income on happiness. Studies and evidences on happiness inequality relations have not shown universal results. They have been contradictory and controversial both for developing and developed countries. Among all individuals' socio-economic characteristics and absolute income, be it at personal or household levels, is consistently and positively associated with individual's happiness (Easterlin 2001). The Easterlin paradox brings out the contradiction regarding the relationship between money and happiness from the life cycle perspective.

Sen (1985) has observed that the utility levels enjoyed by women need not reflect their physical well-being in India. For example, low health status can go hand-in-hand with high levels of satisfaction as they have only experienced poor economic conditions. Also, having accustomed to conditioned living in a culture of silence with regard to health issues, women prefer to blanket their poor state of health and are often happy and proud about being able to withstand disease and sacrifice for the family.

Deaton (2001) has pointed out that income inequality is not as important an issue as how income of a person translates into a capacity for healthy life. Schwarze and Harpfer (2003) argue that Germans are only weakly inequality averse because a reduction in inequality does not increase wellbeing. A study by Helliwell (2003) finds no evidence that income inequality is correlated with happiness.

Subjective well-being can be best measured by people's opinions of their own quality of life. In this paper, life satisfaction, happiness and quality of life are used interchangeably. Every individual is an 'expert in making choices and is able to best rank the various dimensions of life according to his/her personal preferences. Experiences of satisfaction or dissatisfaction with living conditions, working conditions, social relations etc. have very less to do directly with income. Thus, it is of utmost importance to identify the appropriate variables that influence people living in a particular region. Perceptions of happiness is more so associated with various domains of life satisfaction. In particular, it is of utmost necessity to identify factors which make people happy because maximizing the welfare of the maximum is the ultimate aim of a democratic socialist government like India. Studies on life satisfaction can assess the effects of policies on the poor and the rich. The effects of interventions which is predominantly directed towards to poor has to be measured not only by the number of beneficiaries but by assessing the changes in the quality of life and life satisfaction. In India, huge budgetary provisions were made to provide housing to slum dwellers by clearing slums and constructing flats and allotting it to them. But later it was found that the flats were illegally sold or sublet to people with higher incomes and new slums developed in the nearby places. In essence, this policy did not increase the life satisfaction of the people who chose to go back to their previous lifestyle. It is debatable whether life satisfaction is influenced by traits or by the surrounding environment. According to the state theory (the bottom up model) levels of life satisfaction fluctuate with changes in the surrounding environment. In contrast, the trait theory which is a top down model emphasizes that traits which are durable has a definite impact even if there are changes in the environmental conditions. It could be inferred that both environment and traits absorbed from the life style exposures have an impact on the life satisfaction. Probably that is the reason slum dwellers were not keen on living in flats.

In the past two decades that is since liberalization, India has experienced a revolutionary shift in lifestyle patterns. A transition from socialist approach to a capitalist approach is observed with the ongoing privatization. On the one hand the contribution of Agriculture and Manufacturing sector to GDP has declined and the share of the service sector has drastically increased. On the other hand, the income inequalities has also increased which is not in line with the inverted 'U-shaped curve defining the relationship between economic growth and income distribution which many developing countries have experienced. The sharp increase in income inequalities and a rise in poverty levels have disturbed policy makers. On the one hand, development and affluence is visible with a major change in the consumption pattern of higher income and middle income group and on the other hand abject poverty is so widespread that it is impossible to ignore it. This paper is an enquiry into income inequalities and life satisfaction among rich and poor households in India. India has more than 30 percent of the population below poverty. More than 65 percent are living in the rural areas in poor sanitary conditions, without basic facilities like safe drinking water, access to health, education etc. Urban slums are no better. If the hypothesis that happiness is a direct outcome of good living conditions and unhappiness vice versa, then more than half of the population should be living in misery and despair.

Aim of the Study:

The main aim of the study was simply to find out whether the rich were happier than the poor as they possess greater material wealth. The study focuses on the perceived effects of different variables on the subjective elements of life and ultimately on the overall life satisfaction. In this paper, comparison has been made between the rich and the poor with regard to their perceptions on life satisfaction. It is assumed that money income alone cannot ensure life satisfaction or happiness. Income inequality in India is very wide. There also exists a large non-monetised sector. Banking services are inaccessible to the poor both in the urban and rural pockets of India. A large population live with sub-standard infrastructural facilities. Therefore, a quantitative analysis of life satisfaction was done considering the economic aspects, material asset, social relations, family, health, leisure and job satisfaction among the poor and the rich.

Data and Method:

Efforts have been made to study the perceptions of the rich and the poor taking into consideration some common aspects and their overall happiness in the present state that is their present conditions of living. Samples were selected from the government listing. Ration cards issued to citizens under the Public Distribution System of the Government has been used as a basis for identifying the rich and the poor. Under the Universal Public Distribution System, a distinction is made between Below Poverty Line (BPL) families and Above Poverty Line (APL) Households. Under this scheme, essential commodities are supplied at a highly subsidized price, which is much lower than the market price. Different ration cards are issued which is on the basis of income. In India, ration cards serve as a multipurpose cards since citizens are not issued identity cards. These cards are used to not only obtain commodities from fair price shops, but as an identity card for Banks, passports etc, that is for anything that requires an ID proof and address proof. The table below gives the categories of card holders in Madurai district which is located in the state of Tamil Nadu in India.

Ration Card Holders List:

S.No	Type of Card	Commodities Eligible	No. of Cards
1.	Green Cards (Rice option cards)	All Commodities	2,180
2.	White Cards (Sugar option cards)	All Commodities except rice	455
3.	Khaki Cards (Police Cards Kerosene only)	Kerosene	3
4.	No Commodity Card (White Colour)	No Commodities	301
	Total		2,939

Source: Madurai Corporation, Madurai, India

Multi-stage sampling has been used for selecting the study area. The median value of the population of the wards in the largest zone was 14,323.50 and hence the zone with a population size nearest to the value of this median value has been selected. A total of 248 respondents were interviewed of which 30 belonged to the rich group and 218 to the poor category. Systematic sampling method was used to obtain a 10 percent representation both from the rich and the poor classes.

To measure the Subjective well-being of the respondents, they were administered questionnaires. To assess the overall life satisfaction, a list of statements was given with five responses. Apart from that, the questionnaire included questions on their social characters, family structure, type of households, income, health status, etc. the response variables focused on life satisfaction which in turn represented the individual's preferences and choices. A five point Likert's scale was used for this purpose. A number of statements were given with five options. For a positive statements the scores were given as strongly agree=5, agree=4 no opinion=3 disagree=2 and strongly disagree=1. It was scored on the reverse for negative statements. Same statements were given to the rich and the poor. The sum of the scores in each domain indicated that a higher score meant better quality of life is perceived by the group. Factor analysis was performed on the data. It was run in SPSS. The principal component method was used for extraction. Varimax rotation with Kaiser normalization was applied. The maximum number of iterations was fixed at 25. Eigen values less than 1 was deleted. The variables with coefficients lower than 0.3 were not considered. The items with highest factor loadings was considered for comparison.

Life satisfaction data are generally not normally distributed. It is negatively skewed. By and large, people rate their life satisfaction from a reference point. To develop a common standard Cummins (1995) developed a measurement. By using the sample means as data Cummins found that Life satisfaction could be expressed as $75 \pm 3SM$ which standardizes the data. People tend to respond more accurately and by using 2 standard deviation, the boundaries are easily defined for a normal range. In this study a five-point scale is used which means 50 percent is the midpoint. The reference point was taken for this study was mean ± 3 S D

Based on the responses while interacting with the respondents and theoretical assumptions, two proportions have been put forth.

- ✓ In countries where there is wide gap between the rich and the poor, the quality of life of the rich do not directly affect the poor and vice-versa. The poorest group are unmindful of the life style of the richest and vice-versa. Therefore, they may tend to make comparison within their own environment and not with the other categories. In the context of subjective well-being, Gini Coefficient has little relevance. Income inequality and state of well-being need not be consistent with each other and may not have close association. The state of well-being is subjective in nature and comparisons can be made among people with more or less homogenous lifestyles having marginal differences. For this study I have taken the following hypothesis to find out the association between income and life satisfaction.

  Ho: *There is no significant association between income and life satisfaction among the rich*
  Ho: *There is no significant association between income and life satisfaction among the poor.*
  Chi-test was applied to verify the hypothesis.
- ✓ The second premise is with regard to the perceptions of the rich and the poor in the context of their overall life satisfaction. Since the two categories of people live an entire different life, their perceptions on life-satisfaction too could vary. Hence my third hypothesis is

Ho: *There is no significant variation in the mean scores of life satisfaction among the rich and the poor*

't' test and F test was applied to test the hypothesis.

Characteristics of the Samples:

In the study of subjective evaluation of their socio-economic status, age is an important factor. In this study it was found that most of the respondents belonged to the age group of 30 to 50 years. A large majority (86%) were married irrespective of their sex, economic and social status. Religious diversity and tolerance towards all religions is the custom of India. Of course, majority of them followed Hindu religion, some other religions that were followed were Islam, Christianity, Jainism, Buddhism and Sikhism. Evidently, this population in the study area makes a judicious mix of people of all religions which is a true reflection of the diversity and unity in India.

Marriage is a mandatory and important event in the lives of people in India. In the study, 86 percent of the respondents were married and 10 percent were either widowed, divorced or separated. Only four percent were unmarried. Education levels have a bearing on the status of people and their life satisfaction. This study revealed that four percent of the respondents were illiterate among the poor and very few had entered the portals of higher education. Among the rich, education levels were much higher and most of them had undergone collegiate education. Out of the 218 respondents, 179 respondents were employed but half of the respondents were not having permanent jobs and 39 of the poor respondents were unemployed among poor class. In rich class, out of 30 respondents, 24 of the respondents were having permanent jobs and six respondents were self-employed.

Analysis of Results and Discussion:

Seligman has opined happier the people are, the less they are focused on the negative. They also tend to like others more. Their overall happiness is enhanced which then correlates to a higher level of satisfaction with their life. To measure the overall subjective life satisfaction of the rich and the poor, a set of 16 statements were given. The respondents were asked to give their response in a Likert's five-point scale. With the basic premise that the rich have a higher economic standard of living as compared to the poor, the research question of this study was 'are the poor dissatisfied with their lives due to poor access to economic resources and the rich extremely satisfied with their living standards'. Factor analysis was applied to study their perception on life satisfaction. The set of 16 statements reflected the outlook about their life satisfaction. The responses were run using Factor Analysis. Principal Component Method. Four components were extracted for the rich and the poor.

Results for the Poor:

Four factors were extracted. The results showed that the four factors explained 56.7 percent variance cumulatively. The Eigen values for each factor was greater than one. The KMO test was 0.68 which indicated that there is sampling adequacy and the Bartlett's test showed that it was significant. The loadings of F1 indicated the importance given to living conditions that is material well-being. F2-Physical and emotional wellbeing and F3 – Dreams and Aspirations F-4- Leisure& safety

Rotated Component Matrix for the Poor:

Items	**Factor 1**	**Factor 2**	**Factor 3**	**Factor 4**
Life Satisfaction-**Job**	**0.76**			
Life Satisfaction-**Housing**	**0.74**			
Life Satisfaction-**Income**	**0.68**			
Life Satisfaction-**Family Relations**	**0.67**			
Life Satisfaction-**Water &Sanitation**	**0.52**			
Life Satisfaction-**Social Relations**	**0.46**			
Life Satisfaction-**Emotional Stability**		**0.62**		
Life Satisfaction-**Health**		**0.59**		
Life Satisfaction-**Social Welfare**		**0.58**		
Life Satisfaction-**Spiritual**		**0.54**		
Life Satisfaction-**Dreams and Wishes**			**0.76**	
Life Satisfaction-**Personal Identity**			**0.71**	
Life Satisfaction-**Aspirations**			**0.61**	
Life Satisfaction-**Past vs Present Life**			**0.54**	
Life Satisfaction-**Public Safety**				**0.75**
Life Satisfaction-**Leisure**				**0.71**
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
	Rotation converged in 9 iterations.			

Factor 1 consists of six domains of satisfaction. They include occupation, housing conditions, income, nature of job, family relationships and sanitation. F1 reflects the basic material needs and relationships. It accounted for 25.21 % of the total variance. The second factor consists of four items. F2 includes aspirations, emotional and spiritual needs. F2 accounted for 8.97 % of the total variance. Factor three consists of four domains relating to their past and present life, dreams and personal identity. Factor four consists of two items leisure and public safety. F3 for 7.90% and F4 for 7.62% of variance. The total variance explained is 49.72%. The factor loadings for all the four factors were positive indicating that the poor are satisfied with their life.

Results for the Rich:

The same set of statements were given to the rich respondents. The results were quite interesting as although the items were the same for both the groups, the rotated matrix indicated a different grouping of items. KMO test result was 0.41 and the Bartlett's test was significant.

Rotated Component Matrix for the Rich:

Items	Factor 1	Factor 2	Factor 3	Factor 4
Life Satisfaction-**Social relations**	**-0.78**			
Life Satisfaction-**Emotional Stability**	**0.73**			
Life Satisfaction-**Personal Identity**	**0.72**			
Life Satisfaction-**Dreams andwishes**	**0.69**			
Life Satisfaction-**Health**	**-0.63**			
Life Satisfaction-**Family relations**	**-0.48**			
Life Satisfaction- **Public Safety**		**0.88**		
Life Satisfaction-**Leisure**		**0.73**		
Life Satisfaction-**Job**		**0.65**		
Life Satisfaction-**Social Welfare**			**0.84**	
Life Satisfaction-**Aspirations**			**0.73**	
Life Satisfaction-**Past vs Present Life**			**0.61**	
Life Satisfaction-**Spirituality**			**0.54**	
Life Satisfaction-**Sanitation**				**0.67**
Life Satisfaction –**Housing**				**0.89**
Life Satisfaction-**Income**				**0.78**
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
Rotation converged in 9 iterations.				

Factor scores with Eigen values greater than 1 were only considered. F1 included personal and emotional wellbeing. It accounted for 17.39 % of the total variance. Factor 2 was a combination of safety, job and leisure. F2 accounted for 14.10 % of the total variance. Factor 3 combined items relating to aspirations, spirituality and social welfare etc. F3 accounted for 12.74% and F4 for 12.03% of variance. Factor 4 brought together three items relating to housing, sanitation and income. The total variance explained is 52.7%. The loadings on factor 1 had negative values which means that there are disappointments. All other loading had high positive loading indicating high level of satisfaction.

Relationship Between Life Satisfaction and Income:

Literature on life satisfaction has given overemphasis on the influence of income on life satisfaction both at the micro level and macro levels. Differences in life satisfaction is a result of a number of factors. Life satisfaction or dissatisfaction among citizens can be attributed to expectations in the future and the ability to cope with the present. In India, a major factor for the variation in quality of life is the disparity in income. All said and done, income does play a vital role in life satisfaction of an individual. Based on the responses of the two categories for the 16 statements given, the scores were arrived and the mean value and the standard deviations were calculated.

The results of the Likert's scale are quite interesting. Comparing the means of the summated scores indicated that there was very less variation between the poor and rich with regard to their life satisfaction. The deviations were also not very high. To identify whether the two groups rated their life satisfaction as high moderate and low, mean +SD and Mean-SD was used.

Perception on Life Satisfaction by the Rich and Poor:

Classes	High	Moderate	Low
Poor	15.6%	70%	14%
Rich	20%	67%	13%

It can be seen that there is not much variation in the perception of life satisfaction among the rich and the poor. The poor and the rich are likely to relate their happiness to their own life experiences in relation to their income, their living environment, social relations etc. They are in complete harmony with their living environment. Relativity or comparison arises between equals or homogenous groups. Countries in which there exists high income inequalities, disparities in living conditions, working conditions etc. exists, there is a vast space and scope for differences in life satisfaction and subsequently comparison. However, such comparisons may lead us to the presumption that unhappiness and low incomes are positively correlated. It cannot be inferred that disparities in income would result in low life satisfaction levels.

To find out if the scores from Likert's scale for the rich and poor differed significantly the variance of the mean scores of the rich and the poor were compared. The two independent scores were compared using 'F' test. The hypothesis was

Countries with higher incomes have found to be happier (Blanchflower and Oswald 2004). But when it comes to life cycle studies, strong positive correlation has not been established between high income and happiness (Easterlin 1974, Veenhoven (1993). Such studies have led to the formation of theories which have focused on role of reference group and role of expectations. According to Hrishman and Rothschild (1973), people may appreciate inequality if it signifies social mobility which they call as 'tunnel effect'. They further justify this phenomenon by stating people's expectations increase, making them happier. Clark (2003), argues that workers may not be inequality averse because a reduction in inequality does not automatically lead to an increase in well-being. Empirical studies on inequality and wellbeing have brought out varying results sometimes controversial. In spite of considering all the factors, one of the most important factor in determining the life satisfaction is the personal income as it ensures a minimum standard of living. Hence the impact of income is an important factor of life satisfaction has to be acknowledged. Based on the responses of the respondents, Chi-square test was applied to test the association between income and overall life satisfaction.

H_0: *There is no significant association between income and life satisfaction for poor classes*

To test the hypothesis, the household monthly income was classified into 6 income groups with an interval of Rs.5000. They were categorized as: below Rs.5000, 5000- 10,000, till 30,000 and above. The responses of the different income groups were taken and Chi-square test was conducted. The results of the Chi-square test showed that the hypothesis was rejected at 5 percent level of significance suggesting that there a significant association between income levels and life satisfaction for the poor.

A similar test was conducted for the rich. Their income was classified into six group with an interval of 5000, starting from Rs. 40,000 to Rs. 2,00,000 per month.

H_0: *There is no significant relationship between income and life satisfaction for rich classes.*

The Chi-square result again rejected the hypothesis. The test results indicate that there is a significant relationship between income and life satisfaction for the rich class. It can be inferred that there is a strong association between life satisfaction and income.

Ho: *There is no significant difference in the perception on overall life satisfaction between the poor and rich.*

The 'F' test results accepted the hypothesis at 5 percent level of significance. The results showed that there is no significant difference in the perception in life satisfaction among the rich and the poor. The rich are content with their living conditions and so are the poor. It can be inferred that by and large people consider the immediate environment and surroundings they live in and at the most aspire to better their present living conditions. In all probability, their comparison is not with the rich group which is much beyond their reach and do not generally desire to reach that life style.

Discussion:

The central purpose of this study was to investigate if there is a significant difference in the perception of rich and poor people about life satisfaction. Perceptions on life satisfaction is influenced by a variety of factors of which income is generally an important variable. Some other variables include the environment one lives in, gender, age, future expectations, spiritual life, social support system etc. In India, which is a culturally rich country, family and extended family relationships are extremely significant as they determine the course of events in all its family members. In the life of an individual and a household, the socio-cultural and religious influences are equally abounding. Generally, in India, the identity of an individual is associated with his family, religion, job, his place of birth, his caste and so on. A person's perception too is in many ways affected by these factors while considering his overall life satisfaction. For example, a person hailing from a caste that is placed high on the social hierarchy has a lot of life satisfaction although his economic status may be rather low. A good example would be the Hindu priest who does not have a steady job, regular income, no reservations in education and jobs etc. His economic status is low, nevertheless his social standing is very high and he is looked upon by the society with reverence. A similar reference could be gender. A woman with professional education and high economic status would still be given a secondary status by both the family and society.

Discussion on Factor Analysis:

The results of factor analysis brought out some interesting.

Category	Factor 1	Factor 2	Factor 3	Factor 4
Rich	Personal & emotional Wellbeing - Negative Value	Leisure, Safety & Job -Positive value	Future Aspirations – Positive value	Material Wellbeing – Positive value

Poor	Material Wellbeing – Positive value	Personal & emotional Wellbeing- Positive value	Future Aspirations – Positive value	Leisure & Safety – Positive value

Factor loadings for all the four factors were positive for the poor. The first factor for the poor is related to material wellbeing. The poor have given utmost importance to their housing, job, water and sanitation, social and family relations. The values were high and positive except for social relationship (0.4) indicating that they were quite satisfied with their living conditions. In contrast, the first factor for the rich was personal wellbeing which reflects that they have given utmost importance to their personal self. It included personal identity, emotional stability, family and social relations and dreams and wishes. A negative loading was found for social relation, health and family relationship which reflected that the rich were not satisfied with relationship and their health conditions. From the cultural perspective a common feature among the two groups is the family and social relationship which plays an important role in an Indian's life from birth to death. However, for the rich, negative factor loadings indicate low level of satisfaction whereas the poor were extremely satisfied with social relationship. Otherwise basic physical needs become more important to the poor and emotional needs to the rich.

The second factor was associated with psychological needs for the poor. The religious life is also in many ways a leisure activity for the poor. Of course watching TV which is very inexpensive is a major leisure activity. The State of Tamil Nadu, in India has distributed TV's free of cost to people holding white ration cards. Leisure activity for the rich is a much more expensive activity. The interactions between immediate family, extended family and neighbours is a day to day affair and a chief pastime. It almost becomes a mandatory interdependent interaction, as many of the community owned property resource (like water) is shared by all the households in the locality. Shared living is a way of life among them (both personal and common). It is not uncommon to see a woman belonging to another caste and religion in the colony nursing a baby of the neighbor in the absence of the mother. Altruism is taken for granted many a times in the slums. All the loadings were positive indicating that their psychological needs were satisfied.

Among the rich the second factor was associated with job, leisure and safety. Again this indicates a more closed life where the personal needs are more important. Their incomes are much higher and so they look for pleasure and require safety in public places. High incomes are associated with high levels of expenditures on luxuries. There is very less interaction with neighbours. Rich households are extremely self-sufficient making it almost unnecessary for interactions with neighbours.

The third factor for the poor and the rich is related to their future aspirations. All the loadings were positive. They consider their present life much better than their past life. Religion played an important role in facing the difficulties of life. Both the poor and the rich are quite optimistic about their future. Probably there is very less risk factor that is very less unknown surprises in their lives making it stress free. For the rich also all the factor loadings were positive and they are extremely hopeful of a better future.

The fourth factor for the poor was safety and leisure. Living in a closely knit community, they have an inbuilt safety and security. For the rich the basic necessities were taken for granted and housing, water and sanitation were the fourth factor. Based on the grouping of factors it is evident that the rich and the poor are satisfied with their lives in their given living conditions.

There is a strong association between income and life satisfaction among both the rich and the poor. This indicates that Income plays an important role in the lives of people as it is essential for meeting the material needs.

This study found that there was no significant difference in the overall levels of life satisfaction among the rich and the poor. The rich are content with their life at their level of living and so are the poor. It can be inferred that a better standard of living does not indicate more well-being and a lower standard of living less well-being.

Conclusion:

This study has clearly brought out that even though income inequalities are large, there is not much variation in the overall levels of life satisfaction. The different domains and dimensions of life satisfaction has much to do with the perception of the individual and the group. Comparisons between homogenous groups, between genders, age etc. would further the understanding of life satisfaction and happiness. It will help in policy designing.

References:

1. Appleton, Simon and Lina Song. (2008), "Life Satisfaction in Urban China: Components and Determinants."World Development 36: 2325-2340.
2. Brock, K. (1999) It's not only wealth that matters: It's peace of mind too. A review of participatory work on poverty and illbeing', Washington, DC: The World Bank.

3. Basu, K. (2013), Group identity, productivity and well-being policy implications for promoting development. Journal of Human Development and Capabilities', A Multi-Disciplinary Journal for People-Centered Development,14(3), 323–340.
4. Blanchflower, D.G. and A. J. Oswald (1997) 'A study of labour market and youth unemployment in Eastern Europe' Warwick Economic Research Papers, (499)
5. Clark,A.E. (2003): 'Inequality aversion and income mobility:a direct test' Delta Working Papers, (11)
6. Cummins, R.A. (2000). Personal income and subjective well-being. Journal of Happiness Studies, 1, 52-74.
7. Deaton, Angus. (2008), Income, Health, and Well-Being around the World: Evidence from the Gallup World Poll, Journal of Economic Perspectives, Vol. 22, 2.
8. Easterlin, R. A. (1974): "Does economic growth improve the human lot?," in Nations and households in economic growth: Essays in honour of Moses Abramovitz, ed. by P. A. David, and M. W. Reder. New York Academic Press.
9. Graham, C., and A. Felton (2005): "Does Inequality Matter to Individual Welfare? An Initial Exploration Based on Happiness Surveys from Latin America,"Center on Social and Economic Dynamics Working Papers No.38, The Brookings Institution.
10. Minsoo Jung, Carles Muntaner, Mankyu Choi(2010)Factors Related to Perceived Life Satisfaction Among the Elderly in South Korea, Journal of Preventive Medicine and Public Health, July 2010, Vol. 43, No. 4, 292-300
11. Layard, Richard (2005) Happiness: Lessons from a New Science. New York: Penguin Press.
12. Delhey, Jan (2009). "From Materialist to Postmaterialist Happiness? National Affluence and Determinants of Life Satisfaction in Cross-National Perspective." World Values Research 2(2):30-54.
13. Hirschman,A., and M. Rothschild (1973): 'The Changing Tolerance for Income Inequality in the course of Economic Development', Quarterly Journal of Economics, 87,(4) 54-566
14. Narayan, D., & Petesch, P. (2002). Voices of the poor: From many lands. New York: Oxford University Press for The World Bank.
15. Nussbaum, M. C. (2000). Women and human development: The capabilities approach. Cambridge: Cambridge University Press.
16. OECD (2001). The well-being of nations: The role of human and social capital. Paris: Centre for Educational Research and Innovation, OECD.
17. OECD (2011). How's life? Measuring well-being. Paris: OECD.
18. Schwarze, J. and M. Harpfer. 2003. "Are People Inequality Averse, and Do They Prefer Redistribution by the State? A Revised Version." IZA Discussion Paper, No. 974.
19. Sen, A. (2000). Social exclusion: Concept, application, and scrutiny. Social Development Papers.Manila: Office of Environmental and Social Development, Asian Development Bank.
20. Stiglitz, J. E., Sen, A., & Fitoussi, J.P. (2009). Report by the Commission on the Measurement of Economic Performance and Social Progress. Paris.
21. Simone Schneider (2010)'Income Inequality and its Consequences for Life Satisfaction: What Role do Social Cognitions Play?', Paper presented at the XVII ISA World Congress of Sociology, Gothenburg, Sweden, 11-17 July, 2010.
22. Ura Karma, Akire Sabrina, Zangmo Tshoki, Wangdi Karma, (2012), 'A Short Guide to Gross National Happiness Index' The Centre for Bhutan Studies, Thimpu, Bhutan.
23. Veenhoven. R, Happiness in India (IN), World Database of Happiness, Erasmus University Rotterdam, The Netherlands. http://worlddatabaseofhappiness.eur.nl
24. Veenhoven R. (1993): Happiness in Nations:Subjective appreciation of life in 56 nations 1946-1992. Rotterdam Erasmus University Press.
25. Wu Xiaogang, Yan Chung Li, Jun, (2005) 'Economic Growth, Income Inequalities and Subjective Well-being: Evidences from China' The Hong Kong University of Science and Technology, Clear Water Bay, Kowloon, Hong Kong SAR.

Scores of Perception on Life Satisfaction:

Classes	Mean of the samples	Standard Deviation	$\bar{X}$ + S.D	$\bar{X}$ - S. D
Poor N=218	78.5	12.527	91.027	65.973
Rich N=30	75.17	8.408	83.578	66.762

Income and Life satisfaction for Poor Classes:

Family income / Life Satisfaction	<₹5000	₹ 5000 - ₹ 10000	₹10000 - ₹ 15000	₹15000 - ₹ 20000	₹20000 - ₹ 25000	₹25000 - ₹ 30000	Total
Strongly Agree	28	308	117	74	31	19	577
Agree	33	251	139	57	16	6	502
Slightly Agree	29	164	118	39	20	16	386
Neither Agree / Disagree	7	90	73	24	12	5	211
Slightly Disagree	17	107	79	25	19	4	251
Disagree	15	92	50	22	11	2	192
Strongly Disagree	36	121	38	12	12	5	224
Total	165	1133	614	253	121	57	23343

Income and Life Satisfaction for Rich Classes:

Family income / Life Satisfaction	<₹40000	₹ 40000 - ₹ 80000	₹80000 - ₹ 120000	₹120000 - ₹ 160000	₹160000 - ₹ 200000	>₹200000	Total
Strongly Agree	2	22	48	20	13	3	108
Agree	2	28	23	24	13	4	94
Slightly Agree	6	24	24	24	7	5	90
Neither Agree / Disagree	0	4	3	0	0	0	7
Slightly Disagree	3	14	3	12	1	1	34
Disagree	0	5	11	5	2	0	23
Strongly Disagree	0	6	11	6	4	0	27
Total	13	103	123	91	40	13	383