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Estimation of environmental Kuznets curve for SO₂ emission: A case of Indian cities

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1 **1. Introduction**

2 When an economy starts moving along the growth trajectory, then at the earliest stage of
3 economic growth, environment deteriorates rapidly due to ambient air pollution, deforestation,
4 soil and water contamination, and several other factors. With rise in the level of income, when
5 economy starts to develop, the pace of deterioration slows down, and at a particular level of
6 income, environmental degradation starts to come down and environmental quality improves.
7 This hypothesized association between environmental degradation and income takes an inverted
8 U-shaped form. This phenomenon is referred to as Environmental Kuznets Curve (EKC)
9 hypothesis in the literature of environmental economics, named after Simon Kuznets (1955),
10 who described the inverted U-curve association between income inequality and economic
11 development. Grossman and Krueger (1991) later found its resemblance with Kuznets' inverted
12 U-curve relationship while establishing a relationship between pollution and economic
13 development.

14 The existing studies on EKC hypothesis have so far focused on either cross-country
15 analysis or intra-provincial analysis of a particular country. In this study, we have analyzed the
16 SO₂ emission data for 139 Indian cities during 2001-2013. The analysis is done by segregating
17 the entire dataset into industrial and residential categories, and then segregating each of the two
18 segments in terms of income level, i.e. low, medium, and high income. This schema of
19 segmentation was designed to visualize the income-pollution association at various levels of
20 income, and therefore, analyzing policy implications can be more effective. The literature of
21 EKC hypothesis has majorly looked into the income-pollution association without considering
22 different income levels for any particular context. This is one area, which is largely unaddressed
23 in the literature has remained the focus of this study.

1 In EKC hypothesis, economic growth has been taken as the explanatory variable for
2 environmental degradation, and economic growth has been parameterized in several ways in the
3 literature. It has been primarily indicated as growth in per capita income and apart from income,
4 this study has also taken electricity consumption and petroleum consumption as two other
5 explanatory variables. These two variables have been considered as the proxy measures for
6 energy consumption.

7 In methodological terms, this study employs panel regression on parameters validated by
8 auxiliary regressions on orthogonally transformed dataset. Due to usage of power terms, EKC
9 models suffer from multicollinearity. In most of the existing studies, this issue has been ignored
10 and this study has tried orthogonal transformation of parameters, followed by auxiliary
11 regression on transformed parameters to remove multicollinearity from the data.

12 **2. Review of literature**

13 The literature on EKC hypothesis is extensive in the field of ecological economics. The
14 studies have been carried out on various pollutants, like NO₂ (Panayotou, 1993; Grossman and
15 Krueger, 1995; Egli, 2001; Hill and Magnani, 2002; Archibald et al., 2004; Welsch, 2004;
16 Fonkych and Lempert, 2005; Song et al., 2013; Sinha, 2016; Sinha and Bhattacharya, 2016), CO₂
17 (Moomaw and Unruh, 1997; Roberts and Grimes, 1997; Roca and Alcántara, 2001; Martínez-
18 Zarzoso and Bengochea-Morancho, 2004; Galeotti et al., 2006; Sinha, 2014; Sinha and
19 Bhattacharya, 2014; Sinha, 2015; Alam et al., 2016; Shahbaz et al., 2016), SPM (Selden and
20 Song, 1994; Vincent, 1997; Matsuoka et al., 1998; Torras and Boyce, 1998; Dinda et al., 2000;
21 Wheeler, 2001; Binti Borhan and Musa Ahmed, 2010; Miah et al., 2011), RSPM (McConnell,
22 1997; Wheeler, 2001; Dasgupta et al., 2002; Rupasingha et al., 2004; Alpay, 2005; Kumar and
23 Foster, 2009; Orubu and Omotor, 2011; Feizpour and Shahmohammadi Mehrjardi, 2014), and

1 many others. As our present study relates to EKC estimation for SO₂ emission, therefore we will
2 focus our review of literature at the studies, which have considered SO₂ as the primary pollutant.

3 For SO₂ emission, studies have been carried out on cross-sectional data (Panayotou,
4 1993; Taskin and Zaim, 2000; Bimonte, 2002; Khanna and Plassmann, 2004) and panel data
5 (Selden and Song, 1994; Shafik, 1994; Grossman and Krueger, 1995; Kaufmann et al., 1998;
6 List and Gallet, 1999; Harbaugh et al., 2002; Millimet et al., 2003; Galeotti et al., 2006; Soytaş et
7 al., 2007; Apergis and Payne, 2010; Al Sayed and Sek, 2013) and all of these studies are based
8 on a group of countries. Apart from the works of Lantz and Feng (2006), Akbostancı et al.
9 (2009), Song et al. (2013), hardly any study has attempted to analyze the EKC of a particular
10 country. Moreover, for a country with high population density, it is not always feasible to end up
11 with a single EKC only. Though these studies have considered provincial differences in
12 emission, no study has so far considered different income levels of a country and the differential
13 impact of income levels on emission. In this study, we have segregated Indian cities in terms of
14 three income levels, namely low, medium, and high income and observed the income-emission
15 association under EKC framework.

16 Apart from that, while estimating EKC for any context, researchers have majorly taken
17 indicators of economic growth, like trade (Suri and Chapman, 1998), financial development
18 (Tamazian et al., 2009), and technological progress (Bhattarai and Hammig, 2001) as
19 explanatory variables in EKC framework. These variables are different indicators of economic
20 growth. For ambient air pollution, more specific explanatory variables are required, and a recent
21 work of Onafowora and Owoye (2014) has considered this aspect. They have taken energy
22 consumption as an explanatory variable, which is relevant for our study as well. As India is net
23 oil importing nation, and Indian industries and households depend on commercial and

1 combustible electricity consumption (Sinha and Mehta, 2014), we have considered energy
2 consumption in the form of electricity consumption and petroleum consumption as explanatory
3 variables in our study.

4 **3. SO₂ emission in India**

5 Due to rapid growth in industrialization, India has experienced a significant growth in the
6 fossil fuel consumption. Adverse effects of this growth have been seen in the growth of ambient
7 air pollution. During the last decade, SO₂ emission has gone up by 54% (Lu et al., 2011; Haq et
8 al., 2015). Looking at the emission affecting stratospheric region, SO₂ is considered as the
9 primary pollutant in this case, as the sulphur aerosols formed in this region are majorly caused by
10 SO₂ emission (Friend et al., 1973; Whitby, 1978; Turco et al., 1979; Surratt et al., 2007). Apart
11 from that, SO₂ is soluble in airborne water globules, and thereby, forming sulphurous and
12 sulphuric acid in the form of acid rains (Penkett et al., 1979). Formation of aerosols after reacting
13 with particulate matters can create severe respiratory problems (Brain and Valberg, 1979), and
14 even premature births (Hastwell, 1975). Mainly for these reasons, rise in the level of SO₂
15 emission can cause serious damage to ambient atmosphere, and the human life.

16 In India, reasons behind rise in the level of SO₂ emission differ between industrial and
17 residential areas. In industrial areas, rise in the SO₂ emission can be attributed to rise in the level
18 of direct fossil fuel consumption, in the form of coal and crude oil. Majority of these two fossil
19 fuels used in India are high in sulphur content. Consumption of coal is majorly seen in the
20 thermal power plants and manufacturing sectors, whereas the crude oil with greater sulphur
21 content, i.e. sour crude oil is used in the transportation sector. Combustion of these fossil fuels at
22 high temperature (more than 1500°C) oxidizes the sulphur contents (Krawczyk et al., 2013).
23 Burning of coal is the major source of SO₂ emission in industrial areas. Apart from that, direct

1 consumption of sour crude oil, i.e. low quality high-speed diesel and petrol in vehicular
2 transportation leads towards emission of SO₂ in the industrial areas. As there are only two
3 stratovolcanos in India (Barren Island and Narcondam), and out them, only Barren Island is
4 currently active, therefore, the SO₂ generation out of volcanic eruption may not be considered in
5 this case.

6 For the residential areas, the level of SO₂ emission is comparatively lower than the
7 emission level in industrial areas (Hindy et al., 1990; Mathew et al., 2015). Even if small, the
8 growth in emission in residential areas can be attributed to burning of coal and sour crude oil for
9 cooking purpose. Kerosene, the form of sour crude oil used in domestic purpose is the mostly
10 used petroleum product in the households. This case is similar to that of the cases of Chinese and
11 Japanese households, where coal-stoves (Chen et al., 2005) and kerosene heaters (Ritchie and
12 Oatman, 1983) are primarily used for cooking purpose. Burning of these fuels generate SO₂ in
13 the indoor atmosphere. This problem is catalyzed by means of the lack of ventilation in the
14 residential area cities. Heights of building and level of humidity do not directly add to the level
15 of SO₂ emission, but they catalyze the growth and spreading by restricting ventilation. This
16 scenario has already been experienced in other Asian cities, like Hong Kong (Lau, 2011).
17 Heights of the building resist sunlight and ventilation in the neighborhood and massive usage of
18 air-conditioning systems in the neighborhood areas aggravates the situation. Moreover, rooftop
19 solar panels cannot be installed in the neighborhood areas due to lack of sunlight. These in one
20 hand reduce energy efficiency by elevating the level of fossil fuel based energy consumption,
21 and on the other hand, increase the level of humidity and outdoor temperature. This catalyzes the
22 formation of smog in residential areas.

1 4. Econometric methodology and data

2 We have collected data of 139 Indian cities for the duration of 2001-2013. For the
3 analysis, the entire dataset has been segregated into industrial and residential areas¹, as the
4 emission pattern in these two areas differ significantly, and therefore, they should be analyzed in
5 isolation. For analyzing the impact of pollution on level of income, dataset for each of the two
6 areas has been segregated into three parts, namely low, medium, and high income.² This will
7 allow us to observe the income-emission association in a comparative manner. Descriptive
8 statistics of the data has been provided in Appendix 1A. Profile of the cities and their zonal
9 divisions are provided in Appendix 1F and 1G.

10 For achieving the research objective, we have formulated the following regression model:

$$11 E_{ijk} = a_0 + a_1 C_{jkl} + a_2 POP_{jk} + a_3 Y_{jk} \cdot POP_{jk} + a_4 Y_{jk} + a_5 Y_{jk}^2 + a_6 Y_{jk}^3 + \varepsilon_t \quad (1)$$

12 Where, E is the emission, C is the city specific effect, POP is the population, Y is the city level
13 income, i is the pollutant (SO_2 in this case), j is the income level, k is the area classification, l is
14 city specific effects, and ε is error term. Basic form of this estimation equation has been adapted
15 from Dinda (2004). Following the argument of Panayotou (1993), the interaction between POP
16 and Y has been considered to measure the elasticity values.

17 We will now discuss the city specific effects C . For Indian cities, most of the human
18 made ambient air pollution can be attributed to fossil fuel consumption, and it can be further
19 subdivided into commercial electricity consumption (Pachauri and Spreng, 2002; Raghuvanshi et
20 al., 2006; Hubacek et al., 2007; Pachauri and Jiang, 2008) and combustion of petroleum products
21 (Reddy and Venkataraman, 2002; Mukhopadhyay and Forssell, 2005; Sinha and Bhattacharya,

¹ Central Pollution Control Board collects and publishes separate data for industrial and residential areas.

² The income levels are decided based on the average income level of the cities over the study period. The income levels are decided in this manner: low income is for average income less than Rs. 1000 lacs, medium income is for average income between Rs. 1000 lacs and Rs. 5000 lacs, and high income is for average income above Rs. 5000 lacs.

1 2016). Majority of the commercial electricity utilized in India is generated out of the thermal
2 power plants, which run on coal and crude oil. On the other hand, direct utilization of petroleum
3 products can be seen in transportation sector and in households. The emission generated by the
4 transportation sector can be attributed to industrial sector, as this sector is used by the industrial
5 sector for commuting their products (Deolalikar and Evenson, 1989; Azar et al., 2003; Anand et
6 al., 2006). Over the years, researchers have identified commercial electricity consumption and
7 combustion of petroleum products as primary sources of ambient air pollution in Indian cities
8 (for a detailed review, see Mallik and Lal, 2014). Moreover, the share of renewable energy in
9 India is still less than 10 percent (India Brand Equity Foundation, 2016). Therefore, in our study,
10 we have identified electricity consumption and petroleum consumption as city specific effects in
11 our model.

12 Based on Eq. 1, we have formed two models, and those are as per the following:

$$13 \quad E_{ijk} = a_0 + a_1 EC_{jk} + a_2 POP_{jk} + a_3 Y_{jk} \cdot POP_{jk} + a_4 Y_{jk} + a_5 Y_{jk}^2 + a_6 Y_{jk}^3 + \varepsilon_t \quad (2)$$

$$14 \quad E_{ijk} = a_0 + a_1 PC_{jk} + a_2 POP_{jk} + a_3 Y_{jk} \cdot POP_{jk} + a_4 Y_{jk} + a_5 Y_{jk}^2 + a_6 Y_{jk}^3 + \varepsilon_t \quad (3)$$

15 Where, EC is electricity consumption, and PC is petroleum consumption. In future, we
16 shall refer Eq. 2 as “Electricity consumption model” and Eq. 3 as “Petroleum consumption
17 model”.

18 The emission data for SO_2 (in $\mu g/m^3$) have been collected from the Central Pollution
19 Control Board, India, electricity consumption data (in GWH) have been collected from the
20 Ministry of Power, Govt. of India, petroleum consumption data (in Kg) have been collected from
21 the Ministry of Petroleum & Natural Gas, Govt. of India, population data have been collected
22 from the Census, Ministry of Home Affairs, Govt. of India, city level income data (in Rs. Lacs)
23 have been collected from Directorate of Economic and Statistics of individual states.

1 Researchers have identified several problems in the econometric techniques used for
2 estimating the EKC(s), like, serial dependence, stochastic trends in the time series, and omitted
3 variable bias (Stern, 2004). In this study, we have tried to address some of those problems, like
4 handling multicollinearity, ensuring stationarity of the data, checking the robustness of the
5 estimated models. Multicollinearity is a problem with the model, in which the powered terms of
6 the independent variables are used, and as a result, interactions among those independent
7 variables increase the level of standard errors for their estimated coefficients (see Appendix 1B
8 and 1C). In order to handle this issue, the models have been specified by removing orthogonally
9 transformed independent variables correlating with lower order terms through auxiliary
10 regressions. Once a specification is chosen, the within model has been tested with the original
11 data. Before applying auxiliary regressions, stationarity of the data has been checked by applying
12 LLC (Levin et al., 2002) and IPS (Im et al., 2003) panel unit root tests, and we found all the
13 orthogonally transformed variables to be stationary at level (Appendix 1D). Once the models are
14 estimated, following Barslund et al. (2007), we have checked the robustness of the models by
15 conducting partial regressions for each of the models for full dataset (see Appendix 1E).³

16 **5. Data analysis for industrial area**

17 For analyzing the EKC(s) for industrial area, electricity consumption model and
18 petroleum consumption model have been tested and regression results have been recorded in
19 Table 1 and 2. Analyzing first order conditions (FOC) and second order conditions (SOC)
20 recorded in Table 1, shape of EKC(s) can be estimated. In this case, we find that the income-
21 emission association for electricity consumption model is inverted U-shaped (Figure 1), and it is

³ As the tested models on full dataset for residential area do not have any component of income, which is the core variable of the estimated models, so the robustness check has only been carried out for the models pertaining to industrial areas. The results are recorded in Appendix 1E.

1 divulged by the nature of elasticity of the association. This association follows the generally
2 accepted form of EKC.

$$\frac{d \ln SO_2}{d \ln Y} \begin{cases} > 0, & 0 < Y < 452.24 \\ < 0, & Y > 452.24 \end{cases}$$

3 Similarly, in this case also, we find that the income-emission association for petroleum
4 consumption model is inverted U-shaped (Figure 1), and it is divulged by the nature of elasticity
5 of the association. This association follows the generally accepted form of EKC.

$$\frac{d \ln SO_2}{d \ln Y} \begin{cases} > 0, & 0 < Y < 287.52 \\ < 0, & Y > 287.52 \end{cases}$$

6 Once we have estimated EKCs for all income levels in the industrial area, now we can
7 proceed with EKC estimation for three levels of income. However, the regression coefficients
8 are insignificant for medium income cities, and therefore, no EKC can be found for this area. So,
9 we will proceed with EKC estimation for low and high income areas.

Table 1: Model estimation results for SO₂ using full dataset

Area	Model	Effect	a_0	a_1	a_2	a_3	a_4	a_5	a_6	Wald χ^2	Prob. > χ^2
Industrial	Electricity Consumption	Fixed	2.101	0.028	-0.195	-	-	-0.132 ^a	0.004 ^a	6.19	0.0000
			(0.95)	(0.89)	(-0.83)	-	-	(-3.75)	(3.12)		
		Random	4.783 ^a	-	-0.396 ^b	0.072 ^a	-	-0.106 ^a	0.003 ^b	30.52	0.0000
			(2.70)	-	(-2.02)	(2.77)	-	(-3.25)	(2.31)		
	Petroleum Consumption	Fixed	0.330	0.111 ^b	-	0.061 ^b	0.281	-	0.004 ^a	6.99	0.0000
			(0.14)	(2.33)	-	(1.99)	(1.17)	-	(3.06)		
Petroleum Consumption	Random	3.066	0.112 ^a	-	0.065 ^b	-	-0.102 ^a	0.003 ^b	37.70	0.0000	
		(1.61)	(2.66)	-	(2.49)	-	(-3.10)	(2.27)			
Residential	Electricity Consumption	Fixed	6.278 ^a	0.083 ^a	-0.432 ^b	0.023	-	-	0.000	3.72	0.0011
			(3.23)	(2.74)	(-2.12)	(0.90)	-	-	(0.38)		
		Random	4.265 ^a	0.101 ^a	-0.281 ^c	-	0.090	-	0.001	20.58	0.0022
			(2.78)	(3.45)	(-1.67)	-	(0.44)	-	(1.03)		
	Petroleum Consumption	Fixed	6.050 ^a	0.008	-0.413 ^c	-	-	-0.024	-	2.46	0.0226
			(2.92)	(0.20)	(-1.94)	-	-	(-0.73)	-		
Petroleum Consumption	Random	3.627 ^b	0.033	-	0.021	-	-	0.001	9.51	0.1468	
		(2.23)	(0.95)	-	(0.94)	-	-	(0.93)			

Energy Consumption model: $E_{ijk} = a_0 + a_1 EC_{jk} + a_2 POP_{jk} + a_3 Y_{jk} \cdot POP_{jk} + a_4 Y_{jk} + a_5 Y_{jk}^2 + a_6 Y_{jk}^3 + \varepsilon_t$

Petroleum Consumption model: $E_{ijk} = a_0 + a_1 PC_{jk} + a_2 POP_{jk} + a_3 Y_{jk} \cdot POP_{jk} + a_4 Y_{jk} + a_5 Y_{jk}^2 + a_6 Y_{jk}^3 + \varepsilon_t$

a Value at 1% significance level, b Value at 5% significance level, t-statistics are within parentheses

Note: models for respective stratum have been selected based on Hausman specification test

Table 2: Industrial area model estimation results for SO₂ using segregated dataset

<i>Model</i>	<i>Effect</i>	a_0	a_1	a_2	a_3	a_4	a_5	a_6	<i>Wald Chi²</i>	<i>Prob. > Chi²</i>
Low Income										
<i>Electricity Consumption</i>	<i>Fixed</i>	0.334	-	-	-	1.293 ^b	-0.295 ^a	0.017 ^a	2.41	0.027
		(0.14)	-	-	-	(2.24)	(-2.93)	(2.89)		
<i>Electricity Consumption</i>	<i>Random</i>	1.860	-	-0.208	-	-	-0.286 ^a	0.016 ^a	13.11	0.041
		(0.83)	-	(-0.94)	-	-	(-2.83)	(2.80)		
<i>Petroleum Consumption</i>	<i>Fixed</i>	-	0.056	-0.035	0.028	1.355 ^b	-	-	2.33	0.032
		-	(0.99)	(-0.14)	(0.77)	(2.32)	-	-		
<i>Petroleum Consumption</i>	<i>Random</i>	0.518	0.103 ^b	-	-	1.335 ^b	-0.298 ^a	0.017 ^a	16.10	0.013
		(0.22)	(1.96)	-	-	(2.30)	(-2.93)	(2.95)		
Medium Income										
<i>Electricity Consumption</i>	<i>Fixed</i>	16.249	-	-	0.025	-6.930	-	-0.033	3.44	0.003
		(1.01)	-	-	(0.33)	(-1.00)	-	(-0.88)		
<i>Electricity Consumption</i>	<i>Random</i>	8.082	-	0.166	-	-2.981	0.293	-	15.63	0.016
		(0.51)	-	(0.26)	-	(-0.44)	(0.33)	-		
<i>Petroleum Consumption</i>	<i>Fixed</i>	-	0.264 ^b	0.904	-0.015	-7.324	-	-	4.08	0.001
		-	(2.05)	(1.32)	(-0.20)	(-1.07)	-	-		
<i>Petroleum Consumption</i>	<i>Random</i>	4.945	0.098	-	0.014	-	0.247	-0.010	16.59	0.011
		(0.31)	(0.99)	-	(0.18)	-	(0.28)	(-0.26)		
High Income										
<i>Electricity Consumption</i>	<i>Fixed</i>	18.471 ^b	-	-2.077 ^b	0.283 ^b	-	-0.332 ^b	0.008 ^b	5.83	0.000
		(2.61)	-	(-2.15)	(2.28)	-	(-2.09)	(2.00)		
<i>Electricity Consumption</i>	<i>Random</i>	16.776 ^a	-	-1.820 ^b	-	0.400	-	0.007 ^c	35.84	0.000
		(2.74)	-	(-2.16)	-	(0.52)	-	(1.87)		
<i>Petroleum Consumption</i>	<i>Fixed</i>	18.286 ^b	0.007	-	0.230 ^b	0.501	-0.329 ^c	-	5.83	0.000
		(2.32)	(0.09)	-	(2.14)	(0.61)	(-1.94)	-		
<i>Petroleum Consumption</i>	<i>Random</i>	16.036 ^b	-	-1.730 ^c	0.232 ^b	-	-0.276 ^c	0.007 ^c	36.11	0.000
		(2.44)	-	(-1.95)	(2.11)	-	(-1.84)	(1.72)		

Energy Consumption model: $E_{ijk} = a_0 + a_1 EC_{jk} + a_2 POP_{jk} + a_3 Y_{jk} \cdot POP_{jk} + a_4 Y_{jk} + a_5 Y_{jk}^2 + a_6 Y_{jk}^3 + \varepsilon_t$

Petroleum Consumption model: $E_{ijk} = a_0 + a_1 PC_{jk} + a_2 POP_{jk} + a_3 Y_{jk} \cdot POP_{jk} + a_4 Y_{jk} + a_5 Y_{jk}^2 + a_6 Y_{jk}^3 + \varepsilon_t$

a Value at 1% significance level, *b* Value at 5% significance level, *t*-statistics are within parentheses

Note: models for respective stratum have been selected based on Hausman specification test

Table 3: Residential area model estimation results for SO₂ using segregated dataset

<i>Model</i>	<i>Effect</i>	a_0	a_1	a_2	a_3	a_4	a_5	a_6	<i>Wald Chi²</i>	<i>Prob. > Chi²</i>
Low Income										
<i>Electricity Consumption</i>	<i>Fixed</i>	9.023 ^a (3.21)	0.241 ^a (3.34)	-0.828 ^a (-3.03)	0.053 (1.21)	- -	- -	0.003 (0.49)	7.04	0.000
	<i>Random</i>	6.537 ^b (2.49)	0.257 ^a (3.73)	-0.602 ^b (-2.34)	- -	0.326 (0.46)	- -	- -		
<i>Petroleum Consumption</i>	<i>Fixed</i>	10.888 ^a (3.62)	- -	-1.058 ^a (-3.70)	0.095 ^b (2.13)	0.249 (0.34)	- -	0.005 (0.76)	5.38	0.000
	<i>Random</i>	7.145 ^b (2.54)	0.024 (0.45)	-0.729 ^a (-2.71)	- -	- -	-0.166 (-1.42)	- -		
Medium Income										
<i>Electricity Consumption</i>	<i>Fixed</i>	28.118 (1.51)	- -	0.864 ^c (1.91)	-0.109 ^b (-2.09)	- -	1.665 ^c (0.09)	- -	1.63	0.137
	<i>Random</i>	26.899 (1.45)	- -	0.734 ^c (1.71)	-0.105 ^b (-2.02)	- -	- -	-0.060 (-1.46)		
<i>Petroleum Consumption</i>	<i>Fixed</i>	24.146 (1.31)	0.259 ^a (3.15)	1.364 ^a (2.86)	-0.144 ^a (-2.73)	-12.900 ^c (-1.75)	1.792 ^c (1.85)	-0.071 ^c (-1.73)	3.27	0.004
	<i>Random</i>	24.015 (1.31)	0.195 ^a (2.82)	1.017 ^b (2.32)	-0.129 ^b (-2.49)	- -	1.566 (1.64)	- -		
High Income										
<i>Electricity Consumption</i>	<i>Fixed</i>	5.122 (0.80)	0.119 ^a (2.62)	-0.266 (-0.40)	- -	- -	0.017 (0.08)	- -	1.70	0.119
	<i>Random</i>	7.895 (1.30)	0.128 ^a (2.87)	- -	- -	-0.775 (-0.45)	- -	-0.002 (-0.35)		
<i>Petroleum Consumption</i>	<i>Fixed</i>	4.827 (0.74)	.044 (0.61)	- -	-0.006 (-0.08)	-0.215 (-0.11)	- -	- -	0.61	0.725
	<i>Random</i>	7.548 (1.23)	- -	-0.209 (-0.30)	- -	- -	0.103 (0.47)	- -		

Energy Consumption model: $E_{ijk} = a_0 + a_1 EC_{jk} + a_2 POP_{jk} + a_3 Y_{jk} \cdot POP_{jk} + a_4 Y_{jk} + a_5 Y_{jk}^2 + a_6 Y_{jk}^3 + \varepsilon_t$

Petroleum Consumption model: $E_{ijk} = a_0 + a_1 PC_{jk} + a_2 POP_{jk} + a_3 Y_{jk} \cdot POP_{jk} + a_4 Y_{jk} + a_5 Y_{jk}^2 + a_6 Y_{jk}^3 + \varepsilon_t$

a Value at 1% significance level, *b* Value at 5% significance level, *t*-statistics are within parentheses

Note: models for respective stratum have been selected based on Hausman specification test

1 **5.1. Analysis for low income industrial area**

2 Equating the FOC to zero for both the models, the turnaround points of the EKC's have
3 been estimated and recorded in Table 4. Now we will estimate the shape of the EKC's.

4 Firstly, we find that the income-emission association for electricity consumption model is
5 N-shaped (Figure 1), and it is divulged by the nature of elasticity of the association.

$$\frac{d \ln SO_2}{d \ln Y} \begin{cases} > 0, & 0 < Y < 18.87 \\ < 0, & 18.87 < Y < 5604.37 \\ > 0, & Y > 5604.37 \end{cases}$$

6 Similarly, we find that the income-emission association for petroleum consumption
7 model is also N-shaped (Figure 1), and it is divulged by the nature of elasticity of the association.

$$\frac{d \ln SO_2}{d \ln Y} \begin{cases} > 0, & 0 < Y < 20.51 \\ < 0, & 20.51 < Y < 5799.40 \\ > 0, & Y > 5799.40 \end{cases}$$

8 **5.2. Analysis for high income industrial area**

9 Like the previous scenario, we will estimate the shape of the EKC's for both the models.
10 In this case, we find that the income-emission association for electricity consumption model is
11 inverted U-shaped (Figure 1), and it is divulged by the nature of elasticity of the association. This
12 association follows the generally accepted form of EKC.

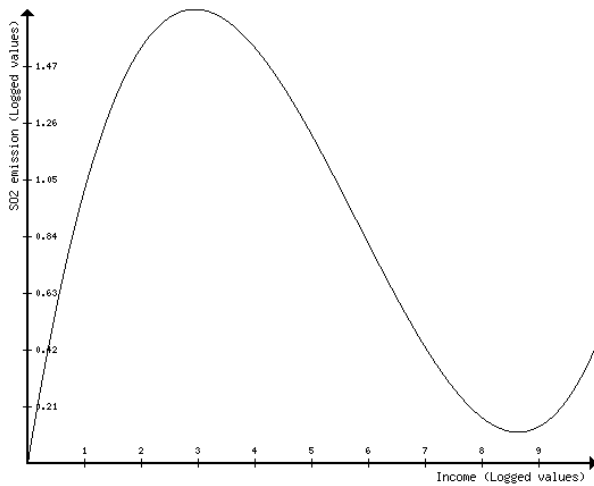
$$\frac{d \ln SO_2}{d \ln Y} \begin{cases} > 0, & 0 < Y < 1110.10 \\ < 0, & Y > 1110.10 \end{cases}$$

13 Similarly, in this case also, we find that the income-emission association for petroleum
14 consumption model is inverted U-shaped (Figure 1), and it is divulged by the nature of elasticity
15 of the association. This association follows the generally accepted form of EKC.

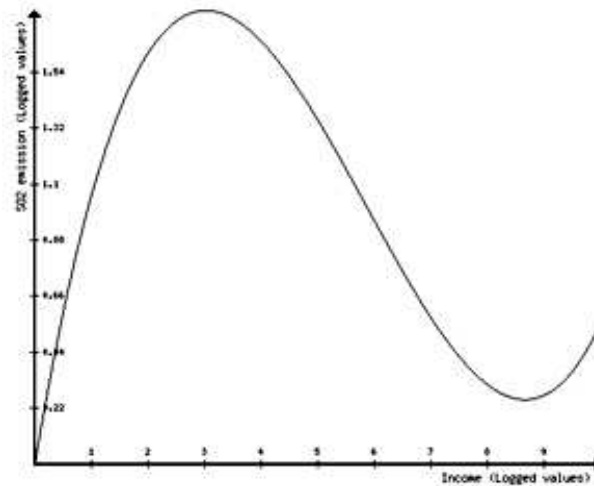
$$\frac{d \ln SO_2}{d \ln Y} \begin{cases} > 0, & 0 < Y < 1564.36 \\ < 0, & Y > 1564.36 \end{cases}$$

Table 4: EKC Estimation for industrial area cities

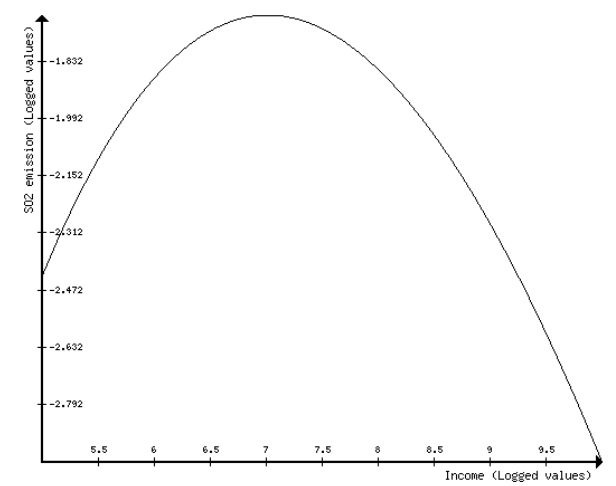
<i>Income level</i>	<i>Electricity consumption model</i>	$FOC \left[\frac{d \ln SO_2}{d \ln Y} \right]$	$SOC \left[\frac{d^2 \ln SO_2}{d (\ln Y)^2} \right]$	<i>Turnaround point (Rs. Lacs)</i>	<i>Shape of EKC</i>
Low	$\ln(SO_2) = 1.293 \ln(Y) - 0.295 (\ln Y)^2 + 0.017 (\ln Y)^3$	$1.293 - 0.590 (\ln Y) + 0.051 (\ln Y)^2$	$- 0.590 + 0.102 \ln(Y)$	a. 18.87 b. 5604.37	N-shaped (Panel A)
Medium	-	-	-	-	No EKC
High	$\ln(SO_2) = 18.471 - 2.077 \ln(POP) + 0.283 \ln(Y). \ln(POP) - 0.332 (\ln Y)^2 + 0.008 (\ln Y)^3$	$0.283 \ln(POP) - 0.664 (\ln Y) + 0.024 (\ln Y)^2$	$- 0.664 + 0.048 \ln(Y)$	1110.10	Inverted U-shaped (Panel C)
All	$\ln(SO_2) = 4.783 - 0.396 \ln(POP) + 0.072 \ln(Y). \ln(POP) - 0.106 (\ln Y)^2 + 0.003 (\ln Y)^3$	$0.072 \ln(POP) - 0.212 \ln(Y) + 0.009 (\ln Y)^2$	$- 0.212 + 0.018 \ln(Y)$	452.24	Inverted U-shaped (Panel E)
<i>Income level</i>	<i>Petroleum consumption model</i>	$FOC \left[\frac{d \ln SO_2}{d \ln Y} \right]$	$SOC \left[\frac{d^2 \ln SO_2}{d (\ln Y)^2} \right]$	<i>Turnaround point (Rs. Lacs)</i>	
Low	$\ln(SO_2) = 0.103 \ln(PC) + 1.335 \ln(Y) - 0.298 (\ln Y)^2 + 0.017 (\ln Y)^3$	$1.335 - 0.596 (\ln Y) + 0.051 (\ln Y)^2$	$- 0.596 + 0.102 \ln(Y)$	a. 20.51 b. 5799.40	N-shaped (Panel B)
Medium	-	-	-	-	No EKC
High	$\ln(SO_2) = 16.036 - 1.730 \ln(POP) + 0.232 \ln(Y). \ln(POP) - 0.276 (\ln Y)^2 + 0.007 (\ln Y)^3$	$0.196 \ln(POP) - 0.552 (\ln Y) + 0.021 (\ln Y)^2$	$- 0.552 + 0.042 \ln(Y)$	1564.36	Inverted U-shaped (Panel D)
All	$\ln(SO_2) = 0.112 \ln(PC) + 0.065 \ln(Y). \ln(POP) - 0.102 (\ln Y)^2 + 0.003 (\ln Y)^3$	$0.065 \ln(POP) - 0.204 \ln(Y) + 0.009 (\ln Y)^2$	$- 0.204 + 0.018 \ln(Y)$	287.52	Inverted U-shaped (Panel F)



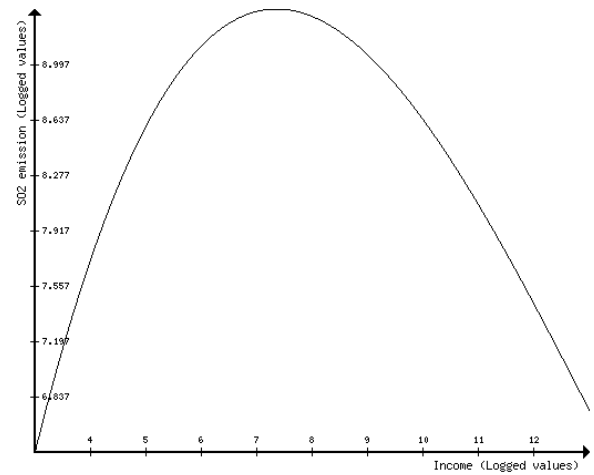
Panel A: Electricity consumption model (Low)



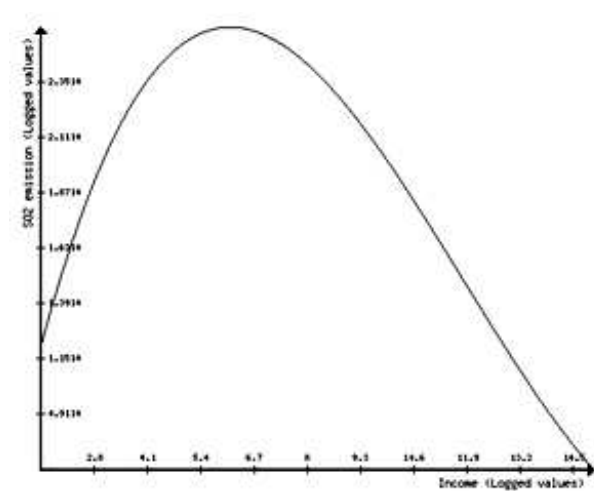
Panel B: Petroleum consumption model (Low)



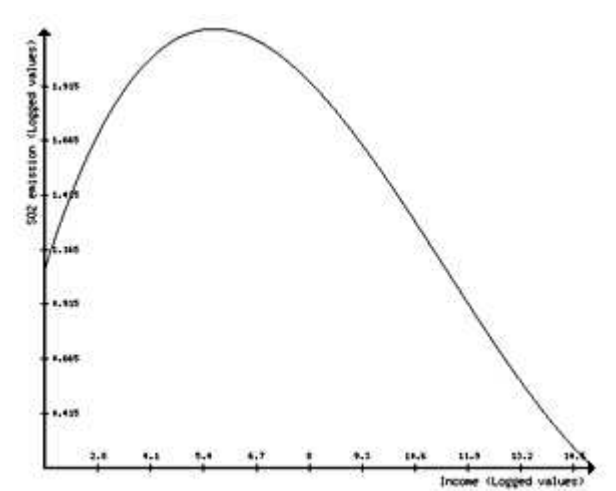
Panel C: Electricity consumption model (High)



Panel D: Petroleum consumption model (High)



Panel E: Electricity consumption model (All)



Panel F: Petroleum consumption model (All)

1

2

Figure 1: Estimated EKC for industrial area

1 **6. Data analysis for residential area**

2 For analyzing the EKC(s) for residential area, electricity consumption model and
3 petroleum consumption model have been tested and regression results have been recorded in
4 Table 1 and 3. Analyzing first order conditions (FOC) and second order conditions (SOC)
5 recorded in Table 2, shape of EKCs can be estimated. In this case, we find that the income-
6 emission associations for both the models are linear and parallel to horizontal axis (Figure 2).

7 Once we have estimated the income-emission associations for all income levels in
8 residential area, now we can proceed with three levels of income. However, the regression
9 coefficients are insignificant for high income cities, and therefore, no EKC can be found for this
10 area. So, we will proceed with EKC estimation for low and medium income areas.

11 **6.1. Analysis for low income residential area**

12 FOCs of both the models have been estimated and recorded in Table 5. In this case, we
13 find that the income-emission association for electricity consumption model is linear and parallel
14 to horizontal axis (Figure 2), and it is divulged by the nature of elasticity of the association. On
15 the other hand, we find that the income-emission association for petroleum consumption model
16 is linearly increasing (Figure 2), and it is divulged by the nature of elasticity of the association.

17 **6.2. Analysis for medium income residential area**

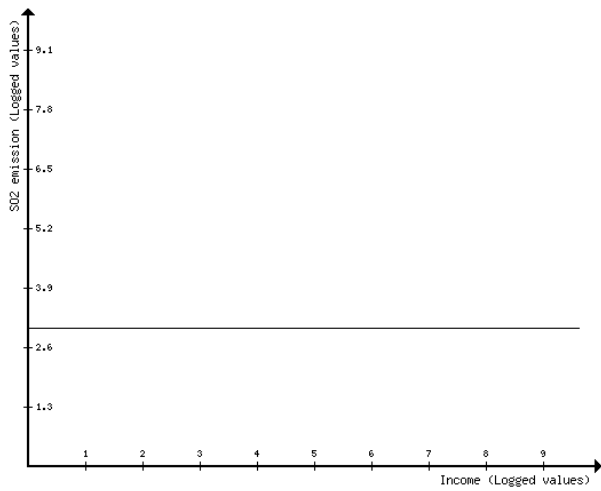
18 FOC for petroleum consumption model has been estimated and recorded in Table 5. In
19 this case, we find that the income-emission association for petroleum consumption model is
20 linearly decreasing (Figure 2), and it is divulged by the nature of elasticity of the association.
21 However, no significant income-emission association has been found for electricity consumption
22 model.

1

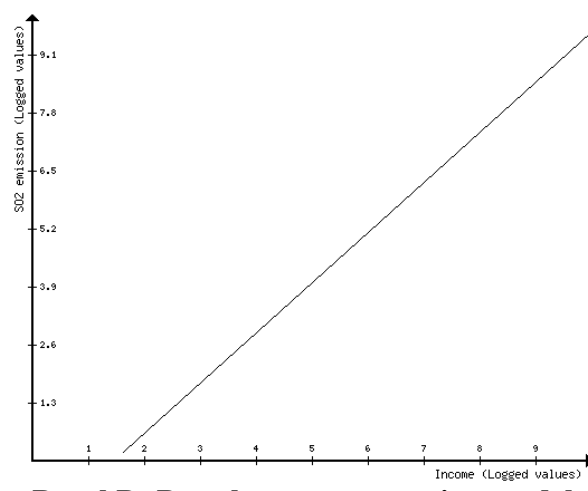
Table 5: EKC Estimation for residential area cities

<i>Income level</i>	<i>Electricity consumption model</i>	$FOC \left[\frac{d \ln SO_2}{d \ln Y} \right]$	$SOC \left[\frac{d^2 \ln SO_2}{d (\ln Y)^2} \right]$	<i>Turnaround point (Rs.)</i>	<i>Shape of EKC</i>
Low	$\ln(SO_2) = 6.537 + 0.257 \ln(EC) - 0.602 \ln(POP)$	0	-	-	Linear (Panel A)
Medium	-	-	-	-	No EKC
High	-	-	-	-	No EKC
All	$\ln(SO_2) = 4.265 + 0.101 \ln(EC) - 0.281 \ln(POP)$	0	-	-	Linear (Panel D)
<i>Income level</i>	<i>Petroleum consumption model</i>	$FOC \left[\frac{d \ln SO_2}{d \ln Y} \right]$	$SOC \left[\frac{d^2 \ln SO_2}{d (\ln Y)^2} \right]$	<i>Turnaround point (Rs.)</i>	
Low	$\ln(SO_2) = 10.888 - 1.058 \ln(POP) + 0.095 \ln(Y) \cdot \ln(POP)$	1.12	0	-	Linear (Panel B)
Medium	$\ln(SO_2) = 0.195 \ln(PC) + 1.017 \ln(POP) - 0.129 \ln(Y) \cdot \ln(POP)$	-1.77	0	-	Linear (Panel C)
High	-	-	-	-	No EKC
All	$\ln(SO_2) = 3.627$	0	-	-	Linear (Panel E)

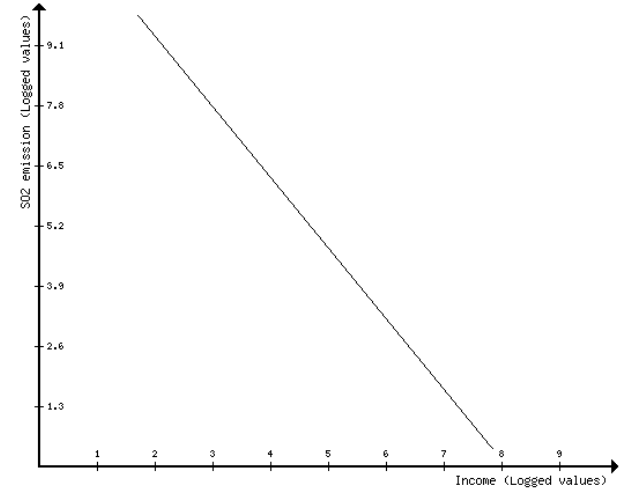
2



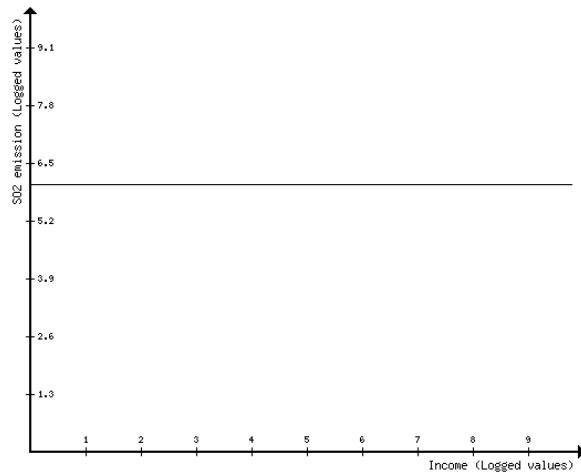
**Panel A: Electricity consumption model
(Low)**



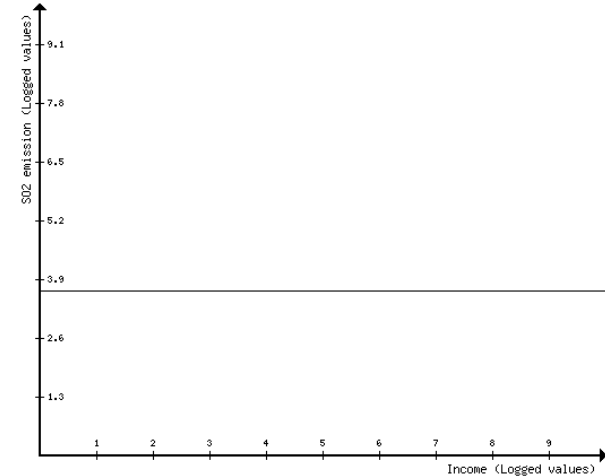
**Panel B: Petroleum consumption model
(Low)**



**Panel C: Petroleum consumption model
(Medium)**



Panel D: Electricity consumption model (All)



Panel E: Petroleum consumption model (All)

1

2

Figure 2: Estimated EKC for residential area

1 **7. Policy implications**

2 By far, we have analyzed the EKC hypothesis for 139 Indian cities for the period 2001-
 3 2013, and apart from inverted U-shaped EKC, we have also found the income-emission
 4 associations to be N-shaped and linear (see Table 6 and 7). Now, we will analyze the scenarios
 5 for industrial and residential areas respectively.

6 **Table 6: Summary of the results for full dataset (shape of EKC and corresponding**
 7 **turnaround points)**

<i>Category</i>	<i>Electricity consumption model</i>		<i>Petroleum consumption model</i>	
	<i>Shape of EKC</i>	<i>Turnaround point (Rs. Lacs)</i>	<i>Shape of EKC</i>	<i>Turnaround point (Rs. Lacs)</i>
<i>Industrial</i>	Inverted U-shaped	452.24	Inverted U-shaped	287.52
<i>Residential</i>	Linear	-	Linear	-

8

9 **Table 7: Summary of the results for segregated dataset (shape of EKC and corresponding**
 10 **turnaround points)**

<i>Income Level</i>	<i>Electricity consumption model</i>		<i>Petroleum consumption model</i>	
	<i>Shape of EKC</i>	<i>Turnaround point (Rs. Lacs)</i>	<i>Shape of EKC</i>	<i>Turnaround point (Rs. Lacs)</i>
Category: Industrial				
<i>Low</i>	N Shaped	18.87 5604.37	N Shaped	20.51 5799.40
<i>Medium</i>	-	-	-	-
<i>High</i>	Inverted U-Shaped	1110.10	Inverted U-Shaped	1564.36
Category: Residential				
<i>Low</i>	Linear	-	Linear	-
<i>Medium</i>	-	-	Linear	-
<i>High</i>	-	-	-	-

11

12 **7.1. Policy implications for industrial areas**

13 For industrial areas, we have found the evidence of inverted U-shaped EKCs for the
 14 aggregate dataset. In case of segregated dataset, evidence of inverted U-shaped EKC can be
 15 found only for the high income areas for both the models. In rest of the cases, the income-

1 emission associations have been found to be N-shaped. We will now discuss all of these cases
2 one by one.

3 For low income cities, income-emission associations have been found to be N-shaped for
4 both the models. First turnaround point of this association is achieved at Rs. 18.87 Lacs for
5 electricity consumption model and Rs. 20.51 Lacs for petroleum consumption model. For both of
6 the cases, the turnaround points are lower than the minimum income level (= Rs. 20.89 Lacs) of
7 this stratum. Both of these turnaround points were achieved at the very earliest stage of the
8 industrialization. For electricity consumption model, SO₂ emission level at the first turnaround
9 point is 5.38µg/m³, and for petroleum consumption model, SO₂ emission level at the first
10 turnaround point is 6.16µg/m³. Both of these emission levels are below the emission standard set
11 by Central Pollution Control Board of India, i.e. 40µg/m³. One of the major reasons behind this
12 fall in SO₂ emission in these areas is a result of shifting in the pattern of fossil fuel usage in
13 plants. Gradual improvement in combustion technologies and usage of petroleum products with
14 low-sulphur content has resulted in the reduction of SO₂ emission in these areas. Moreover,
15 transport density in these cities is comparatively lower than the other strata, and other than
16 Jharia, there are no coal mines in these cities. Therefore, the chances of transport and coal borne
17 SO₂ emission are also low. Within this stratum, with the rise in income, usage of petroleum
18 products with low-sulphur content in thermal power plants rises. This brings down the curve of
19 income-emission association to its second turnaround point. For both the models, the second
20 turnaround points are achieved at higher income levels, and at those emission levels, which are
21 even lower than that of the previous turnaround points. Beyond the second turnaround points,
22 rise in the level of income may result in rise in the vehicular density, which may cause rise in the
23 level of SO₂ emission, and thereby, resulting in the N-shaped income-emission association. To

1 curb down this level of SO₂ emission, the active thermal power plants should reduce the usage of
2 imported coal, which may has high sulphur content. Moreover, the power plants, which are using
3 lignite and diesel, may shift their fuel mix for power generation.

4 For high income cities, income-emission associations have been found to be following
5 the generally accepted inverted U-shaped form of EKC for both the models. For electricity
6 consumption model, the turnaround point arrives at the emission level of 33.92µg/m³, and for
7 petroleum consumption model, the turnaround point arrives at the emission level of 34.41µg/m³.
8 In both of the cases, emission levels are just below the emission standards set by Central
9 Pollution Control Board of India, i.e. 40µg/m³. Though these emission levels are below the
10 emission standard set by Central Pollution Control Board of India, the differences are marginally
11 low. Cities with higher level of income in this particular stratum fall under the directive for
12 emission passed by Supreme Court of India in 2001, and according to that directive, the active
13 manufacturing and power plants need to use clean fuels, pollution control devices, clean
14 technologies, and development of green belts. Second, these cities have experienced the rise of
15 service industry over the years, and this industry contributes less amount of SO₂ compared to the
16 secondary sector. Apart from that, in most of these cities, Bharat Stage IV has already been
17 implemented, and therefore, in spite of having high vehicular congestion, fuel SO₂ emission is
18 under control. Therefore, inverted U-shaped EKC is found for this particular stratum. However,
19 keeping the level of turnaround points into consideration, it can be said that the municipal bodies
20 in these cities should consider improving the existing road infrastructure to minimize the level of
21 vehicular congestion.

22

1 **7.2. Policy implications for residential areas**

2 For residential areas, the income-emission associations have found to be linear for the
3 aggregate dataset. In case of segregated dataset also, income-emission associations have found to
4 be linear. We will now discuss all of these cases one by one.

5 For low income cities, income-emission associations have been found to be linear for
6 both electricity consumption model and petroleum consumption model. The level of emission for
7 electricity consumption model is $1.45\mu\text{g}/\text{m}^3$. In this case, emission level is below the emission
8 standards set by Central Pollution Control Board of India, i.e. $40\mu\text{g}/\text{m}^3$. Most of these cities
9 under this stratum are low in population and income, and the housing infrastructure in these
10 cities is comparatively lower compared to other cities in the remaining two strata. Therefore, the
11 level of energy efficiency is comparatively lower, and it results in higher consumption of
12 electricity in these buildings. This phenomenon is observable across this stratum, irrespective of
13 the income level. The low energy efficiency of these buildings causes space heating, by means of
14 heat radiation through walls. In order to mitigate this issue, government should come forward
15 with energy-efficient landscaping initiatives to preserve energy by minimizing heat loss, and to
16 implement low-energy housing strategy in order to lessen electricity consumption. The
17 infrastructural development authority should also check the life-cycle of the old buildings in
18 these cities, and plan the strategic implementation accordingly. They also need to make sure not
19 to use high environmentally adverse products while demolishing or recycling the building, as it
20 can cause more damage to environment. On the other hand, consumption of petroleum based fuel
21 in these cities rise with the rise in income, as it is indicated by positively sloped ($= 1.124$) the
22 income-emission association for the petroleum consumption model. People in these cities mostly
23 use kerosene and coal for cooking and lighting purpose, and this may raise the level of SO_2

1 emission in these areas. In order to mitigate this problem, government should make them aware
2 about the negative consequences of using the low quality petroleum products, and should provide
3 LPGs at a subsidized rate. Apparently, this level of SO₂ emission is desirable, but there are
4 chances that the emitted SO₂ may translate into sulphate based particulate matters. Therefore,
5 further monitoring is required to check this kind of particulate matters in these particular cities.

6 For medium income cities, income-emission association has been found to be linear for
7 petroleum consumption model, and electricity consumption model did not fit. In this case, it has
8 been found that the level of SO₂ emission falls with the rise in income. Most of these cities under
9 this stratum have gradually started consumption of compressed natural gas (CNG) for the public
10 transport, and this phenomenon is visible in the cities, which are on the higher side in income. As
11 the level of income in these cities is comparatively higher than the previous one, people tend to
12 use LPGs for cooking purpose, and direct consumption of petroleum product is less visible.
13 Moreover, under this stratum, most of the cities with higher income level have started to use
14 solar powered traffic light and street light mechanisms for reducing emission levels. This
15 environmental awareness has made the income-emission association in these cities to be linearly
16 falling. However, implementation of this particular mechanism in the cities with comparatively
17 lower income can also bring down the emission level, and also can bring forth energy efficiency.

18 **8. Conclusion**

19 In this paper, we have estimated the EKC_s for SO₂ emission in 139 Indian cities for
20 2001-2013, by considering all of them in single stratum, and then by segregating them into three
21 levels of income. In order to ensure the accuracy of the data, we have orthogonally transformed
22 the variables, the correlated lower-order terms were removed after auxiliary regressions, and the
23 within models have been tested. The stationarity of the data has been checked by applying unit

1 root tests, and we found the variables to be stationary at level. After analyzing both the industrial
2 and residential areas, it has been found that the levels of emission are different for each of the
3 stratum, and therefore, suggests for policy decisions to be modified to address that particular
4 stratum. However, if a suggested policy in a lower stratum is implemented in a higher stratum
5 along with the policies suggested for that particular stratum, it can create a multiplier effect in
6 bringing down the emission level.

7 While carrying out the analysis, we have found the generally accepted inverted U-shaped
8 EKC for high income industrial areas, and for the overall industrial area. Apart from that, we
9 have also found the income-emission associations to be N-shaped and linear. The linearity in the
10 income-emission association has been found in the residential areas only, whereas the other N-
11 shaped association has been found in the industrial areas only.

12 After analyzing the results, it can be said that government should take the responsibility
13 of implementing the pollution control policies in a more effective manner. In order to control the
14 vehicular emission, *Bharat Stage emission standards* are already in place, and *Central Pollution*
15 *Control Board* has set several restrictions for emission discharges from 104 industries. In spite of
16 that, due to rapid industrial growth and lack of proper urban infrastructure, the newly
17 industrialized areas are experiencing increased number of slum areas, where the standard of
18 living is pretty low. These are the areas, where a substantial amount of emission takes place. This
19 emission is nothing but a result of social imbalance, which government has to take care by
20 implementation of proper rehabilitation policies. Apart from that, it is the responsibility of the
21 citizens as well to become aware about the environmental problems and this can become
22 possible, if they are given proper education, healthcare, and adequate vocational opportunities.
23 Awareness of citizens aligned with governmental regulatory pressures can be a possible solution

1 to this problem. Apart from this, government should encourage the Central Pollution Control
2 Board to introduce more numbers of emission monitoring stations across the cities, so that more
3 data on emission can be gathered for making more effective and focused pollution control
4 policies.

5 Government initiatives regarding discovery and invention of alternate energy sources is
6 an indicator of the growing concern and anxiety about the reducing pool of natural resources and
7 the level of ambient air pollution. By looking at the present scenario regarding energy policies in
8 India, it can be seen that a great amount of emphasis is being put forth on harnessing of solar and
9 wind power, which can solve the problems of clean and green energy. By and large, this is the
10 primary objective of the *Saffron Revolution*⁴, which is being targeted at patronizing solar energy
11 throughout India, and the establishment of India's largest solar plant in Neemuch, Madhya
12 Pradesh, was one of the first stepping stone towards achievement of objectives of this revolution.
13 Current developments in Indian socio-political scenario take us back to the results being obtained
14 by us, which was pointing towards efficient pollution abatement policy implementations.

15 We can conclude that based on our results and looking at the present developments in
16 alternate energy discovery process in India, the turnaround points, which have not been achieved
17 within the study period of 2001-2013, may possibly be achieved in the later stages of 2014.
18 However, in our study, we refrained to consider a variety of social variables, as our intention was
19 to investigate whether any turnaround point exists for India, or not. Further study on this aspect
20 can be taken up considering those variables and the economy-wide policy developments as well.
21 These can bring forth significant insights about the nature of EKCs in Indian cities.

22

⁴ *Saffron Revolution* is an initiative taken up by Government of India in 2014, to boost the Indian solar power industry.

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1

Appendix 1A: Descriptive statistics of the variables

Area	Variable	Units	No. of Obs.	Mean	Std. Dev.	CV.
Industrial	SO ₂	in µg / m ³	1131	13.702	8.795	0.642
	Y	in Rs. Lacs	1131	9416.416	22320.720	2.370
	POP	in number	1131	1968134.587	3417774.263	1.737
	EC	in GWH	1131	1155.911	2469.734	2.136
	PC	in KG	1131	77.614	9.243	0.119
Residential	SO ₂	in µg / m ³	1547	9.228	6.434	0.697
	Y	in Rs. Lacs	1547	7888.848	18705.770	2.371
	POP	in number	1547	1700928.882	2807138.969	1.650
	EC	in GWH	1547	996.222	2139.684	2.148
	PC	in KG	1547	74.948	9.634	0.129

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Appendix 1B: Correlations among independent variables (for industrial area)

	<i>EC</i>	<i>PC</i>	<i>POP</i>	<i>POP.Y</i>	<i>Y</i>	<i>Y²</i>	<i>Y³</i>
<i>EC</i>	1.0000						
<i>PC</i>	0.9411	1.0000					
<i>POP</i>	0.9486	0.8816	1.0000				
<i>POP.Y</i>	0.9728	0.9077	0.9754	1.0000			
<i>Y</i>	0.9814	0.9251	0.9643	0.9919	1.0000		
<i>Y²</i>	0.9670	0.9052	0.9457	0.9937	0.9876	1.0000	
<i>Y³</i>	0.9341	0.8698	0.9093	0.9743	0.9560	0.9900	1.0000

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Appendix 1C: Correlations among independent variables (for residential area)

	<i>EC</i>	<i>PC</i>	<i>POP</i>	<i>POP.Y</i>	<i>Y</i>	<i>Y²</i>	<i>Y³</i>
<i>EC</i>	1.0000						
<i>PC</i>	0.8923	1.0000					
<i>POP</i>	0.8920	0.8677	1.0000				
<i>POP.Y</i>	0.9495	0.9074	0.9659	1.0000			
<i>Y</i>	0.9613	0.9178	0.9503	0.9922	1.0000		
<i>Y²</i>	0.9541	0.9041	0.9251	0.9915	0.9882	1.0000	
<i>Y³</i>	0.9287	0.8747	0.8858	0.9716	0.9587	0.9907	1.0000

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Appendix 1D: Results of unit root tests on orthogonally transformed variables

	Variables	LLC		IPS	
		Without Trend	With Trend	Without Trend	With Trend
Industrial area	$\ln(Y)$	-8.5627 ^a	-10.0685 ^a	-4.4671 ^a	-15.4322 ^a
	$(\ln Y)^2$	-5.9109 ^a	-25.0644 ^a	-31.3367 ^a	-13.1338 ^a
	$(\ln Y)^3$	-3.9976 ^a	-9.9739 ^a	-56.5222 ^a	-14.8918 ^a
	$\ln(POP)$	-4.4164 ^a	-10.0227 ^a	-34.1699 ^a	-8.3011 ^a
	$\ln(Y).\ln(POP)$	-6.0434 ^a	-12.3384 ^a	-16.9003 ^a	-18.6761 ^a
	$\ln(EC)$	-12.1441 ^a	-13.0610 ^a	-22.3276 ^a	-9.7671 ^a
	$\ln(PC)$	-6.0831 ^a	-14.2160 ^a	-2.4002 ^a	-17.3172 ^a
		Without Trend	With Trend	Without Trend	With Trend
Residential area	$\ln(Y)$	-7.7429 ^a	-12.4642 ^a	-4.7271 ^a	-14.3999 ^a
	$(\ln Y)^2$	-7.1864 ^a	-13.1143 ^a	-42.6987 ^a	-42.1084 ^a
	$(\ln Y)^3$	-10.2980 ^a	-11.7841 ^a	-47.1364 ^a	-32.9357 ^a
	$\ln(POP)$	-6.2765 ^a	-12.4928 ^a	-33.4914 ^a	-45.5356 ^a
	$\ln(Y).\ln(POP)$	-14.3848 ^a	-11.2802 ^a	-2.6048 ^a	-3.1417 ^a
	$\ln(EC)$	-13.5331 ^a	-15.7696 ^a	-5.3273 ^a	-2.3755 ^a
	$\ln(PC)$	-7.8263 ^a	-9.7770 ^a	-3.6766 ^a	-4.6469 ^a

^a Value at 1% significance level

For IPS test, \bar{W} -t-bar values are reported

For LLC test, Adjusted t-statistics are reported

2

Appendix 1E: Robustness check for Industrial area models (full dataset)

Models		Core variables		Testing variables		
Electricity Consumption Model		$\ln(Y)^2$	$(\ln Y)^3$	$\ln(POP)$	$\ln(Y).\ln(POP)$	
	Estimated model	-0.106	0.003	-0.396	0.072	
	Partial regressions					
	Regression 1	-0.006	0.001	-	-	
	Regression 2	-0.124	0.001	-0.115	-	
	Regression 3	-0.039	0.002	-	0.021	
	Regression 4	-0.101	0.002	-0.421	0.075	
Petroleum Consumption Model		$(\ln Y)^2$	$(\ln Y)^3$	$\ln(PC)$	$\ln(Y).\ln(POP)$	
	Estimated model	-0.102	0.003	0.112	0.065	
	Partial regressions					
	Regression 1	-0.006	0.001	-	-	
	Regression 2	-0.124	0.001	-0.115	-	
	Regression 3	-0.039	0.002	-	0.021	
	Regression 4	-0.101	0.002	-0.421	0.075	

Note: Robustness of the models for full dataset is ensured, as the coefficient signs of core variables remain unchanged.

Appendix 1F: Profile of the cities considered for the study

<i>Northern zone cities</i>				<i>Southern zone cities</i>			
<i>Cities</i>	<i>Category</i>	<i>Area (in km²)</i>	<i>Average Income (in Rs. Lacs)</i>	<i>Cities</i>	<i>Category</i>	<i>Area (in km²)</i>	<i>Average Income (in Rs. Lacs)</i>
Agra	R & I	4028.00	2757.73	Alappuzha	R & I	46.18	1183.72
Allahabad	R	70.50	1969.87	Bangalore	R & I	741.00	27833.29
Amritsar	R & I	2683.00	5120.72	Belgaum	I	94.00	2104.68
Anpara	I	179.00	33.09	Chennai	R & I	426.00	35175.94
Bathinda	I	210.00	1199.01	Chittoor	I	95.97	16345.00
Chandigarh	I	114.00	11545.39	Coimbatore	R & I	246.80	8484.66
Delhi	R & I	1484.00	141540.54	Gulbarga	R	64.00	1849.82
Dera Baba Nanak	R	74.00	30.75	Guntur	R	230.00	29531.17
Dera Bassi	I	157.00	104.14	Hassan	R	6814.00	584.94
Faridabad	R & I	2151.00	6891.56	Hubli-Dharwad	R & I	404.00	3257.90
Firozabad	R & I	2362.00	933.02	Hyderabad	R & I	217.00	23908.91
Gajraula	R & I	3.00	85.20	Kakinada	R	31.51	2380.17
Ghaziabad	I	133.30	3255.79	Khammam	R	94.37	16931.76
Gobindgarh	R & I	110.00	342.37	Kochi	R & I	732.00	8865.43
Hisar	R	215.00	1550.41	Kollam	R & I	73.03	4193.20
Jalandhar	R & I	3401.00	3742.07	Kottayam	R & I	2208.00	1418.18
Jhansi	R	5028.00	883.88	Kozhikode	R & I	128.00	7912.58
Kanpur	R & I	403.70	4860.48	Kurnool	R	65.91	24195.29
Khanna	R & I	28.00	546.07	Madurai	R & I	243.00	6074.51
Khurja	R & I	142.00	218.19	Malappuram	I	33.61	5852.29
Lucknow	R & I	2528.00	4575.94	Mangalore	I	184.45	2175.75
Ludhiana	R & I	310.00	7041.89	Mysore	I	132.00	3390.89
Meerut	R	141.90	2275.02	Nalgonda	R	105.00	21183.45
Naya Nangal	R	79.00	216.13	Nellore	R	48.39	17839.74
Noida	R & I	203.00	898.82	Palakkad	I	1363.00	1240.79
Patiala	R & I	339.90	1849.33	Patancheru	R	122.00	18160.77
Varanasi	R	1550.00	2311.78	Pathanamthitta	R	23.50	176.15
Yamunanagar	I	255.00	1697.51	Salem	R	124.00	3800.27
<i>Eastern zone cities</i>				Thoothukudi	R & I	50.66	1586.06
<i>Cities</i>	<i>Category</i>	<i>Area (in km²)</i>	<i>Average Income (in Rs. Lacs)</i>	Thrissur	R	101.40	6607.24
Angul	R & I	6232.00	101.51	Trivandrum	R & I	214.90	6772.38
Asansol	I	127.30	3483.23	Vijayawada	R & I	61.88	7465.44
Balasore	R	3076.00	413.54	Visakhapatnam	R & I	540.00	25727.63
Berhampur	R	86.82	825.29	Warangal	R	407.80	21277.51
Bhubaneshwar	R	135.00	1972.63	<i>Western zone cities</i>			
Cuttack	R	398.00	1545.48	<i>Cities</i>	<i>Category</i>	<i>Area (in km²)</i>	<i>Average Income (in Rs. Lacs)</i>
Dhanbad	R	2052.00	2579.06	Ahmedabad	R & I	464.00	28261.90

Durgapur (WB)	R & I	154.00	1622.43	Alwar	R & I	150.00	802.27
Haldia	I	162.00	560.93	Amravati	R & I	122.00	3261.53
Howrah	R & I	1467.00	13675.52	Anklesvar	R & I	213.00	638.82
Jamshedpur	I	209.00	2828.23	Aurangabad (MS)	R	139.00	5828.57
Jharia	I	280.00	209.68	Chandrapur	R & I	77.00	1641.59
Kolkata	R & I	185.00	40475.25	Greater Mumbai	I	4355.00	65021.10
Patna	R	3202.00	2063.98	Jaipur	R & I	111.80	7115.57
Ranchi	R	175.00	2324.72	Jamnagar	R	53.30	2849.73
Rayagada	R & I	7073.00	162.13	Jodhpur	R & I	78.60	2653.26
Rourkela	R	340.00	1283.99	Kolhapur	R	66.82	2875.63
Sambalpur	R	6702.70	613.82	Kota	R & I	318.00	2291.08
Sindri	I	65.00	196.50	Lote	R & I	144.00	277.01
Talcher	I	2025.00	94.34	Mahad	R & I	175.00	140.17
Central zone cities				Mumbai	R & I	603.00	93969.58
<i>Cities</i>	<i>Category</i>	<i>Area (in km²)</i>	<i>Average Income (in Rs. Lacs)</i>	Nagpur	R & I	217.60	12603.27
Bhilai Nagar	R & I	45.20	2574.87	Nashik	R & I	360.00	7604.93
Bhopal	R & I	285.90	3695.98	Navi Mumbai	R & I	344.00	855.59
Dewas	R & I	535.00	572.51	Pune	R & I	700.00	24672.11
Gwalior	R	780.00	2191.14	Rajkot	R & I	170.00	6200.10
Indore	R & I	530.00	4139.85	Roha	R & I	120.00	107.19
Jabalpur	R	367.00	2563.17	Sangli	R & I	118.20	2608.01
Khajuraho	R	175.00	48.21	Solapur	R & I	148.90	4895.32
Korba	R	316.00	881.79	Surat	R & I	326.50	19780.00
Nagda	R & I	120.00	208.66	Tarapur	I	627.00	36.78
Raipur	R & I	226.00	2493.15	Thane	R & I	147.00	53789.04
Sagar	R	6375.00	740.34	Udaipur	R & I	37.00	1130.71
Satna	R & I	200.00	561.41	Vadodara	R & I	235.00	8368.20
Singrauli	R	2200.00	441.38	Vapi	R & I	425.89	665.21
Ujjain	R & I	152.00	1031.14				
North-Eastern zone cities							
<i>Cities</i>	<i>Category</i>	<i>Area (in km²)</i>	<i>Average Income (in Rs. Lacs)</i>	<i>Cities</i>	<i>Category</i>	<i>Area (in km²)</i>	<i>Average Income (in Rs. Lacs)</i>
Bongaigaon	R	6.00	1462.12	Nagaon	R	128.00	5572.44
Daranga	R	78.00	1831.42	Nalbari	R	160.00	1558.21
Dibrugarh	R	66.14	2670.31	North Lakhimpur Town	R	15.00	2077.97
Golaghat	R	3502.00	2149.91	Sibsagar	R	2667.70	2340.84
Guwahati	R	215.00	1904.49	Silchar	R	15.75	341.35
Hailakandi	R	1327.00	1302.50	Tezpur	R	40.00	139.26
Margherita	R	162.00	54.36	Tinsukia	R	3791.00	2658.54

Note: "R" signifies Residential; "I" signifies Industrial; "R & I" signifies Residential and Industrial

Appendix 1G: Zonal division of the states

