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POVERTY ALLEVIATION AND ITS ERADICATION POLICIES IN INDIA

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ABSTRACT

The planners and policymakers in India have been underscoring higher economic growth as an outcome as well as a prime-mover of development policies. However, while discussing about the economic growth both as an instrument and outcome, the question that inherently arises is whether economic growth has actually been pro-poor and inclusive in nature. In order to understand the nuances of poverty alleviation process in Indian context, an assessment of pro-poorness of economic growth is all the more essential.

In view of the much-felt need for assessing the pro-poorness of economic growth, the present paper attempts to examine whether the economic growth in India has actually been accompanied by a commensurate improvement in economic and social inequality. The paper tries to explain 'pro-poorness' and 'inclusiveness'(or otherwise) of economic growth in terms of some of the proximate determinants, like, quantitative and qualitative pattern of employment; gender inequality in well-being; right to land and institutional reforms related to land; and connectivity through all weather roads.The second element of India's poverty reduction strategy is the targeted poverty alleviation programmes. The rationale for introducing the targeted programmes for the poor came to the fore in the late 1960s when the government policies had to face severe criticisms because the much anticipated benefits of economic growth was not percolating to the poor and the disadvantaged. The targeted poverty alleviation programmes are basically supply-side interventions on the part of the state in response to the needs of the poor and the disadvantaged.At the time of India's independence, the socio-economic scenario was characterized by a predominantly rural economy with feudal structure. There was widespread poverty, dismal literacy rate, geographically and culturally isolated population, a rigid social structure and extremely poor transport and communication system. The state leaders and policymakers during the initial years of development planning were also not adequately acclimatised to development activities.In view of the impediments to social and economic development, the fulcrum of the planning process had been pivoted on the strategic goal of 'economic development with social justice'. Thus, the planning process in India, over the years, underscored the development of backward areas and disadvantaged population groups.

Introduction

The First Plan (1951-56) was an attempt to strike a balance between the prevailing socio- economic conditions and the building up of a model society founded on the Indian Constitutional norms relating to the protection and advancement of the people belonging to the weaker sections. The plan document explicitly states, "Economic planning has to be viewed as an integral part of a wider process aiming not merely at the development of resources in a narrow technical sense, but at the development of human faculties and the building up of an institutional framework adequate to the needs and aspirations of the people". This realization led to the implementation of the nation-wide programme of community development, with the objective of facilitating socio-economic change primarily in the life of the rural population. The Community Development had also been considered as an instrument in tackling poverty during the first plan. The basic premise of this programme was founded on the assumption that efforts at the local level could be instrumental in motivating the community to participate in the development programmes. The expectation was that if motivational impulses could be successfully generated then it would not really be difficult to sustain the programme once it gains momentum. The introduction of the Panchayati Raj Institutions (PRIs) provided the much-needed impetus towards the implementation of the programme. However, the Community Development Programme, despite having been continued during the subsequent plan periods, failed to generate the desired results because of the over-dependency of the programme not only on the government initiative but also on government funding. The programme failed miserably in places characterized by a lack of government funding as the much-needed local contribution was not forthcoming. Thus, the programme of community development, upon which the Planners in India were initially banking to alleviate poverty, failed to bring about the desired results in terms of improving the lives of the poor.

However, an important institutional change that took place in the first plan period was the evolution of a comprehensive land reform policy, which led to the abolition of intermediary institutions and systems of land holding like zamindari, jagirdari, etc., which were highly exploitative and a root cause of rural poverty. The ownership of lands was transferred to the indigent population with the intention of ameliorating the deplorable condition of the rural poor. However, the benefit of land reform was confined only to a few agriculturally progressive states.

The Second Plan (1956-61) embarked upon a strategy of development based on the two-sector closed economy model of Professor P.C. Mahalonobis, namely, capital goods producing sector and consumer goods producing sector. The objective of acceleration of economic growth, as perceived and applied during this period, was primarily based on higher investment in the domestic capital goods producing sector (and the associated metal-producing sectors). Since private entrepreneurial capacity in the capital goods sector was inadequate and the political scenario was more inclined towards a public sector expansion, the second plan heralded a massive industrial development programme with an emphasis on balanced regional development of the industrial and the agricultural economy. The Industrial Policy Resolutions, too, echoed the importance of balanced regional development in order to ensure that the people in backward areas derived benefits of industrial development through increased employment and enhanced incomes. As a result of these policy pronouncements, some major industrial projects came up in the poverty-stricken states of Bihar, Madhya Pradesh and Orissa. This plan also fuelled the development of small scale industries, which was perceived as a prime mover in addressing the problem of unemployment especially in rural areas. However, despite its much-needed emphasis on balanced regional development, the second plan ran into trouble in the late fifties on account of a serious balance of payment crisis and acute food deficit. The problems got compounded with an exacerbation in inflationary pressures and rapid growth of population.

The Third Plan (1961-66) tried to address the problems that cropped up in the second plan period without bringing about any basic changes in the policy of public sector driven industrialization and protectionism. A major development that took place during the third plan period, however, was the beginning of a comprehensive programme of rural works with the objective of generating additional employment opportunities and utilizing the large reserve of rural labour force for accelerating the process of economic development. In spite of this positive development, the performance of the third plan remained far below expectation. The growth rate plummeted down to 2.7 percent per year as compared to a targeted growth rate of 5.6 percent per year. The phenomenal decline could be attributed partly to poor harvests and partly to wars with China and Pakistan in 1962 and 1965, respectively. The threat to national security triggered by these wars prompted a diversion of resources to national defence at the cost of other development priorities.

From the above discussion it is clear that India's strategy for development with social justice during the first two decades of planning consisted primarily of two instruments which were: (a) economic growth with balanced regional development; and (b) institutional changes to remove some socio-cultural constraints in accessing development opportunities. The implicit assumption behind the choice of these instruments was that if they perform well then the fruits of planned development would 'trickle down' to the masses. Unfortunately, in the early 1960s itself, the Indian planners began to face serious criticism as the contemporary empirical evidences revealed that the fruits of development had not percolated down to the masses and there were a large number of deprived and deserving communities whose basic needs remained unmet. As a response to this criticism, the Planning Commission came out with a paper in 1962 titled, ‘Perspectives of Development: 1961-1976; Implication of Planning for a Minimum Level of Living’. The paper suggested that a GDP growth rate target of 6 percent per year, accompanied by a stable distribution, would facilitate broad-based improvement in living standards. Thus, the planners for the first time explicitly recognized the importance of distributional policies and considered it necessary to have targeted programmes for employment generation and income support for those who had been left out of the benefits of the growth process. Consequently, some special programmes like public distribution of food grains at reasonable prices, Small Farmers Development Agency (SFDA) and Marginal Farmers and Agricultural Labourers (MFAL) schemes were introduced in the late 1960s and towards the beginning of the 1970s to target the specific disadvantaged groups like the small and marginal farmers.

On the eve of the Fifth Plan (1974-79), the policymakers realised that the institutional changes and the special programmes that had been in operation to complement the low economic growth rate could not succeed in making a significant dent on those excluded from the growth process. It was observed that the set of people, who failed to derive the benefits from the growth process, were much widespread and diverse in character than was originally anticipated in the previous five year plans. The contemporary empirical research evidences reaffirmed that poverty had been more acute among wage labourers, scheduled tribes and scheduled castes and people inhabiting the backward regions. These findings provided the rationale for complementing growth promoting policies with increasing number of direct measures in the form of targeted programmes intended for a much larger set of disadvantaged population groups.

The development strategy during this period also derived its strength from the idea of poverty-reducing growth process proposed by Prof. Sukhamoy Chakraborty, who suggested that "just a high rate of economic growth is not enough but growth should happen in a manner which increases income much more for the lowest 30 per cent of the population". Thus, a number of targeted income and employment generation programmes were introduced as a component of the development strategy of the Fifth Five-Year Plan with the objective of ameliorating the living conditions of the disadvantaged. The decade of the seventies is thus considered as a landmark with the introduction of a series of programmes based on a three-pronged approach to attack poverty and unequal distribution which included: (i) creation of income-generating asset base for the rural poor (ii) generation of opportunities for wage employment; and (iii) area development programmes in backward regions like dry land, rain-fed, drought-prone, tribal, hill and desert areas. Furthermore, since industrial development was considered as an avenue for large-scale labour absorption, the government also introduced Rural Industrialization Programme (RIP) and Rural Artisans Programme (RAP). Although the strategy for poverty alleviation during this period had yielded fruits in terms of poverty reduction, the extent of poverty reduction was, however, not commensurate with the resources put in. This strategic emphasis on growth with redistribution continued during both the sixth (1980-85) as well as the seventh plan (1985-90) periods.

The eighth plan (1992-97) was another important landmark in the development strategy when the limitation of an income and commodity-centric notion of poverty and human well-being was recognized. In line with Prof. Amartya Sen's celebrated work 'Development as a Freedom', poverty came to be recognized as not simply "a state of low income or consumption" but as the lack of freedom of a person to choose and live the life he has reasons to value. The notion of freedom to choose and live, brought to the fore the process aspect of life defined as capability, which is contingent upon the state of health, level of education, demographic characteristics, socio-cultural environment, which determines the access to development opportunities. This recognition of the multi-faceted nature of poverty generated an urge among the policymakers for complementing poverty alleviation strategy with special programmes for building up the capabilities of the poor and the disadvantaged. Accordingly, the Eighth Five-Year Plan document underscored the human and social development policies as crucial components of the strategy for ensuring 'development with social justice'. The focus was primarily on health care and education along with Special Component Plan for Scheduled Castes/Scheduled Tribes (SCs/STs).

Over the late eighties a number of empirical studies brought out the deplorable conditions faced by some vulnerable sections of the society like women, children, the aged and the disabled, despite a promising growth performance and indicated the need for their inclusion in the development policies. The emphasis in the planning process also changed accordingly with the introduction of a large number of programmes meant for these disadvantaged sections. The decade of the nineties brought the notion of sustainable development to the fore and influenced the planning and policy spheres in addressing the conflicts between growth- promoting policies and degradation of the environment and their implications for the livelihood of the poor.

The Tenth Plan period (2002-07) has observed a healthy transformation in the policy sphere with the emergence of a more vibrant civil society and media and the evolution of a more dynamic and sensible judiciary. These developments accompanied by social mobilization has prompted the Supreme Court of India to issue a series of directives to the governments at the centre and the states to allocate adequate resources, ensure people's participation in implementation and monitoring of poverty alleviation programmes, use excess food stocks to run food for work (FFW) schemes in drought affected states and serve cooked mid-day meals to primary school children.

In the wake of starvation deaths in states like Orissa, Rajasthan and Madhya Pradesh at the onset of the millennium, the Apex Court acted quite promptly in response to a petition filed by PUCL (People's Union of Civil Liberty). The petition tried to link food security with the right to life, which is recognized as a fundamental right (under Article 21 of the Indian Constitution). The civil society also put pressure on the government to initiate steps towards guaranteeing development benefits to the poor. The enactment of 'Right to Information Act, 2005', the 'National Rural Employment Guarantee Act, 2005' and making education for children aged 6 to 14 a fundamental right are some of the important steps initiated by the Government of India towards that end.

Economic Growth

From the inception of the development planning in India the policies of the government have continued to be guided by the firm conviction that rapid economic growth is the prime mover in uplifting the poor by offering them more productive employment and enhancing their income. However, the outcome of the first twenty years of planning in the country does not seem to have strengthened this conviction as there has been very tardy progress both in terms of economic growth as well as in terms of reduction of income poverty (measured as the number of poor below the income poverty line as estimated by the Planning Commission).

Table 1: Growth Targets and Achievements (% per year)

Plan	Target	Actual
First Plan (1951-56)	2.1	3.6
Second Plan (1956-61)	4.5	4.2
Third Plan (1961-66)	5.6	2.7
Fourth Plan (1969-74)	5.7	2.1
Fifth Plan (1974-79)	4.4	4.8
Sixth Plan (1980-85)	5.2	5.5
Seventh Plan (1985-90)	5.0	6.0
Eighth Plan (1992-97)	5.6	6.7
Ninth Plan (1997-2002)	6.5	5.7
Tenth Plan (2002-2007)*	8.0	7.1

Note: The growth targets for the first three plans were set with respect to national income. In the Fourth Plan, it was net domestic product. In all Plans thereafter, it has been gross domestic product at factor cost.

** For Tenth Plan, growth rate is average of first four years. Source: Adopted from Ahluwalia (2007), Table 1.*

It was not until the late seventies that the growth rate of the Indian economy actually picked up. The economy grew at the rate of more than 4% per annum in the late seventies, at about 5% during the early eighties and accelerated further since the mid-nineties. Currently, the growth rate is hovering around 8%. Table 1 below depicts India's achievements on the growth front from the first to the ninth plan.

Table 2 above juxtaposes the figures on economic growth and per capita income for four decades along with official estimates on poverty in India based on quinquennial National Sample Survey (NSS). The data brings out that economic growth and real per capita income (measured at constant 1993-94 prices) increased in an unperturbed manner since the mid-seventies and the poverty ratio also declined concomitantly. However, it could also be observed from the aforesaid table that the increase in the rate of economic growth, per capita income and decline in poverty was much slower in the post-reform decade (1993-94 to 2004-05) in comparison to the preceding decade (1983-84 to 1993-94).

Table 2: Economic Growth, Per Capita Income and Poverty Ratios (1973-74 to 2004-05)

Indicators	**1973-74**	**1983-84**	**1993-94**	**2004-05**
Economic Growth (%)	3.3	5.6	6.7	8.0
Per Capita Income (Rs. at 1993-94 prices)	4763	5555	7433	12000
Poverty Ratio (%) @	54.9	44.5	36.0	27.5

@ Poverty ratio indicates headcount ratio which measures the proportion of poor below the national poverty line.
Source: Economic Survey for various years, Radhakrishna and Roy (2005), Planning Commission (2006) and Planning Commission (2007) for Head Count Poverty Ratio.

Although the negative correlation between economic growth and poverty ratio for the entire time horizon (1973-74 to 2004-05) at the macro-level appears quite straightforward, such correlation does not necessarily affirm the pro-poorness of the growth process. In order to judge whether growth process had actually been pro -poor, it is also important to examine the picture at the disaggregate level. As a first exercise, it could be examined if the rate of growth of State Domestic Product (SDP) has also been accompanied by a commensurate decline in poverty. Moreover, the all India poverty ratio as shown in Table 2 masks the actual scenario and conceals the variations in poverty and inequality across location, social class, occupation group, gender, religion, etc. The basis of such variation lies at the unequal economic, social and cultural fabric that has continued to persist even in the post-independence era. It has also to be noted that the reduction in poverty ratio and increase in per capita income do not necessarily imply an improvement in the quality of life and well-being of the poor and the disadvantaged unless factors that determine 'availability' and 'access' to the basic needs and freedoms for them are also taken into account.

The next section describes in a nutshell the meaning of the pro-poor growth in the light of some of the recent literature. The subsequent section analyses the pattern of disparity in income poverty and economic inequality that has simultaneously emerged alongside the economic growth in India.

Pro-poor Growth

The notion of pro-poor growth in the Indian context is not new. The idea of such a growth process found its resonance in Sukhamoy Chakraborty's perception of poverty-reducing growth process, as mentioned in the earlier chapter. Prof. Chakraborty proposed during the mid-1970s that for growth to be poverty reducing it should happen in a manner which increases income much more for the lowest 30 per cent of the population. Such an idea of pro-poor growth in a relative sense has also been applied in the recent work of Kakwani, Khamdker and Son7, wherein growth has been defined as pro-poor if it benefits the poor more than the non-poor. Martin Ravallion8 , however, defined pro-poor growth in an absolute sense as an increase in GDP that reduces poverty. These two definitions have generated a lively debate in the academia.9 Ravallion's definition, however, has been much more contested on the ground that it is too broad and just reducing poverty may not be a sufficient condition of pro-poorness as any growth process which reduces poverty but aggravates inequality and disparity may not be conceived as pro-poor.

Michel Lipton identified the intensity of pro-poor growth as strong or weak depending on whether incomes rise proportionally faster for the poor than the non-poor. Siddiqur Osmani while endorsing Kakwani's criteria of 'pro-poorness' as a policy bias in favour of the poor, proposed to define the bias a little differently – not in relation to how well the non-poor do but in relation to country's past record of poverty reduction after taking into account the initial conditions. Frances Stewart suggested an alternate approach of dubbing a country's policy as pro-poor if it identifies for each country the growth rate that would halve poverty by 2015. Howard White proposed three criteria of pro-poorness. The first criterion calls for the share of the poor in income growth to exceed their existing share. The second requires that the poor's share in incremental growth surpasses their share in population. The third and the final criterion, in the line of Frances Stewart, requires that share of the poor in incremental growth exceeds some international norm. Quentin Wodon from the World Bank, however, advocated a more robust test of 'pro-poor' distributional changes by giving more weight to the poorer of the poor, as growth may lead to a proportionate reduction of a country's poor but with adverse impact on the very poor. Whether growth has been pro-poor or otherwise in the Indian context could be clearly understood from a more disaggregate picture of decline in poverty over time in relation to the growth in income and also by examining whether the income distribution has actually improved or worsened over time.

State-wise Variation in Poverty Reduction

The classification provided in Table 3, based on official poverty estimates of the Planning Commission, groups 15 major Indian states with respect to State-Specific Poverty Ratio (Head Count Ratio) above and below the national average and indicates their relative performances in poverty reduction over time.

The states could be grouped into four categories on the basis of poverty ratio in the initial year (1973-74), the rate of decline in poverty over three decades, 1973-74 to 2004-05, and other characteristics, like, size of the state, income and population10.

Category I: Bihar, Orissa and Madhya Pradesh

These three states turned out as the perennially poor ones. Although, the average level of poverty of these states reduced significantly in absolute terms from 62.6 percent in 1973-

74 to about 38 per cent in 2004-05 (as per the official estimates) but, as per the recent estimate of poverty for 2004- 05, one in every three poor in the country belongs to these three states as compared to a concentration of one in every four poor in 1973-74. This could be attributed to a higher rate of population growth but largely to lower rate of poverty reduction vis-à-vis other states.

Table 3: Relative Performance of Fifteen Major States in Poverty Reduction over three decades

(States have been sorted according to the poverty ratio as reported by the Planning Commission in the order of higher to lower value)

1973-74 (54.88% -All India)	
States with poverty ratio above national average	States with poverty ratio below national average
Orissa, West Bengal, Bihar, Madhya Pradesh, Kerala, Uttar Pradesh, Tamil Nadu	Karnataka, Maharashtra, Assam, Andhra Pradesh, Gujarat, Punjab, Rajasthan, Haryana
1983-84 (44.48%- All India)	
Orissa, Bihar, West Bengal, Tamil Nadu, Madhya Pradesh, Uttar Pradesh	Maharashtra, Assam, Kerala, Karnataka, Rajasthan, Gujarat, Andhra Pradesh, Haryana, Punjab
1993-94 (35.97%- All India)	
Bihar, Orissa, Madhya Pradesh, Assam, Uttar Pradesh, Maharashtra	West Bengal, Tamilnadu, Karnataka, Rajasthan, Kerala, Haryana, Gujarat, Andhra Pradesh, Punjab
2004-05 (27.5%)- All India)	
Orissa, Bihar, Madhya Pradesh, Uttar Pradesh, Maharashtra	Karnataka, West Bengal, Tamilnadu, Rajasthan, Assam, Gujarat, Andhra Pradesh, Kerala, Haryana, Punjab

Source: Planning Commission (2002) and Planning Commission (2007).

Category II: Uttar Pradesh, Maharashtra, West Bengal, Assam

Except for Assam which has experienced a substantial poverty reduction from 1993-94 to 2004- 05, the pace of poverty reduction in these states has generally been relatively slow and the level of per capita income has also not been adequate to facilitate such a process.

Category III: Andhra Pradesh, Karnataka, Kerala and Tamil Nadu

These states belong to the southern zone of the country and have witnessed substantial reduction in poverty as indicated by a decline in the poverty ratio from 53.3 per cent in 1973-74 to 19.5 percent in 2004-05. Along with increase in per capita income, which contributed substantially to poverty reduction, the population growth in these states also declined concomitantly and led to a higher rate of poverty reduction overtime. These four states were home to 24 per cent of the country's poor in 1973-74. In 2004-05 only 15.24 per cent of the country's poor belonged to these states.

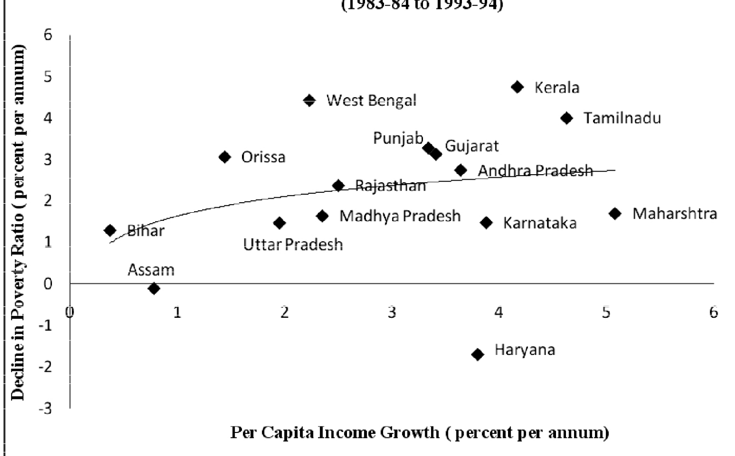
Category IV: Gujarat, Haryana, Punjab and Rajasthan

The poverty ratio in these states was lower than the national average in 1973-74 and ranged from 28 per cent in Punjab to 48.1 per cent in Gujarat. This category comprised states with both high and low per capita incomes in the initial period (1973- 74), but registered a higher growth in the intervening period. The decline in the poverty ratio has been the highest in this group of states. According to the latest official poverty estimate of 2004-05 these states are much below the national average, with poverty ratio ranging from 8.4 percent for Punjab to 22.1 percent for Rajasthan.

A crucial observation that could be made from the movement of poverty ratio is that for the states which had higher poverty ratios to begin with, the rate of decline in poverty had been slower. This is brought out strongly by the fact that the position of Bihar, Orissa and Madhya Pradesh, as per the latest official estimate of poverty ratio for 2004-05, is almost the same as their position three decades back in 1973-74. The poverty ratio in each of these states is still lying much above the national average. Similarly, Gujarat, Punjab and Haryana, which had poverty ratios much below the national average as of 1973-74, are still at the lower end in terms of poverty as of 2004-05.

There has been a lot of debate around the intensity of antipoverty effectiveness of growth in the pre-reform and post- reform period in India. Table 4 below makes an attempt to examine the veracity of such claims. Based on the years for which official poverty estimates are available, two separate time- periods have been considered – 1983-84 to 1993-94 (which encompasses a major part of the decade prior to economic reform of 1991) and 1993-94 to 2004-05, which projects post-reform performance. The anti-poverty effectiveness of growth for each of the fifteen major states could be gauged by comparing their compound annual rate of decline in poverty ratio with per capita income growth per annum.

Figure 1: Poverty Reduction and Income Growth across Indian States (1983-84 to 1993-94)



As is evident from figures 1 and 2, the states which appear to have registered an increase in anti-poverty effectiveness in consonance with per capita income growth in the post-reform period (1993-94 to 2004-05) are Assam, Haryana, Karnataka, Kerala, Maharashtra, Punjab and Tamilnadu. Assam and Haryana had been able to successfully reverse a rising trend in poverty in the pre-reform period to a significant decrease in poverty in the post-reform period. For other states, there has either been a moderate increase in anti-poverty effectiveness in post-reform period or effectiveness has been maintained at nearly the same level in the pre-and post-reform period. The states which have seemingly registered a decline in effectiveness are Andhra Pradesh, Bihar, Gujarat, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal. As indicated by the decline in gradient and flattening of trend line in figure 2, there has been a general decline in anti-poverty effectiveness in the post-reform period as compared to the pre-reform period.

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