

Lecture
Day 4 Session I
POVERTY AND HUMAN DEVELOPMENT

Time – Two hours

Discussion – 30 minutes

Lecture – 1 hours

Exercise – 30 minutes

Learning Outcomes

Knowledge acquired through this module will allow the participants to:

- Learn about the anti-poverty policies adopted in India
- Learn about the non –income dimensions of poverty
- Discuss strategies for poverty reduction

Poverty in India

On being sworn in as the first Prime Minister of independent India in 1947, Nehru called for "the ending of poverty and ignorance and disease and inequality of opportunity." Mahatma Gandhi had always insisted that India would become truly independent only when the poorest of its people would be free from human suffering.

Every major policy and plan document has expressed such a perspective and concern. The *First Five Year Plan* (1951-56) stated that "the central objective of planning in India is to raise the standard of living of the people and to open them opportunities for a richer and more varied life." The document went on to state: "It is no longer possible to think of development as a process merely of increasing the available supplies of material goods; it is necessary to ensure that simultaneously a steady advance is made towards the realisation of wider objectives such as full employment and the removal of economic inequalities." Successive Five-Year Plans continued to emphasize poverty eradication, and the attainment of economic equality and social justice as key objectives. The *Eighth Five Year Plan* (1992-97) identified human development as

the ultimate goal. It aimed to create jobs, contain population, eradicate illiteracy, universalize elementary education, and provide safe drinking water and primary health care facilities to all. The *Ninth Five Year Plan* (1997) emphasised the importance of focusing on human development, and argued that there can be no two opinions about this being the ultimate goal of all public action. The *Tenth Five Year Plan* reinforces and reiterates this commitment.

Poverty policies

Despite the strong political consensus on ending poverty, poverty policy in India has been overwhelmingly concerned with income poverty. The focus on income poverty began early in the 1960s when a Working Group of eminent economists was set up by Government of India to assess the extent of poverty in the country. This Group used a nationally desirable minimum level of consumption expenditure to define India's poverty line and based it on a standard balanced diet prescribed by the Nutrition Advisory Committee. Based on such a measure, the Group found that "half the population lives in abject poverty." The Report discussed the consequences as well. "Such widespread poverty is a challenge which no society in modern times can afford to ignore for long. It must be eradicated on humanitarian grounds and as a condition for orderly progress." It also warned that no programme or policy that "fails to alleviate the conditions of the poor appreciably can hope for the necessary measure of public cooperation and political support in a mature democracy."

The Report of the Working Group set the trend for defining and measuring income poverty. Subsequent studies on poverty in India continued to use either income or consumption as the basis for defining and measuring poverty. The attention of policy makers thus shifted to a narrow conception of poverty as income deprivation. The focus of poverty policy was on providing an assured minimum income to every citizen of the country. To this day, India's income poverty line is the monetary equivalent of a minimum daily calorie intake - 2400 calories per person in rural areas and 2100 calories per person in urban areas.

Assessing levels of income poverty over time and across States is not an easy task. Differences in methodologies and assumptions can lead to quite different estimates. Until recently, for example, there were two sets of poverty line estimates for India using the same criteria of minimum calorie requirements. In 1993-94, for instance, according to the Planning Commission, only 19% of India's population was below the poverty line. This was the "official" estimate. Estimates based on consumer expenditure surveys carried out regularly by the

National Sample Survey (NSS) Organization however placed the proportion of India's population below the poverty line at 36%. In February 1997, Government of India accepted the recommendations of the Expert Group on Estimation of Proportion and Number of Poor (1993) which rejected the adjustments made by the Planning Commission to arrive at estimates of poverty. As a result, the official estimate of India's population below the poverty line was 35.97% in 1993-94. According to the latest estimates (1999-2000) the population living below poverty line declined to 26.10 % (260.2 million)

Despite the decline in proportions, the number of income poor has been increasing due to the growth in population. Between 1951-94, their numbers doubled - from 170 million in 1951 to an estimated 340 million in 1994 as population increased nearly threefold. There were nearly 25 million more rural poor in 1994 than there were in 1986-87. Similarly, though the proportion of urban poor went down from 34% in 1986-87 to 31% in 1994, the number of urban poor during this period remained almost the same, around 60 million. According to the latest estimates (1999-2000) there are about 67.07 million poor people in urban India (23.62%) and 193.24 million (27.09%) poor people in rural areas.

Many would credit the reductions in income poverty to economic growth. Between 1950- 75, when income poverty was fluctuating, growth averaged 3.6%. Over the next 10 years, when the reduction in income poverty was more pronounced, growth rose to 4%, and during 1986-91, it averaged 6%. A related factor is agricultural growth. India from the mid-1970s to the mid-1980s enjoyed a higher and more stable trend rate of agricultural growth. On the other hand, when the index of agricultural production for all commodities fell by 2.5% between 1990-91 and 1991-92, rural poverty went up in the country.

Although economic growth has the potential to reduce income poverty equating growth with income poverty reduction is too simplistic. The association between economic growth and poverty reduction is weak. In the latter half of the 1980s, for example, despite rapid economic growth, income poverty did not decline much. Similarly, all States recorded significant declines in income poverty from the mid 1970s to the end 1980s even though the green revolution was limited in geographical coverage; and most States did not record any significant increase in agricultural value-added per head of rural population.

Discussion Prompt – 30 minutes



Ask the participants to discuss the possible reasons why growth in national incomes has not translated into poverty reduction in their own States. Reasons should be categorized appropriately (eg. faulty premises, structural limitations, capacity limitations, system failures and State-specific features).

Use the points in the below to consolidate the discussion.

- Several factors mediate the conversion of economic growth into income poverty reduction. Kerala, for instance, ensured maximum reductions in income poverty despite slow economic growth through political activism and a rapid expansion of equal opportunities. Improvements in infrastructure and access to assets also play an important role in income poverty reduction.
- Growth is important but the conversion of higher incomes into income poverty reduction is contingent upon several factors: effective public policy interventions, the redistribution of assets, the equitable expansion of physical and social infrastructure, an even and rapid spread of health, education and employment opportunities, and the assurance of people's participation.

Public expenditures have played an important role in India's income poverty reduction. The period from the mid 1970s to the end of the 1980s when income poverty showed a marked reduction was also a decade when public expenditures rose phenomenally. During this period, the Government introduced several new poverty alleviation programmes. There was an increased political commitment to poverty eradication which was backed by an increased allocation of resources and by a set of new pro-poor policies. Nationalized commercial banks were required to assign 40% of their lending to priority sectors - small farmers, small businesses, and artisans. New employment-creation and asset generation programmes for income poverty reduction were introduced. As a result, rural non-agricultural employment increased substantially, and real wages went up sharply. But most important, between 1976 and 1990, real per capita development expenditure increased at an annual rate of 6% per annum compared with only a 3% growth in real GDP per capita. In fact, the steep rise in government spending contributed to the fiscal crisis that necessitated economic reforms in 1991. On the other hand, after economic reforms were introduced, real government expenditure per capita

fell 15% during 1990-93, but increased again by 6% in 1993-94. Income poverty too worsened in the initial years of the reforms, but since 1994, showed improvement.

Government expenditures appear to have a much more direct and distinct impact on poverty than income growth. Practically all States that have succeeded in reducing poverty have made sizable investments in poverty alleviation programmes. The size of government spending matters, but so does the efficiency of such spending. Leakage, corruption and inefficiency in management are frequently reported. Nevertheless, even with a poor record in programme implementation, states that have invested heavily in poverty alleviation programmes seem to do distinctly better in income poverty reduction. This indicates the enormous potential that exists for accelerating income poverty reductions with improvements in the efficiency of spending. Improving the design, administration and management of poverty alleviation programmes are urgently required for a more rapid reduction in income poverty.

Non-income dimensions of poverty

The overwhelming attention paid to measuring and monitoring income poverty has resulted in a gross neglect of other serious forms of human deprivation such as child labour, illiteracy and environmental degradation. Many other forms of deprivations are silent and invisible. These include for instance issues of women's health, domestic violence and child malnutrition. These deprivations are not related to income or income poverty levels in any predictable manner. Haryana is one of the richest and fastest growing states in terms of per capita income. The per capita income of Haryana is more than double than the per capita income of Manipur in 1997-98 at 1980-81 prices. Yet infant mortality in Haryana is 69 per 1,000 live births (1991) is more twice than in income-poorer Manipur. And women in Haryana suffer systematic deprivation that gives them one of the lowest female-to-male ratios in the country - 861 per 1000 males (2001).

Income levels often fail to capture deprivations along other dimensions of human life. Rural Andhra Pradesh and rural Madhya Pradesh, for example, suffer from similar levels of educational deprivation - an illiteracy rate of 64% - but the proportion of income poor is 29% in Andhra Pradesh and it is 45% in Madhya Pradesh. Again, the extent of urban illiteracy is the same in Punjab and Orissa (28%), and yet the proportion of urban income poor is 11% in Punjab, and in Orissa, it is 41%. Similarly, Kerala, Tamil Nadu and Andhra Pradesh which report the lowest levels of child malnutrition do so despite having relatively low levels of per capita

incomes. Madhya Pradesh and Maharashtra report the same levels of child malnutrition even though Maharashtra's per capita income is more than double that of Madhya Pradesh's. Gujarat, among the high-income states, reports the highest levels of child malnutrition.

Levels of affluence or the lack of incomes also fail to measure the richness - or poverty of human lives. Urban poverty rates, for instance, have been consistently lower than rural poverty rates nationwide and across all states. Also, urban income levels are typically higher than rural incomes. Yet visitors to India's major cities will observe that traffic congestion has increased dramatically and so has air pollution. Respiratory problems have gone up and there is a severe shortage of water and electricity. The poor, especially those living in urban slums, estimated to be around 21.1% of urban population, experience the decay even more: clogged drainage pipes, stagnant water, filthy public latrines, uncleared garbage piles, and an increasingly unhealthy environment around them. Most significantly, infant mortality in urban areas has remained stagnant in recent years for the country as a whole, and has gone up in several states. The declining trends in urban income poverty do not capture such dangerously deteriorating living conditions.

While income is important, people often value other things in life much more than income. Even to the very poor, self-respect and a good reputation mean a lot. They often articulate their immediate needs as a good education for their children, access to good health care facilities, and a safe environment. They detest exploitation and discrimination. To most people, to be treated with dignity and respect matter much more than incomes.

Strategies for poverty eradication

Given India's mixed record of the past, what are the chances that the political intent will translate into public action? Clearly, there is a long way to go in ending human deprivations. Access to quality health care, basic education and other essential services has to improve dramatically. Caste, class and gender barriers have to be addressed. Physical provisioning has to be expanded considerably. There is scope for optimism because

- The Tenth Plan and official policies for poverty eradication reflect human development priorities.
- Economic conditions are favourable.

- Democratic participation is opening up. This is not just through local governments but through people's organizations, and in particular women's groups that are frequently organized around credit, economic activities and social empowerment.

At the same time, there are some causes for concern.

- The focus on reducing fiscal deficits is forcing major cuts in social sector spending.
- The pressure to pursue state minimalism is leading to a virtual abdication of state responsibilities.
- The pressure to privatize is beginning to affect people's access to basic health and education



Individual Exercise No. 1 – Time: 30 minutes

Ask each participant to give five concrete suggestions on “What needs to be done differently to ensure that India progresses on the scale of human development? Ensure that suggestions given below are discussed.

Some suggestions to strengthen HD

- Maintain a balance between economic growth and an expansion of social opportunities. High priority should be given to basic education, to preventive and promotive health care, to assuring basic economic security and livelihoods.
- Correction of imbalances and inequalities between men and women, between rural and urban areas, between socially disadvantaged communities and the rest of society.
- Investing adequate resources in social sectors. Additional resources could be mobilized by improving tax-GDP ratio and ensuring a growth rate of 6-8% per annum; by eliminating subsidies to the rich; by cutting losses of public enterprises; and by reducing defense spending.
- Getting the priorities right for public spending. Expenditures must be utilized for improving the quality and efficacy of services, for correcting imbalances in public expenditures, for plugging leaks and reducing wastage, and for ensuring greater efficiency in spending.
- The State needs to play a more proactive role in expanding social opportunities. The State has shown dynamism in reducing controls, liberalizing the economy, and opening up the economy. The 73rd Constitutional amendment to ensure women's participation in local governments displays an extremely progressive and proactive face. On the other hand, efforts at abolishing child labour, preventing child prostitution, and until recently, addressing the problem of AIDS have been far less successful. On many of these matters, sustained advocacy, open debates,

concerted pressure and public action are urgently needed to provoke a positive response from the state.

- Opportunities must be created and expanded for women to participate more fully in economic and political decision-making. The human development experience from Kerala and Manipur suggest that the well-being of society improves when women enjoy greater economic, social and political freedoms.
- Economic growth should be participatory. It must be planned and managed locally by people whose lives it affects. Communities must participate actively to shape programmes, ensure that opportunities are expanded, and that the benefits are shared equitably. For this, structures of local self-governance must be strengthened; and people's participation has to become a norm of public life.