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## Poverty and Exclusion: The Indian Experience

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### i. Introduction

This paper presents the poverty estimates in India, critically looks at the debate going on about the methods of measurement of poverty, analyses the programmes initiated to combat poverty and exclusion, and suggests finally, a broader framework for the elimination of the twin problems from the Indian society. Some broad features of poverty and exclusion in India such as rural and urban poverty, agricultural poverty, gender and poverty, and economic reforms and poverty have also been discussed in this paper. The paper begins by providing the backdrop of poverty and development policy in India. The concluding section of the paper sums up the major issues relating to poverty and exclusion in India.

The paper points out as to how discontent could substantially decline in India subsequent to the implementation of the measures initiated to combat poverty.

Poverty and Exclusion, the two key features of the Indian society, continue to dominate the socio-economic and political scenario of India even during the post-economic reforms period. Though the pro-poor policies have resulted in a considerable decline in the number of people below poverty line, the extent of such people is so large that the country could ill-afford to neglect the various dimensions of poverty. The problem of exclusion continues to

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haunt the Indian society since independence of the country. In terms of societal integration, the tribals have yet to integrate themselves with the Indian society. The scheduled castes, which form a considerable chunk of the Indian population despite having been accorded a special status, have not become the part of the main stream of the Indian society. Further, 1.9 percent of the total households face unavailability of two square meals a day

This paper presents the poverty estimates in India, critically looks at the debate going on about the methods of measurement of poverty, analyses the programmes initiated to combat poverty and exclusion, and suggests finally, a broader framework for the elimination of the twin problems from the Indian society. Some broad features of poverty and exclusion in India such as rural and urban poverty, agricultural poverty, gender and poverty, and economic reforms and poverty have also been discussed in this paper. The paper begins by providing the backdrop of poverty and development policy in India. The concluding section of the paper sums up the major issues relating to poverty and exclusion in India.

The paper offers an incisive analysis of the impact of globalization on poverty in India in the context of Millennium Development Goals evolved by the United Nations. The paper acknowledges the fact that the ushering in of India in the era of globalization have enhanced the income and social inequity, and worsen the scenario by sky-rocketing prices. The paper impels a corrective mechanism in the absence of which India would face tremendous socio-economic upheaval.

## ii. Poverty and Development Policy

The focus of development policy in India has shifted from the rate and pattern of growth, and on inequalities, distribution of income and wealth to the extent to which people are deprived of the minimum requirements for a long, healthy and fulfilling life. The policy makers have veered round to the idea that overall growth while necessary is not by itself adequate to take care of the needs of the poor. The pace of growth has not been uniform across regions, and a variety of sections of the population are not integrated into wider economy, and large sections are not equipped to take advantage of the opportunities arising from growth. Therefore, programmes that could attack direct on poverty have come to be recognised as the only desirable mechanism to reduce poverty. For the first time, assurance of basic minimum needs found an expected and prominent place in the Fifth Plan

The basic minimum needs included not only an assurance of purchasing power sufficient to procure the collection of basic items of consumption, but also elementary education for all children up to 14 years of age; minimum public health facilities integrated with family planning and nutrition for children, protected water supply, amenities for landless labour, and slum improvement in larger towns; and rural roads and rural electrification.

This gave rise to the formulation of targeted poverty alleviation programmes which could spread across the entire national spectrum. The governments at the central and the state levels have earmarked increasing allocations and devising new schemes to eliminate the targeted poverty. However, there has always remained a gap between so called motivations to remove poverty and the slogans made out in this regard.

### iii. Extent of Poverty

The quantification of poverty depends on how it is measured. An important yardstick of quantifying poverty is the computation of food poverty. The basket of goods could be identified providing for the minimum of calorie consumption and those who do not have access to such basket of food products could be called as poor. On this basis, the Head Count Ratio (HCR) of poor could be calculated. However, this method suffers from ignoring the level and structure of prices differing between the states, between rural and urban area as well as the behaviour of prices over time during different states. This method does not take into consideration even the regional variations and social anomalies. The other method could be to price the basic minimum 5 needs and ascertain the per capita income. The extent of poverty quantified as per this method is called as dollar/income poverty.

The most important and richest source of information concerning poverty and levels of living in India is the National Sample Survey (NSS) which has been in existence for nearly 50 years. NSS quotes information in this realm on quin-quennial basis. Large-scale sample of surveys on household incomes and consumption, education and health have also been done by National Council of Applied Economic Research though at a lower frequency. The National Nutrition Monitoring Board has been conducting for over 20 years detailed surveys of actual food intake and nutritional status of individuals on a sample basis in several states. The National Family Health Survey provides detailed information in this regard especially pertaining to children and women. The National Accounts Statistics (NAS) also captures

data on various aspects of poverty during 1970s. The Planning Commission uses NAS estimates for consumption expenditure and NSS estimates of the distribution of population by level of consumption to estimate poverty incidence. The Lakdawala Committee suggested the estimation of poverty line on the basis of NSS data.

The Planning Commission accepted the recommendations and final estimates of poverty are based entirely on the NSS. However, it is appropriate to mention that during 1970s and 1980s the NAS and NSS showed similar, though not identical, time profiles of change in mean consumption at the national level. Both showed the declining trends in the head count ratio. However, the NSS, whose estimate of mean consumption was lower and it rise considerably slower than the NAS, showed poverty incidence to be higher and declining much more slowly than the official estimate. After 1987-88, the NSS began providing only estimates of mean consumption and per capita consumption. This showed no significant trend in either in inequality or mean per capita consumption in rural areas and therefore in the incidence of poverty. In urban areas according to NAS, poverty has declined largely because of increase in per capita real consumption. The overall poverty incidence has not changed significantly. The NAS data on the other hand show per capita consumption increase progressively at an overall rate of 2 per cent during 1990s and hence an overall decline of poverty incidence in the country. To clarify poverty divergence, it must be mentioned that except quinquennial surveys, whose primary focus is consumption and employment the sample size is large enough to provide state level estimate at an acceptable margin of sample error. The NSS in other years acquired consumption and employment data with a much smaller sample subsidiary to the main theme which varied each year. It is clear that this increases the scope for both sampling and non-sample errors. The changes in sampling reference policy with questionnaire design, and interview procedures have also made a difference. The reference periods have varied between one year to one month, one week to one day. The questionnaire designed has been alleged to be complex with 380 questions being asked from the respondents.

The interview procedures have created distrust in the statistics collected as the interviewers were found to fill data on the basis of approximation of average consumption. Table-1 provides the estimates of incidence of poverty in India. The latest available large sample survey data on consumer expenditure collected for the 55<sup>th</sup> round covered the period July 1999 to June 000. The poverty ratios indicated in Table-1 relates to period for 1972-74 to

1999-2000. The poverty at the national level is estimated as the weighted average of statewide poverty levels. The poverty ratio declined from 54.9 per cent in 1973-74 to 36 per cent in 1993-94. The poverty ratio declined by nearly 10 percentage points in the 6 years period, from 36.0 per cent in 1993-94 to 26.1 per cent in 1999-2000 while the proportion of the poor declined from 320.3 million to 260.3 million during this period. The table shows that the proportion of poor under reference in the rural areas declined from 37.3 percent in 1993-94 to 27.1 percent in 1999-2000. The percentage of urban poor declined from 49 per cent to 23.6 per cent during this period. In absolute terms, the number of poor declined to 260 million in 1999-2000, with about 75 per cent of this being in the rural areas. The table shows the poverty ratio is planned to be brought down to 19.3 percent by 2007. The rural and urban poverty ratios are expected to decline to 21.1 percent and 15.1 percent respectively by 2007. Table-2 shows the estimates of incidence of urban and rural poverty in the various states.

Table-2 shows that the incidence of rural poverty has been below the national average in the case of states such as Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Kerala, Punjab and Rajasthan. This incidence has been found higher in the states such as Assam, Bihar, M.P., Orissa, UP and West Bengal.

The incidence of urban poverty is found below the national average in the case of Assam, Gujarat, Haryana, Himachal Pradesh, Kerala, Punjab, Rajasthan, Tamilnadu, and Delhi. The level of urban poverty was higher as compared to the all India average in the case of A.P., Bihar, Kerala, Maharashtra, Orissa and Uttar Pradesh. Alternative measures of poverty have been employed in India to discuss poverty trends in 1990s. Table-3 depicts the poverty trends in India between 1983 to 1999-00.

The table shows that in both rural and urban India, and hence, also at the all India level, there is a clear reduction in the head count ratio, poverty gap index (PGI), Squared Poverty Gap (FGT) and SEN Index (SI). In rural India, the annual average decline in the head count ratio over the 10 ½ year period of July 1983 and January 1994 was 0.7 per cent points per year. For rural and urban areas taken together, the average decline in HCR was close to below 0.9 per cent per annum. While in rural India, the size of the poor population declined by little under 6.9 million over the 10 ½ years period, in urban India, the number of poor people increased by 6.9 million during the same period, despite the corresponding reduction in the head count ratio. However, it was during this period that there was a rapid growth in

urban population of over 3 per cent per annum. During the period from January 1, 1994 to January 1, 2000, the head count ratio declined by close to 9 percentage point, translating to only average decline of 1.5 percentage points. This was significantly higher than the average annual decline in the head count ratio of 0.9 per cent points between 1983-1994. During the same period, a 5.7 per cent point decline in HCR corresponding to annual average decline of 0.95 percent, translates into a decline in the number of urban poor by a little over 3.8 million between January 9, 1994 and January 1, 2000. As noted earlier, the period between 1988-89, witnessed an increase in the number of urban poor by close to 7 million. The PGI, FGT, as well as SEN Index show that the performance has been better in 1990s in urban India. It goes without saying that at all India 8 level, the overall performance in all dimensions of poverty were far better between 1994 and 2000 than in the preceding 10 ½ years.

#### Poverty Alleviation Programmes

The programmes which are aimed at directly helping the poor are termed as poverty alleviation programmes. The main objective, of these programmes is to primarily help the poor and, thereby, improve their economic, financial and social conditions. These programmes directly target the poor and benefit them.<sup>(5)</sup> The programmes for the poor in India can be broadly categorised as wage employment programmes (for example, public works), credit-based self-employment programmes, (for example integrated rural development programmes – IRDP), general access programmes (for example, public distribution systems), and nutrition programmes (for example, Integrated Child Development Services - ICDS). It has been found that in terms of targeting success, self-targeting schemes like rural public works score over income based and general access schemes. The pro-poor schemes presently in currency are: Golden Village selfemployment Scheme (Swarnajayanti Gram Swarojgar Yojana, Total Village Employment Scheme (Sampoorna Grameen Rozgar Yojana), Prime Minister's Village Development Scheme (Pradana Mantri Gramodaya Yojana), Prime Minister's Village Development Rural Housing Scheme (Pradana Mantri Grameena Awas Yojana), Prime Minister's Village Rural Drinking Water Project (Pradana Mantri Gramodaya Drinking Water Yojana), Food For Poorest Families Scheme (Antyodaya Anna Yojana), Food Security for Senior Citizen Scheme (Annapurna), Indira Dwelling Units Scheme (Indira Awas Yojana), Jayaprakash Employment Guarantee Scheme (Jayaprakash Yojgar Guarantee Yojana), Golden Jubilee

Urban Employment Scheme (Swarna Jayanti Shahari Rojgar Yojana), Valmiki Ambedkar Slum Dwellers Scheme (Valmiki Ambedkar Avas Yojana). A study of the objectiveness of the schemes point out to the fact that the government is not cautious about effective targeting of the poor and continues to politicise poverty.

India being a federal set up, both the centre and the states have launched programmes for the eradication of poverty and social exclusion. The states have by and large supported the central programmes and added some new programmes on their own. The central government has initiated programmes such as Integrated Rural Development Programme, Training of Rural Youth for Self Employment, supply of improved tool kits to rural artisans, development of women and children in rural areas, Wage Employment Programme: Jawahar Rozgar Yojana, Employment Assurance Scheme, Million Wells Scheme, National Social Assistance Programme etc. Andhra Pradesh which is one of the most progressive states of India, has included in its gamut, programmes such as 'Podupulakshmi' (grow by savings), 'Velugu' (grow by literacy) "Neeru Meeru"(Water for all), "Janmabhoomi" (sustenance through motherland), "Phani Ahara Padakam" (food for work programme". The Government of Andhra Pradesh has developed a long term strategy to eradicate poverty by making it a part and parcel of its Vision-2020 document. It may be because of this reason that the official poverty ratios show very low levels of rural poverty in Andhra Pradesh. The Government at the centre, is still in the process of formulating such vision. The Central Government has set up a Ministry and the various state governments have followed suit. The National Institute of Rural Development has been set up to deal with rural poverty and the states have set up its counter part to tackle the problem at the state level. The key issue in this context is the effectiveness of the programmes and institutions. One thing, that needs to be ascertained is the fact as to whether 'people have accepted these programmes and institutions'. Both the programmes and institutions have to prove their relevance in the present times.

A comparison of public works programmes and the integrated rural development schemes in Maharashtra show that participation in public works programme is the highest for the poorest households and it tapers off with the rising expenditure levels. In recent years, comparisons have been made between employment guarantee schemes and the public distribution system.(6) The transfer efficiency is higher under the Employment Guarantee Scheme. The benefit cost ratio in the case of public distribution and general access schemes



has turned out to be only half of that in the employment guarantee programmes. The wage employment programmes are considered superior to the other programmes as they result into additional benefits such as asset creation, increase in agriculture wages and insurance benefits.

Regarding credit based self-employment programmes, group lending has been found to be more successful than lending to individuals. In general, government run programmes are less successful in targeting as compared to the Non-Government Organisation (NGO) programmes. The credit-based programmes include the integrated rural development programmes and allied programmes are the development of women and children in rural areas (DWCRA) programmes. The wage employment programmes include Training Scheme for Rural Youth Self-Employment (TSRYSM), Jawharlal Rojgar Yojana (JRY), Employment Assurance Scheme (EAS) and employment wealth schemes. The generic coverage programmes include, public distribution system, and land reforms programmes. As noted earlier, a large chunk of these programmes have not been very effective. The case of land reforms could be very well cited for this purpose.

The ceiling surplus land has not been distributed among the landless poor expeditiously. In order to circumvent the ceiling laws, fictitious transfers have been effected. The detection and distribution of ceiling surplus land requires tremendous political and administrative will. The tenancy rules are outdated. Despite the legal provisions to abolish tenancy, it continues to flourish. In spite of the commitment that tribal lands must remain with the tribals, alienation of tribals, from their land continues in a large scale due to various legal loopholes and administrative lapses and lack of updation of land records which is crucial for effective implementation of land reforms. However, land records are in a disarray in several states.

Anti-poor laws have over-shadowed the success of the various poverty alleviation programmes. The tribals are facing problems in gathering minor forest produce due to diversion of non-timber forest produce to the industry. Rural artisans who make products out of bamboo have shortage of raw-materials as the forest departments allot them bamboos in rationed quantities. In some cases, forest land is leased out to private industry for long periods. This too affects the poor. The cattle flayers in Uttar Pradesh have no legal control over their own produce. The real poor do not have a level playing field as the market for their finished products are dominated by either a single proprietor or a cartel of traders operating in the area.

iv. Poverty Policy

India's poverty policy is based on millenium development goals to be achieved by 2115 as discussed in the Human Development Report 2002 of the United Nations Development Programme. These millenium development goals are as follows:

Millenium Development Goals to be achieved by 2015

Goals for development and poverty eradication set at the UN General Assembly in 2000:

(1) Eradicate extreme poverty and hunger:

- Halve the proportion of people living on less than \$ 1 a day.
- Halve the proportion of people suffering from hunger.

(2) Achieve universal primary education

- Ensure that children everywhere – boys and girls alike – complete a full course of primary education

(3) Promote gender equality and empower women

- Eliminate gender disparities in primary and secondary education, preferably by 2005, and in all levels of education by 2015

(4) Reduce child mortality

- Reduce infant and under-five mortality rates by two-thirds

(5) Improve maternal health

- Reduce maternal mortality ratios by three-quarters

(6) Combat HIV/AIDS malaria and other diseases

- Halt and begin to reverse the spread of HIV/AIDS
- Halt and begin to reverse the incidence of malaria and other major diseases

(7) Ensure environmental sustainability

- Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
- Halve the proportion of people without sustainable safe drinking water
- Achieve by 2020, a significant improvement in the lives of at least 100 million slum dwellers

(8) Develop a global partnership for development

Source: Human Development Report 20002 of United Nations Development Programme

Table-4 shows that the total central plan outlay on major schemes on social sectors as a percentage of GDP at current market prices fluctuated between the low of 1.0 percent in 2001 to a high of 1.2 percent in 2002-2003. There is considerable scope to improve spending on education, health, rural water supply and sanitation, rural housing, rural employment and urban poverty reduction programmes. The expenditure on education was 2.9 per cent of the GDP in 1986-87. In 2002-2003 the expenditure on education as a percentage of GDP increased to 3.1 percent. The expenditure on health was 1.3 percent of the GDP in 1986-87, which marginally increased to 1.4 percent in 2002-2003. It is because of these low spends India's global position on human development index (HDI) was very low at 124 place in 2000. The Planning Commission brought out the Human Development Report in 2001 and found that Kerala state topped the table with an HDI of 0.638 in 2001 while Orissa was almost at the bottom of the table with an index of 404 in 2001. Socially, the HDI also indicates providing linking in terms of gender development index and gender empowerment measure.

India's ranking in HDI could possibly go up by increasing expenditure on poverty alleviation programmes and their effective implementation. Thus, proportion of expenditure on the total poverty alleviation programme as the percentage of Central Government total budget allocation increased marginally from 5.3 percent in 1991 5.9 percent in 2001-2002.

#### Special Features for Poverty and Exclusion

The agriculture growth in India has a great role to play in combating poverty and seclusion. The rate of growth of agriculture growth declined during the post-reform period. The rate of agricultural growth declined to 3.3 percent during the 1990s from 3.9 per cent during the preceding decade. The relative cereal prices as against the trend in 1970s and 1980s registered a rise in the 1990s amidst ever-increasing buffer stock.. The intake of the food is positively related to cereal prices. As a result of increase in prices, the per capita intake of food has declined in 1990. There have been poor deprived of two square meals a day.

Table-6 shows that 1.9 percent of households did not have availability of two square meals a day. The investment growth in agriculture has also declined during this period. This has effected the wellbeing of agriculturist and also the agricultural workers who depend to a large extent on agricultural employment. The total credit to agriculture has declined. Innovations have hardly influenced the organisation and technology in agriculture.(7) The non-farm employment has also declined. The impact of the rulings of the World Trade Organisation

has been adverse and made the agriculture scenario very bleak. The real wages of agricultural labour have not increased in the post-reform period because of increase in relative food prices.

Effective measures have not been taken for raising agriculture labour productivity and reducing employment intensity of agriculture. The literature is replete with evidence suggesting a close link between poverty, and education and income opportunity. The income poverty has been associated with lack of educational opportunities in India. The income poverty pulls children out of the school system thus denying the opportunity of participating in school education even at the basic level. In the case of India, the rates of education attainment at each grade or level of education are consistently at the bottom among the poorest 40 percent of the population and at the top among the richest 20 percent of the population.(8) It is also revealed that the deficit in reaching the goal of universal attainment of basic education is the highest in the case of the poor and the lowest in the case of rich. To add, it is worth mentioning that enrolment rates are low, dropout rates are high and correspondingly completion rates at the lowest among the poor income groups compared to middle and high-income groups. One of the of the strongest reasons of poverty among the school children is the presence of serious malnutritional deficiencies which is found to permanently impair mental capability of children in very early years.(9) To add, it is also seen that enrolment rates are low, dropout rates are high and correspondingly completion rates are the lowest among the poor income groups compared to middle and high income groups.

The growth helps in the reduction of poverty because it creates jobs which pull-up the poor into gainful employment by providing more economic opportunity. It provides the revenues to spend on social services for the poor and creates the incentives that enable the poor to access these facilities.(10) India left behind the era of the Hindu Rate of Growth of 3.5 percent existing between 1960s and 1980s and entered the period of high rate of growth of 6.5% in 1990s. The target for the rate of growth has been fixed at 8% during Eleventh Five-Year Plan (2002-2007). However, the rate of growth during the recent years has declined to 5.5 percent. India's self-reliance policy, heavy dependence on public sector, choice of capital intensive techniques and overwhelming expansion of direct/indirect controls kept the growth under limits earlier and continue to impede securing the high growth, currently. The urban poverty eludes an effective remedy. The migration from the rural areas to urban areas is adding to the increase of slums, creating urban pollution,

transport congestion and lack of availability of social facilities. The income poverty in urban areas denies the access to urban poor to adequate food, sanitation, education and health care and housing.

The gender discrimination continues to haunt the poverty scenario. The rate of literacy is very low among females. The female employment rates are very low. Their representation in political bodies is minimal. The bill to reserve 30 percent of the seats for women in Parliament and the state assemblies is hanging fire from 1996.

The conditions of the scheduled castes and scheduled tribes continue to remain critical. Together, they constitute about 30 percent of the Indian population. Though they have been provided reservations to this extent in the government jobs and political bodies, their socioeconomic condition continues to remain lamentable. Between scheduled castes and scheduled tribes, the scheduled tribes have yet to integrate themselves with the main stream and have not attracted the attention of the policy makers. A large number of widows, the street children and old people face an abject poverty and political indifference.

#### iv. Combating Poverty and Exclusion: A New Framework

Poverty anywhere is danger to prosperity everywhere. Although the approaches followed to combat poverty and exclusion have resulted in the decline in the proportion of poor, there is a need to reformulate entirely the policy framework in this regard. In our view, the involvement of people in the formulation of public policy for the elimination of poverty and exclusion is the most vital pre-requisite. The amendment of Article 73<sup>rd</sup> and 74<sup>th</sup> of the Indian Constitution has empowered the local administration including Panchayats, Municipalities and Municipal Corporations to deal with 29 subjects directly. The state governments will do well to transfer the essential resources to the local level institutions to formulate their own programmes to eliminate poverty and exclusion. This could bring down the cost of administering such programmes on the one hand, and improve tremendously the targeting on the other. This will also prevent committing the E-mistakes, which have resulted into excessive coverage of people who have benefited at the cost of the poor. It is appropriate to note here that in a country such as Belgium the constitutional provisions governing the federal set up have been changed such that the central and the state governments cannot make an enactment or sign a foreign treaty without the approval of the local level governments. The public distribution system is a case in point. In most of the

Indian states more than 50% of the ration cards are bogus and they have been issued to people who are not poor. The involvement of people would improve the quality and supervision of the poverty programmes. Time and cost overruns would come down drastically and the leakages could be checked effectively.

The elimination of poverty and exclusion needs a comprehensive backup of social services comprising education, drinking water supply, sanitation and housing. Everything should be done to ensure the access to primary education facilities to the children in the age group of 4 - 14 years. Such education should be provided free of cost in the vicinity of the place where the child resides. The lack of primary education is the biggest curse facing India. The resources should not inhibit the access to primary education for all the eligible children. The higher education for the socially weak and poor should be financed by banks. The supply of potable water is a prime requisite for the survival of the poor and the socially excluded. The basic health facilities including first-aid should be provided by the primary health centres and the outpatients departments of the hospitals run by the government and the private agencies. The mid-day meal scheme should be implemented on the national scale. All the States must ensure the supply of the minimum calorific requirements to the people. The Indian agriculture should be given a shot in the arm by increasing investments, providing extension facilities, R & D, making available inputs at competitive costs and ensuring increased incomes to the farmers through better realisation of prices for their produce. The wages for agriculture labour should increase and the non-farm employment opportunities for the farm labour should need to be stepped up on a much higher scale.

The new dispensation from WTO should be managed such that the Indian agriculture becomes competitive. This would require the availability of cheaper credit to the farmers. The micro credit could come in very handy in this regard. The self-help groups could be promoted for obtaining credit from financial institutions. The micro credit could bring down not only the costs of the credit but also minimise the non-performing assets in the case of the lending institutions. There is a need to speed up the agricultural reforms which would include reenergising programmes such as land reforms, land consolidation, increasing the area under crop irrigation, setting up agri-business facilities and promoting the second green revolution. The first green revolution visited India in the middle of 1970s. Its gains have been consummated during the last three decades. A second green revolution must usher in to take care of the needs of the next 20 years.

The problem of social exclusion needs to be analysed afresh and a strategy to combat social exclusion needs to be chalked out anew. As mentioned elsewhere, the tribals, widows, senior citizens (people above 60 years), under-privileged women, children and poorest of the poor among the scheduled castes and backward casts face the problem of exclusion. They are economically too weak to secure the basic minimum needs for their survival. It is imperative to design a special strategy to provide them access to education, entrepreneurship and employment. The total expenditure incurred on social justice and empowerment to deal with the problem of social exclusion was more or less at 0.6% of the total expenditure incurred by the Government during the period 1991-2001. The per capita expenditure for scheduled castes persons declined from Rs.55 in 1991 to Rs. 51 in 2000-01 and for the scheduled tribe persons from Rs.29 to Rs 24 during the same period. The public distribution system (PDS) is not able to ensure the supply of the minimum foodgrains to these people. Though the government is faced with the problem of storing the foodgrains, the off take of foodgrains under the PDS has been low on account of narrowing differentials between PDS and open market prices. Another problem associated with this scheme is that the poor particularly the poorest generally do not accumulate enough cash to buy 25 Kgs of foodgrain at a time. There is a need to put in place a system that could either allow the purchase of PDS grains in installments or allow to pay in installments. There have been complaints that a large chunk of foodgrains lifted from the PDS is of substandard variety.

All this may require a substantial mobilisation of resources. Does India have enough resources to combat poverty and exclusion? As a matter of fact what India lacks is not the shortage of resources but socio-economic and political will to measure up to the challenge. The reduction in subsidies itself could open the floodgates for funding the poverty alleviation programmes under reference. The subsidies doled out under the various heads by the Central Government constitute 15 per cent of the GDP amounting to Rs. 3,00,000 crore per annum (approximately US \$ 60 billion per annum). A reduction of 50 percent of such subsidies could provide approximately Rs. 1,50,000 crore per annum (approximately US \$ 30 billion per annum) to the government for pro-poor programmes. This is approximately seven times more than the money provided for poverty alleviation programmes in the Central Government budget for 2001-02.

The New Economic Policy should reenergise the growth momentum. The target of 8 percent growth must be achieved at any cost. The mobilisation of resources for this

purpose is to be comprehensively planned. The Government could get credit rated and tap funds from the external capital markets. The internal costs of funds to the government varies between 7 and 9 percent per annum. The recent raising of funds has been done at 2.5 percent to 2.7 percent per annum from the capital markets abroad which have had London Interbank offered rate (LIBOR) and Singapore Interbank offered rate (SIBOR) of approximately 1.75 percent. Incentives could be contemplated to attract the Foreign Direct Investment to the poverty and social justice programmes. The Government needs to innovate such schemes which could lure the global agencies to such programmes. The Global institutions have hammered out such programmes for the third world and India should take advantage of this facility. The Monetary Policy of the Government and the financial sector reforms initiated as a part of the new economic policy must ensure a free flow of credit at reasonable rates for the poverty alleviation programmes and entrepreneurship development. The output elasticity of employment during post-reform period is found very low as compared to the output elasticity of employment during pre-reform period on account of negative differential output elasticity of employment showing that the economic growth during post-reform period is not labour intensive. (11) This trend has to be reversed.

The administration of poverty and exclusion scheme needs to be toned up. The multiplicity of these schemes both at the central and the state levels have led to duplication, and high cost of administration. It is suggested that self-targeting schemes should be given priority. The populist schemes should be discontinued and a continuous review should be undertaken to ensure their meaningful implementation. It is suggested that most of the schemes should be implemented by the local administration and the role of the central government and the state governments should be restricted to policy formulation and review.

#### v. Conclusion

Relating concepts of poverty propounded by Amartya Sen, it could be pointed out without any hesitation that poverty and exclusion constitute the most dangerous threat to the politico-socio and economic fabric of India.(12) From the middle of 1970s, the government started realising the repercussions of these twin problems and launched a number of programmes for their alleviation. Although the proportion of the poor and socially weak has declined a great deal, the problem of rural and urban poverty continue to stare at the



face of India. The statistics of poverty are not, as A.K.Sen once remarked, an issue for 'unleashing one's personal morals' yet they seem to become a stone on which many people are happy to grind their axes.<sup>(13)</sup> There has been a bitter debate on the concepts and measurement of poverty.

There is a broad consensus that the minimum should include nutritionally satisfactory diet, a reasonable standard of clothing, housing and other essentials and access to a minimum level of education, health care, clean water supply and sanitary environment. Norms for specific elements with regard to each one of these elements have been specified. The income necessary for people to afford the elements defines the poverty line ensuring the minimum standard for amenities are deemed to be the responsibility of a state. Minimum living standards and poverty are however deceptively simple notions. Complex and contentious issues are involved in deciding the basis on which the minimum bundle is to be determined and valued. Conceptual problems are confounded by problems of empirical measurement. The most important and richest source for assessment of poverty is the national sample survey which is in existence for the last 50 years. The National Council for Applied Economic Research, National Nutrition Monitoring Board, National Family Health Survey and International Crop Research Institute and National Accounts Statistics conduct large scale sample surveys to measure poverty and seclusion. The methodology of poverty estimates have long been the subject of debate. A critical scrutiny of the assumptions and procedures underlying official estimates of poverty points out to the deficiencies in the assessment of poverty. Changes in sampling, reference periods, questionnaire design and interview procedures have made a great difference. Further, the lack of decisive preference between the head count ratio and income estimation method of poverty has only made the problem of measurement more complex. The different sources using different methods, give quite different estimates. The Government is alleged to have shown a decline in the number of poor by adopting methodologies suggested to under-estimate the poor.

However, the application of the various methods unhesitatingly reveal that there has been reduction in the proportion of the poor and socially weak people in India. But this has to be seen against the fact that: (i) whereas the rural poverty has reduced substantially, the success in the case of urban poverty has not been encouraging; (ii) the poverty alleviation programmes suffer from political overtones as a large chunk of programmes indulge in

political populism; and (iii) the framework adopted by the Government to combat poverty and exclusion is not strong enough to remove the root cause of their existence.

There is a need to develop a new framework to combat the poverty and exclusion. Poverty alleviation programmes must secure the support of the people. The local administration should be empowered to implement the poverty alleviation programmes and the central and the state Governments should be charged with the responsibility of formulating and monitoring such programmes in consonance with the local administration. The weaker sections of the society should become the focal point of such programmes through self-targeting schemes. The spending on these programmes should be enhanced considerably. The present level of subsidies should be reduced to 50 percent to divert a huge chunk of money for the implementation of poverty alleviation programmes. The agriculture and allied sectors should receive special attention and the non-farm employment need to be considerably stepped up. The New Economic Policy should ensure cheaper and increased flow of credit to poverty alleviation programmes by making micro-credit institutions measuring up to the new challenge and designing built-in-incentives for the financial institutions to disburse the requisite credit at reasonable rates of interest.

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