Research Paper Economic

Economic Reforms And The Poor

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KEYWORDS

Ever since the inception of the era of economic reform, the Government of India (GOI) has claimed to have made conscious efforts to protect the interests of the deprived by pursuing "Adjustment with a Human Face". It has already completed its Eleventh Five-Year Plan: Towards Faster and More Inclusive Growth (GOI 2006) and has continued with a similar pursuit in the Twelfth Five-Year Plan: Faster, More Inclusive and Sustainable Growth. The general public perception about worsening economic plight of the masses has led the government to declare its commitment to the aam aadmi (common man) in general and the "poorest of the poor" in particular. Its policy response has been to provide for a variety of rights-based programmes under the Mahatma Gandhi National Rural Employment Guarantee Act, Right to Educa- tion and recently the National Food Security Act. So it would be worthwhile to examine how far the "poorest of the poor" have benefited from "inclusive growth". The success of any economic reform process should be judged by the social and economic objectives it achieves. In country like India reducing poverty level is the most important manifestation of socio-economic progress.

Against this background, the present paper examines the impact of economic reforms on reducing poverty.

Impact of economic reforms on reducing poverty

Indian economic policies have an unquestionable moral obligation to help the poor. Indian economic policy has, in the past, focused almost entirely on the problems of the poor, but the end of poverty lies in the production of the middle class – a middle class that would include many of those who are currently among the poor. This focus on policy impacts on the middle class offers a strategy that takes us away from an economy split between the poor and the rich, and from a charitable notion of economic redistribution to the possibility of rights- based claims for economic justice. The first is the issue of support for the poor, and among the poor, for the poorest of the poor.

Poverty alleviation has been, and rightly so, one of the guiding principles of the Indian planning process right from the beginning. However, there are two alternative ways of attacking poverty – by laying the foundations for sustainable poverty eradication by providing better education and health facilities to the poor, and better physical infrastructure such as rural roads to improve the poor's income-earning capacity; or by providing handouts such as free or heavily subsidised food, or old-age pension for immediate succour. Until the Fourth Five-Year Plan in the 1970 s , poverty programmes were mainly of the first variety, with initiatives such as the Community Development Programme initiated in 1952, the Green Revolution to increase the production and availability of foodgrains at affordable prices, and land reforms to get rid of the intermediaries. Then came the more targeted programmes to provide immediate income to the poor, by "employing" them to construct village-level infrastructure such as roads or irrigation channels. There were also programmes to provide support to the poor through free or subsidised housing (such as under the Indira Awaas Yojana from 1985-86), or help to poor households in case of old age, (through the National Social Assistance Programme from 1995).

The programmes proliferated in number, and while allocations were limited because of an insufficiency of fiscal resources, practically every programme continued under the original name or some mutation thereof. For example, the Integrated Rural Development Programme (IRDP) was introduced in 1976 on a pilot basis for generating self- employment for the poor, and rapidly extended to large parts of the country. 5 From 1960, starting with the Rural Man- power Programme (RMP), there have also been various schemes for rural wage employment, such as the Crash Scheme for Rural Employment and Drought Prone Area Programme around 1971, which culminated in the Food for Work Programme in April 1977. These programmes were further refined and implemented as the National Rural Employment Programme from October 1980, and the National Rural Landless Employment Guarantee Programme from August 1983. These two were in turn consolidated and transformed into the Jawahar Rozgar Yojana from April 1989, and supplemented by the Employment Assurance Scheme from October 1993. Once again, the latter two were transformed into the Jawahar Gram Samriddhi Yojana in 1999. The fundamental question is of the timing and scope of intervention. From the theory of social justice and the so-called Rawlsian max-min principle, there is undeniable force in the argument that the focus should be on the poorest of the poor. But the issue is one of sustainability. Lifting a poor person above the poverty line requires an income transfer that is equal to the "poverty gap", which is the difference between the poor person's income and the poverty line.

The total "poverty gap" in a developing country such as India may be too high to allow the government to maintain fiscal sustainability and macro economic balance, and transfer the required amount to all the poor to re- move poverty.

Poverty

People who have to struggle to make two ends meet produce more children because more children mean more earning hands. Due to poverty, the Infant mortality rate is much higher due to lack of facilities like food and medical resources. Thus they produce more children assuming that not all of them would be able to survive. An analysis of poverty in India reveals that as per the latest estimates of Planning Commission available for the year 2004-05, the poverty ratio for rural and urban areas of the country were 28.30 per cent and 25.70 per cent respectively and that for the country as combined was 27.50 per cent (Table – 1). This percentage was very high during 1973-74. In 1973-74, the percentage of people below poverty line in India are 56.44 per cent in the case of rural areas and 49.01 per cent in the case of urban areas, while the combined percentage is 54.88.

The Planning Commission estimates poverty using data from the large sample surveys on household consumer expenditure carried out by the National Sample Survey Office (NSSO) every five years. It defines poverty line on the basis of monthly per capita consumption expenditure (MPCE). The methodology for estimation of poverty followed by the Planning Commission has been based on the recommendations made by experts in the field from time to time. The Expert Group headed by Professor Suresh D. Tendulkar which submitted its report in December 2009 has computed the poverty lines at all India level as MPCE of Rs. 447 for rural areas and Rs. 579 for urban areas in 2004-5. After 2004-05, this survey has been conducted in 2009-10. The Planning Commission has updated the poverty lines and poverty ratios for the year 2009-10 as per the recommendations of the Tendulkar Committee using NSS 66th round (2009-10) data from the Household Consumer Expenditure Survey. It has estimated the poverty lines at all India level as an MPCE of Rs.673 for rural areas and Rs.860 for urban areas in 2009-10. Based on these cut-offs, the percentage of people living below the poverty line in the country has declined from 37.2 per cent in 2004-05 to 29.8 per cent in 2009-10. Even in absolute terms, the number of poor people has fallen by 52.4 million during this period. Of this, 48.1 million are rural poor and 4.3 million are urban poor. Thus poverty has declined on an average by 1.5 percentage points per year between 2004-5 and 2009-10. The annual average rate of decline during the period 2004-5 to 2009-10 is twice the rate of decline during the period 1993-4 to 2004-5.

The incidence of poverty was high in rural areas as compared to the urban areas of the country due to lack of ownership of productive assets like land, little employment opportunities outside agriculture, seasonal nature of agricultural employment, dominance of illiterate and unskilled workers, petty production and service activities in rural areas, low wage rate, etc. High incidence of rural poverty has been a major problem faced by the Indian economy since independence.

In 2005, the Planning Commission appointed an Expert Group to review alternate concepts of poverty and recommend necessary changes in the existing procedures of official estimation of poverty. The Expert Group under the Chairmanship of Prof. Suresh D. Tendulkar submitted its report in November, 2009. The Expert Committee recommended using poverty lines which are substantially higher than the earlier ones. As per the Committee methodology, the estimates of poverty ratio for rural and urban areas of the country for 2004-05 were 41.80 per cent and 25.70 per cent respectively and that for the country as combined was 37.20 per cent. Thus, the poverty ratio of India according to revised poverty line was 10 per cent higher than the existing poverty ratio. The difference between the existing and the revised rural poverty ratios was 13.5 per cent. But in the case of the urban poverty ratio, there is no change. In Odisha, 61 per cent of the rural population is estimated as poor. In States such as Bihar, Chhattisgarh, Madhya Pradesh and Jharkhand, more than half of the rural population is poor. This is highly disturbing development about the rural poverty. The Official Estimates of poverty show that the performance of the country in reducing income poverty has been impressive. The Expert Groups estimates show that poverty level in the country has not reduced to the desired extent, particularly in rural areas. The revised poverty estimates emphasize the need for giving more focus for poverty alleviation, rural employment generation and rural development.

Conclusion

Economic reforms had resulted in declining the poverty levels in the country. However, at the same time, the middle class are going in the country. Attention should be kept towards education, health and employment.

Table – 1
PEOPLE BELOW POVERTY LINE IN INDIA
(In Lakhs)

Year	Urban	Rural	Combined
1973-74	600.46 (49.01)	2612.90 (56.44)	3213.36 (54.88)
1977-78	646.48 (45.24)	2642.47 (53.07)	3288.95 (51.32)
1983	709.40 (40.79)	2519.57 (45.65)	3228.97 (44.48)
1987-88	751.69 (38.20)	2318.80 (39.09)	3070.49 (38.86)
1993-94	763.37 (32.36)	2440.31 (37.27)	3203.68 (35.97)
2004-05	807.96 (25.70)	2209.24 (28.30)	3017.20 (27.50)
Percentage of people below poverty line			
2004-05*	25.70	41.80	37.20
2009-10	20.90	33.80	29.80
Annual Average Decline : 1993-4 to 2004-5 (percentage points per annum)	0.55	0.75	0.74
Annual Average Decline : 2004-5 to 2009-10 (percentage points per annum)	0.96	1.60	1.48

*Government of India (2009), 'Tendulkar Committee Report on estimation of poverty', Planning Commission, New Delhi.

Note: Figures in the parentheses represent percentages.

Source:

(1). Planning Commission, Government of India.
(2). Prakash, B.A., (2012), 'The Indian Economy since 1991:Economic Reforms and Performance', Dorling Kindersley Private Limited, New Delhi, p.584.
(3). Government of India, 'Economic Survey 2012-13', Ministry of Finance, New Delhi, p.273.

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