



Poverty Trends in India

C, Narayana Reddy

Assistant Statistical Officer (ASO), Office of the Tahsildar, Maddur Mandal, Warangal District, Telangana State.

ABSTRACT

In a developing country like India, with low level of income and high incidence of poverty, poverty has an impact on all aspects of development (social as well as economic). Poverty affects social development directly. In this paper an attempt has been made to analyze the poverty trends in India. By the World Bank standards of \$1 per day per capita, India has 458 million poor people (52.5 per cent of its population) and accounted for 35 per cent of the World's total in 1992. From the analysis, it is observed from the various rounds of NSS that the overall poverty fell sharply from 52.88 per cent in 1970-71 to 27.5 per cent in 2004-05. There was a slight increase in poverty level up to 1973-74 and thereafter the poverty declined continuously.

KEYWORDS

Poverty, Growth, India

Introduction

In the first quarter-century (1951-1974) of India's independence, the percentage of its population living in poverty rose from 47 to 55 per cent. During the next quarter-century, that rate fell sharply; reaching 27.5 per cent by 2004-05. Between 1974 and 2004-05, the poverty rate fell by 49.8 per cent, exceeding the millennium development goal of a 50 per cent reduction over a 25-year period. In headcount terms, the number of poor people rose steadily from 171 million in 1951 to a 321 million in 1974, before falling to 301.7 million in 2004-05. In this paper an attempt has been made to analyze the poverty trends in India.

During the year 1991, India was in the midst of an unprecedented economic and political crisis of its history. The access to international credit was completely denied, inflation increased to nearly 17 per cent, economy was stagnant, foreign exchange reserves declined to US \$ 1 billion. The primary causes of this crisis includes: excessive public spending, subsidies and a large inefficient public sector during the decade of eighties, resulting in large fiscal deficit year after year, which was financed by internal as well as external borrowing and decumulation of foreign exchange reserves. A new minority Government with a noted economist as finance minister took over power at the centre. The new Government was faced with the twin task of putting the economy on the growth path and improving credibility of the country among Non Resident Indians (NRIs) and foreign investors. This required some bold steps to correct fiscal imbalances. These measures were taken partially willingly and partially unwillingly (as conditionality of donor agencies such as World Bank and International Monetary Fund).

Reform measures initiated by the Government in 1991, included a wide variety of steps ranging from fiscal, monetary, price reform, opening of economy for foreign investors, liberalization of trade, delicensing and privatization of agriculture. Impact of these reform measures on most of the macro variables is satisfactory. From nearly stagnant economy during 1991-92, Indian economy has moved to a growth path comparable to the East Asian miracles. Indian achievements can be described as one of the swiftest economic recoveries during the reform process.

However, the main questions these reform measures all over the world raise are whether results of these are reaching to the people (micro level). Economic reforms affect poverty through employment, income and prices. International experience of effects of stabilization and adjustment on poor is of mixed order. Reforms have been criticized for seeking exces-

sive reduction in aggregate demand that results in a contraction of output, employment and living standard of the poor (Hellor et al. 1988 and Cornia et al. 1987). In some countries poor people experienced bad effects of stabilization/adjustment, while some countries managed to improve the position of the poor during stabilization/ adjustment. Reform process is to some extent favorable to agriculture due to devaluation, trade liberalization and rise in output prices due to liberalization of agricultural trade. However, in urban areas, stabilization process put a cap on demand as a result of which growth of manufacturing and other sectors declines whereas labour supply grows. This leads to increase in unemployment and expansion of informal/unorganized sector. Cross country evidences suggest that if reform process is started during or after the crisis, real wage declines in both public as well as private sector. However, if reform process is initiated before crisis actually begins, decline in real wage rate is not experienced or it is marginal.

In a developing country like India, with low level of income and high incidence of poverty, poverty has an impact on all aspects of development (social as well as economic). Poverty affects social development directly. On the one hand, it has strong positive impact on infant mortality and death rate, while on the other; it has a negative impact on life expectancy and literacy (both male as well as female). Impact of poverty on economic development is through quality of labour force, which contributes positively towards economic development (Pant, 1997).

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After 1974, Indian economic growth began to accelerate. In the agricultural sector, pricing reforms and new technologies (the "green revolution") led to faster growth in production and showed less vulnerability to fluctuations in monsoon rain. Between 1974 and 1990, GDP per capita grew at an annual rate of 2.4 per cent, and agricultural output also grew faster, at 3.0 per cent. After an economic crisis in 1990-1991, GDP per capita grew even faster during the 1990s, averaging 4.2 per cent between 1991 and 2001.

Table-1 Trends in poverty in India: 1970-71 to 2004-05

NSS Round	Survey Period	HeadCount Index		
		Rural	Urban	National
25	Jul 70-Jun 71	54.84	44.98	52.88
27	Oct 72-Sep 73	55.36	45.67	53.37
28	Oct 73-Jun 74	55.72	47.96	54.10

NSS Round	Survey Period	HeadCount Index		
			Rural	Urban
32	Jul 77-Jun 78	50.60	40.50	48.36
38	Jan 83-Dec 83	45.31	35.65	43.00
42	Jul 86-Jun 87	38.81	34.29	37.69
43	Jul 87-Jun 88	39.23	36.20	38.47
44	Jul 88-Jun 89	39.06	36.60	38.44
45	Jul 89-Jun 90	34.30	33.40	34.07
46	Jul 90-Jun 91	36.43	32.76	35.49
47	Jul 91-Dec 91	37.42	33.23	36.34
48	Jan 92-Dec 92	43.47	33.73	40.93
50	Jul 93-Jun 94	36.66	30.51	35.04
51	Jul 94-Jun 95	39.75	33.50	38.40
52	Jul 95-Jun 96	37.46	28.04	35.00
53	Jan 97-Dec 97	35.69	29.99	34.40
55	1999-2000	27.09	23.62	26.10
61	2004-05	28.30	25.7	27.50

Source: Ministry of Finance, Govt. of India. The Poverty Line Equals Rs. 49 Per Capita, Month at October 1973 to June 1974 Rural Prices.

From table-1 it is evident that the overall poverty rate fell sharply, from 52.88 per cent in 1970-71 to 27.5 per cent, in 2004-05. It is seen from the table that there is slight increase in poverty up to 1973-74 and, thereafter, poverty continuously declined. As indicated in the table, NSS surveys provided only a few observations until 1986. There after more frequently, sampling resumed.

Table-2 shows the growth rates in poverty. All over India the growth rates are found to be -2.17, -2.73 and -1.92 per cent respectively during the pre reform, post-reform and overall period. All the growth rates are negative and significant at one per cent level, indicating significant reduction in poverty. In both the Pre-reform and Post-reform periods rural poverty declining rate was higher compared to urban poverty declining rate. Further, the rate of decline in poverty from pre-reform to post-reform is low in Rural India compared to urban India.

Table-2 Linear Growth Trends in Poverty in all over India

pre-reform	post- reform	Over-All	
Rural	-2.26**	-2.82**	-1.91**
	(15.93)	(3.38)	(10.26)
Urban	-1.65**	-2.29**	-1.78**
	(7.98)	(3.25)	(12.52)
National	-2.17**	-2.73**	-1.92**
	(16.32)	(3.46)	(11.52)

Source: Calculate from table-1. Note: ** indicates 1 percent level of significance Figures in parenthesis are t-values

There are large interstate and urban rural differentials in the cost of goods and services. State wise specific rural and urban Poverty lines in India and major states during period 1973-74 to 2004-05, are shown in the table-3 and 4. In the states of Bihar, Kerala and West Bengal the rural poverty line is consistently high when compared to the overall National Rural Poverty line whereas the rural poverty trend in the states of Gujarat, Karnataka, Madhya Pradesh and Tamil Nadu is consistently low compared to all India Poverty lines, In the case of Andhra Pradesh, Punjab, Rajasthan the rural poverty line is below the National poverty line up to 1993-94 and thereafter they are at a high level. In the case of Bihar and Tamil Nadu, these levels are low compared to all India levels up to 1977-78 and thereafter they have a higher level. In the case of Andhra Pradesh the urban levels are low up to 1993-94 and, thereafter, there is an increase in the urban consumption levels.

During 2004-05, the rural poverty lines in the states of Ker-

ala, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal states are above the overall national rural poverty line and, in the remaining states, they are below the National rural poverty line. Whereas urban areas in Andhra Pradesh, Bihar, Orissa, Punjab, Uttar Pradesh and West Bengal have lower urban Poverty lines compared to all India and the remaining states have a higher urban poverty line

Table-3: State wise specific rural poverty line in India and Major States (Consumption for Rural Person Per 30-days in Current Prices)

States	1973-74	1977-78	1983	1987-88	1993-94	1999-00	2004-05*
Andhra Pradesh	41.71	50.90	72.66	91.90	163.02	262.94	292.95
Bihar	57.68	58.90	97.48	120.40	212.16	333.07	354.36
Gujarat	47.10	54.70	83.29	115.00	222.11	318.94	353.93
Karnataka	47.24	52.00	83.31	104.50	186.63	309.59	324.17
Kerala	51.68	58.90	99.35	130.60	243.84	374.79	430.12
Madhya Pradesh	50.20	56.30	83.59	107.00	193.10	111.34	327.78
Maharashtra	50.47	58.10	88.24	115.60	194.94	318.63	362.25
Orissa	46.87	58.90	106.28	121.40	194.00	323.92	325.79
Punjab	49.95	59.40	88.57	122.90	133.79	362.68	410.38
Rajasthan	50.96	57.50	80.24	117.50	115.89	344.03	374.57
Tamil Naidu	45.09	56.60	96.15	118.20	196.53	307.64	351.86
Utter Pradesh	48.92	54.20	83.85	114.60	213.00	336.88	365.84
West Bengal	54.49	63.30	105.55	129.20	220.74	350.17	382.82
All India	49.63	56.84	89.50	115.43	205.84	327.56	356.30

Note: * indicate Uniform Period.

Source: Planning commission, Government of India.

It is further observed that the Urban and Rural differences have increased during the period 2004-05 in the states of Rajasthan, Maharashtra, Gujarat, Tamil Nadu, Madhya Pradesh, Orissa, Karnataka and Andhra Pradesh compared to the differences in 1973-74. Similar situation is also observed in India as a whole where the Urban and Rural difference is only Rs.7 during 1973-74 where as it is Rs.182 during 2004-05.

From table-4, it is evident that in all major states other than Andhra Pradesh, Bihar, Punjab, Uttar Pradesh and West Bengal, the urban poverty lines are at a high level compared to all India levels.

Table-4: State wise specific urban poverty line in India and Major States (Consumption for Urban Person Per 30-days in Current Prices)

States	1973-74	1977-78	1983	1987-88	1993-94	1999-00	2004-05
Andhra Pradesh	53.96	69.05	106.43	151.88	278.14	457.40	542.89
Bihar	61.27	67.27	111.80	150.25	238.49	379.78	435.00
Gujarat	62.17	72.39	123.22	173.18	297.22	474.41	541.16
Karnataka	58.22	68.85	120.19	171.18	302.89	511.44	599.66
Kerala	62.78	67.05	122.64	163.29	280.54	477.06	559.39
Madhya Pradesh	63.02	74.40	122.82	178.35	317.16	481.65	570.15
Maharashtra	59.48	73.99	126.47	189.17	328.56	539.71	665.90
Orissa	59.34	72.41	124.81	165.40	298.22	473.12	528.49
Punjab	51.93	65.70	101.03	144.98	253.61	388.15	466.16
Rajasthan	59.99	72.00	113.55	165.38	280.85	465.92	559.63
Tamil Naidu	51.54	67.02	120.30	165.82	296.63	475.60	547.42
Utter Pradesh	57.37	69.66	110.23	154.15	258.65	416.29	483.26
West Bengal	54.81	67.50	105.91	149.96	247.53	409.22	449.32
All India	56.64	70.33	115.65	162.16	281.35	454.11	538.60

Source: Planning commission, Government of India.

Conclusions

In a developing country like India, with low level of income and high incidence of poverty, poverty has an impact on all aspects of development (social as well as economic). India has more poor people than any other country. By the World Bank standards of \$1 per day per capita, India has 458 million poor people (52.5 per cent of its population) and accounted for 35 per cent of the World's total in 1992.

The official's counts of the latest quinquennial round (55th round) suggest considerable poverty decline from 1993-94 to 1990-2000. According to official estimates, the all India Head Count Ratio declined from 36 to 26 per cent over the period. It is observed from the various rounds of NSS that the overall poverty fell sharply from 52.88 per cent in 1970-71 to 27.5 per cent in 2004-05. There was a slight increase in poverty level up to 1973-74 and thereafter the poverty declined continuously.

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