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MULTI DIMENSIONAL APPROACH OF ATTACKING POVERTY IN INDIA – SOME ILLUSTRATIONS

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ABSTRACT :
India began on big-bang economic reforms Twenty five years back in 1991. It is well-known that Gross Domestic Product growth has been a lot of higher within the post-reform period. However, GDP is only one metric. Ultimately, the success of reforms depends on whether or not the well-being of individuals, particularly that of poor, increased over time. In this milieu, it was examined the impact of economic reforms on poverty and inequality. There are two conclusions on trends in poverty. The first one, shown in a World Bank study by Gaurav Datt and others, is that poverty declined by 1.36 percentage points per annum after 1991, compared to that of 0.44 share points every year before 1991. Their study shows that among different things, urban growth is the most important contributor to the rapid reduction in poverty even though rural areas showed growth in the post-reform period. The second conclusion is that within the post-reform amount, poverty declined faster in the 2000s than in the 1990s. The official estimates supported on Tendulkar committee's financial condition line shows that financial conditions declined solely 0.74 percentage points per annum during 1993-94 to 2004-05. But financial condition declined by 2.2 percentage points per annum during 2004-05 to 2011-12. Around 138 million individuals were upraised on the top of the personal income line throughout this era. This indicates the success of reforms in reducing poverty. The poverty of Scheduled Castes and Scheduled Tribes also declined faster in the 2000.

KEYWORDS : *Measurement – Poverty – Alleviation Programmes – Policies – Evaluation.*

INTRODUCTION

In India, we have had a long history of studies on measurement of poverty starting from the study of Dadabhai Naoroji (1901). The former Planning Commission was the nodal agency for the Government of India in estimating of poverty. These estimates are based on the recommendations of the committees appointed by it. A working set of the Planning Commission arranged a methodology of poverty evaluation in 1962. There has been intense debate on this methodology by the academicians, experts and policy makers over the years. The Planning Commission entrenched Task Force/Expert cluster from time to time to review the methodology.

Tendulkar Committee submitted its report in 2009. The professional Group (Tendulkar) did not construct a poverty line. It was approved by the official measured by urban poverty level of 2004-05 based on Expert Group (Lakdawala) methodology and transformed this poverty line (which is Universal Reference Period URP-consumption based) into Modified Reference Period (MRP)-consumption. Here the MRP-consumption based urban poverty line is worked out as the level of per capita consumption expenditure in the MRP consumption distribution that corresponds to the bottom 25.7 per cent of the population in 2004-05. Eradication of poverty is an important objective of development policy. Prof.

Tendulkar had extensively worked on poverty measurement and policies needed for removal of poverty in India.

The Rangarajan committee report additionally showed quicker reduction in poverty throughout 2009-10 to 2011-12. More economic growth, agriculture growth, rural non-farm employment, increase in real wages for rural labourers, employment in construction and programmes like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) contribution to higher poverty reduction in the 2000s compared to the 1990s.

Another issue mentioned everywhere the world, whether or not it is the Arab Spring or Brexit, is rising inequality. According to a Credit Suisse report, the richest 1% owns half of all the wealth within the world. What happened to inequality in post-reform period India? The proof shows that inequality has increased more during this period. The Gini constant measured in terms of consumption for rural India increased marginally from 0.29 in 1993-94 to 0.31 in 2011-12. There was a considerable rise within the Gini coefficient for urban areas from 0.34 to 0.39 throughout the identical period. On the other hand, consumption-based Gini underestimates inequality. The revenue data from the National Council of Applied Economic Research's India Human Development Survey shows, the Gini coefficient in income (rural+urban) was 0.52 in 2004-05 and increased to 0.55 in 2011-12. Inequality is much higher in India if it was used the income rather than consumption. If one tend to take in account of non-income indicators like health and education, inequalities between the poor and rich are greatly higher.

What is the way forward? The conclusion is that poverty declined quicker however inequality augmented within the post-reform phase. However, India still has 300 million citizens below the poverty line. What must be done to reduce poverty and inequality?

Policymakers should still follow the two-fold strategy of achieving high economic growth and direct measures through social protection programmes. The focus must also be on increase in urban growth and income as the share of urban poverty will rise with urbanization.

There are often many solutions, however let's focus here on the two significant measures: creating productive employment and providing quality education for reduction in poverty and inequality. There is a sense that we should always some flagship programmes like MGNREGA to cut back poverty. No doubt these programmes are important for protecting the poor. But evenhanded growth is a lot of broader than this and productive inclusion in terms of generating quality employment should be the focus of any inclusive approach. Employment focus is the major component of equity approach. Studies have shown that agricultural growth leads to reduction in poverty double as that of non-agriculture. We need additional heterogeneous agriculture for raising the income of farmers. However, future employment should be created in production and service. In this context, the Make in India initiative, focus on start-ups, Mudra, financial inclusion, etc., are steps in the right direction. Equally, service sector employment has to be promoted. Over time, the share of the organized sector should be raised whereas at the same time improving productivity within the unorganized sector. Youth unemployment is high. This is the only cause for unrest and social tensions. The need for skill development and productive jobs to reap the demographic dividend is clear.

For reducing inequality, some advocate measures like distribution of assets and wealth in favour of the poor via higher taxes for the rich. However, these may not be pragmatic solutions. The tax/GDP ratio should be raised with wider tax assets. Fiscal instruments like public investment in physical and social infrastructure are often be used to reduce inequality. The new generation desires equality of opportunity instead of redistributive measures. Everyone irrespective of caste, class and gender should have equal opportunities in education, health, employment and entrepreneurship. Economic and employment prospects will improve with education and skills. The new generation wishes for better quality in schools and better education.

Finally, economic reforms ought to focus additional on competent delivery systems of public services. Many considers that poor administration is that the biggest constraint in achieving the aspirations of a latest generation and reduction in poverty and inequality. A major institutional challenge is the responsibility of service providers, specifically the public sector. Recent literature too focused on eradication of corruption for reduction in inequalities. Issues like electoral reforms, crony capitalism, election funding and corruption must be a part of the reform agenda to reduce inequalities.

MEASUREMENT OF POVERTY

There are many approaches for poverty measurement. Human being needs an assured minimum consumption of food and non-food items to survive. However, the perception relating to what constitutes poverty varies over time and across countries. Generally the approach is to appear in terms of certain minimum consumption expenditure on food and non-food items. Any household failing to fulfill this level of consumption expenditure could be treated as a poor household.

By June 2012, the Government of India selected an Expert Group (C. Rangarajan as Chairman) to obtain a fresh investigation at the methodology for the measurement of poverty. The Committee submitted its report towards the ending of June 2014.

The Expert set (Rangarajan) has gone back to the concept of separate poverty line baskets for rural and urban areas. Defining about the new consumption basket separating the poor from the rest, the Rangarajan Committee is of the considered view that it should contain a food component that addresses the ability to be sufficiently nourished in accumulation to some normative level of consumption expenditure for essential non-food item teams (Education, clothing, conveyance and house rent) besides a residual set of behaviorally determined non-food expenditure. The introduction of conditions for certain kinds of non-food expenditures is an innovation. In the absence of the other normative criteria, the median fractile class expenditures were treated as the norm. In fact, non-food consumption as a proportion of total consumption has been steadily rising. That is why the Group determined to require a contemporary verify the basket instead of solely changing the previous basket for value changes.

The poverty lines in the year 2011-12 for all India are presented in Table 2. For 2011-12, for rural areas the national poverty line through the Tendulkar methodology it is estimated that Rs. 816 per capita per month and Rs. 1,000 per capita per month in urban areas. For a family of five members, the all India poverty line in terms of consumption expenditure would amount to about Rs. 4,900 per month in rural areas and Rs. 5,000 per month in urban areas. For a year it would amount to Rs.58800 in rural areas and Rs.60,000 in town areas. Similar numbers are specified for estimates based on Rangarajan Committee methodology. The poverty lines based upon Rangarajan committee are high than those of Tendulkar Committee. For a family of five, the expenditure would amount to Rs. 4900 in rural areas and Rs.7050 in urban areas.

There have been much more questions that whether one can live with this money. Sundaram (2011) mentions Prof. Tendulkar's views on absolute poverty line as follows. “The absolute poverty line is not the aggregation of expenditure needed for purchasing the commodities and services required for fulfilling all the basic needs. This follows from the problems of objective norm specification as well as those of aggregation across interdependent basic needs and from the fact that households are not uniform in their composition, tastes and location across climatic conditions. There is therefore an inherent and irreducible element of arbitrariness in the specification of the absolute poverty line and (there is) no substitute but to care for it as broadly characterizing a 'low enough yet reasonable' minimum living standard" (p.111, Sundaram, 2011). As depicted below, there were around 250 to 350 million poor people based on these poverty lines of the two committees. One should be concerned about the poor population.

Table 1
Poverty Lines in 2011-12, All India (Rs.)

	Tendulkar Committee			Rangarajan Committee		
	Monthly Per capita	Monthly Per house hold	Per year Per house Hold	Monthly Per capita	Monthly Per house Hold	Per year Per house Hold
Rural	860	4080	48,960	972	4860	58320
Urban	1000	5000	60,000	1407	7035	84420

Source: GOI (2009), GOI (2018)

Trends in Poverty: Declined faster during 2004-2012 period as compared to 1993-2005 period

In the post-reform time, there has been a discussion concerning the impact of reform policies on poverty. It has been argued that inspite of higher GDP growth, the rate of reduction in poverty has been slower.

However, this was true till the early 2000s. Poverty declined solely 0.74 percentage points per annum during the period 1993-94 to 2004-05. But, as shown in Table 2, poverty declined by 2.2 percentage points per annum during the period 2004-05 to 2011-12. It is the quickest drop of poverty compared to earlier periods.

Table 2
Changes in Poverty: All India estimates based on Tendulkar Committee methodology

	Rural	Urban	Total	Rural	Urban	Total
1993-94	50.1	31.8	45.3	328.6	74.5	403.7
2004-05	41.8	25.7	37.2	326.3	80.8	407.1
2011-12	25.7	13.7	21.9	216.5	52.8	269.3
Annual decline 1993-94 to 200405 percentage points	0.75	0.55	0.74			
Annual decline 2004-05 to 201112 percentage points	2.32	1.69	2.18			

Source: Planning Commission, press release, 2018

The estimate of poverty magnitude relation for the years 2009-10 and 2011-12 derived from the Skilled Cluster (Rangarajan) methodology and Tendulkar methodology are summarized in Table 3.

Table 3
Poverty Estimates in 2009-10 and 2011-12

Year	Poverty Ratio			No. of poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
Expert Group (Rangarajan)						
1. 2009-10	39.6	35.1	38.2	325.9	128.7	454.6
2. 2011-12	30.9	26.4	29.5	260.5	102.5	363.0
3. Reduction (%age points)	8.7	8.7	8.7	65.4	26.2	91.6
Expert Group (Tendulkar)						
1. 2009-10	33.8	20.9	29.8	278.2	76.5	354.7
2. 2011-12	25.7	13.7	21.9	216.7	53.1	269.8
3. Reduction (%age points)	8.1	7.2	7.9	61.5	23.4	84.9

Source: GOI (2018)

A comparison of the poverty ratio for the two years 2009-10 and 2011-12 derived from the Professional Group (Rangarajan) method and the Expert Group (Tendulkar) method shows that the common level of poverty ratio derived from the Expert Group (Rangarajan) method is higher than that derived from the Expert Group (Tendulkar) methodology. The all-India poverty ratio derived from the Expert Group (Rangarajan) methodology is 8.4 percentage points higher in 2009-10 and 7.6 percentage points higher in 2011-12 than that derived by the Planning Commission using the Expert Group (Tendulkar) methodology. The all-India poverty ratio in Expert set (Rangarajan) fell from 38.2% to 29.5%. Totally, 91.6 million people were raised out of poverty through this era. Though Rangarajan Committee methodology gives higher level of absolute poverty ratio, the reduction in poverty ratio from Rangarajan method is not very different than that of Tendulkar method (GOI, 2014).

SOME OTHER ISSUES IN POVERTY MEASUREMENT

Bottom Quintile and Shared Prosperity: Some analysts use different ways like share of bottom quintile population in consumption to look at the changes in poverty lacking using poverty level. World Bank started using the share of bottom 40% (B40) as an indicator of shared prosperity. The idea is that prosperity needs to be better shared with the bottom 40% of the income distribution (Cruz et al, 2015).

World Bank report also talk about depth of poverty. It examines the trends in new poverty measure called person-equivalent headcounts. According to the report, the depth elasticity at the global level between 1990 and 2012 was 1.18 indicating that the reductions in traditional head count ratios were accompanied by even-larger reductions in person-equivalent poverty ratios. Rangarajan and Dev (2015c) examine the depth of poverty in India using different cut-offs of poverty line. They found bunching of poverty around the poverty line in both rural and urban areas.

Multi-Dimensional Poverty: Income or consumption improvishment may be totally different from deprivations supported education, health etc. Oxford Poverty and Human Development Initiatives (OPHI) and UNDP along with developed dimensional poverty index (MPI).

It used ten indicators with reference to the health, education and Normal standard of living (OPHI, 2015). However, the area unit many problems concerning many dimensional measures significantly issues in aggregation.

Identification of Poor and Socio Economic Caste Survey (SECC): Planning Commission has earlier set to delink the consumption based mostly poverty evaluations for allocating resources to states. The Rangarajan Committee counseled that the beneficiaries below target cluster oriented schemes of the Government could be elite from the deprivation-specific ranking of households. Such ranking of households could be generated from BPL (below poverty line) surveys and the latest one is Socio Economic Caste Survey (SECC) 2011. The objective is to collect socio economic data and rank the households and state governments can prepare BPL list. Caste information also would be useful. Official poverty estimates will not be used as caps. The beneficiaries could be selected from this set of households until the resources earmarked for the programme/scheme permit. The data are captured directly on an electronically handled device (a tablet PC). Collected data has to be verified in the panchayats.

Three step criteria are being used for ranking the households. These are: (1) automatic exclusion (2) automatic inclusion (3) remaining households will be ranked based on deprivation indicators. The final choice of the indicators for ranking of households at the State level would be set by an associate Skilled Group, appointed recently by the Ministry of Rural Development.

Policies on Poverty: Growth and Social protection

How do we reduce poverty? Policy manufacturers should still follow the two-fold strategy of lease the economies grow quick and offensive economic condition directly through social protection programmes.

Literature shows that variables such as agricultural per capita (non-agriculture in the case of urban), land and labour productivity in agriculture, inflation rate/relative food, rural non-agricultural employment, government's development expenditure, infrastructure and human development are vital determinants of countryside poverty. Studies have shown that agricultural growth result in reduction in poverty two times that of non-agriculture. This is because many livelihoods are dependent on agriculture in rural areas. In recent years, the importance of developmental public expenditure in reducing poverty has been recognized. Fan et al (1999) examine the causes of decline in countryside poverty in India and significantly, the study concentrates on the impact of government spending on productivity and poverty. The study finds that investment in rural roads and agricultural analysis have greatest impact whereas government defrayal specifically targeted to poverty reduction like employment programmes have solely modest effects .

We have many social protection programmes such as wage employment (MGNREGA), self employment (NRLM), food and nutrition security programmes (public distribution system, Integrated Child Development Scheme, mid-day meal schemes), housing programmes, National Old age pension schemes, insurance schemes for unorganized workers etc. These social protection programmes are useful in reducing poverty. There is a debate whether we should have in-kind transfers or cash transfers to the poor.

SMALL THINGS MATTER

In their book on 'Poor Economics', Banerjee and Duflo (2011) argue that such alot of anti-poverty policy has unsuccessful over the years due to an inadequate understanding of poorness.

They try to answer questions like why would a man in Morocco who doesn't have enough to eat buy a television? Why is it arduous for kids in poor areas to be told even after they attend school? Why do the poorest individuals within the Indian state of Maharashtra pay 7 per cent of their food budget on sugar? why the poor have to be compelled to borrow so as to avoid wasting, why they miss out on free life-saving immunizations however purchase medicine that they are doing not would like, why they start several businesses however don't grow any of them, and plenty of alternative puzzling facts concerning living with but than 99 cents per day. Based on hundreds of randomised control trials, Banerjee and Duflo show why the poor, despite having the same desire and abilities like the rest of the population end up with entirely differently lives.

Small changes can have big effects. For example, treating children who were treated for their worms at school for two years, rather than one earned 20 per cent more as adults every year. Similarly giving micronutrients than grains can improve nutrition significantly.

Several research studies on education have shown strong impact of remedial instruction programs on learning outcomes. Banerjee et al (2007) did experimental evaluation of a program run by PRATHAM targeted at the lower end of the class in public schools in cities of Mumbai and vadodara. The programme provided an off-the-cuff teacher (Balasakhi) for teaching basic learning in reading arithmetic. For around 2 hours remedial instruction was given out of the regular schoolroom. The program improved student test scores. The gains were more for the lowest performing children. Thus, small changes can make big difference in the lives of the poor.

CONCLUDING REMARKS

In various research papers, Prof. Tendulkar has mentioned that sustained higher per capita GDP growth particularly, higher per worker productivity can reduce poverty. Rising productivity per employee provides economic opportunities to larger and bigger numbers. And it is rising economic opportunities in this sense which are in fact, according to Prof. Tendulkar, the best solution to the sustained eradication of economic poverty or income poverty. In other words, creation of productive employment is crucial for reduction in poverty.

Quality of employment improves with changes in structure of employment from low productive to high productive occupations and sectors. Quality increases with shift from casual workers in informal sector to formal sector regular workers. Productive employment rises if employees in agriculture are shifted to producing sector.

In this context, Narendra Modi's 'Make in India' campaign is in the right direction. The aim is to create 100 million jobs by 2022. It is important to examine the prospects of manufacturing particularly in job creation in the light of East Asian experience and in the present context of global stagnation. It is argued here that one needs to embrace services conjointly in 'Make in India' program for creation of employment.

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