Growth Driven Poverty in India : Some Observations

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Abstract

In India, poverty appears to be growth driven. Over six decades of planning, there has been reduction in the relative poverty but in absolute terms, the poverty ratio has increased or kept constant. The focus of planning has been on achieving growth trajectory rather than striking the milieu of poverty of masses. In this growth propelling mechanism, the richer class stood to gain but the poorer class is at a losing end. This iniquitous distribution of income emanate from low wages paid to the working class which is reinforced by the larger number of people engaged in agriculture (nearly 60%). The large percentage of rural population is either agricultural labor or very small or marginal farmers. The unfair distribution of productive assets (both agriculture farm lands and non-agriculture productive assets in villages as well as in urban area) has proved to be an embryo of this gigantic poverty in India.

Keywords: *trajectory, gigantic, peasantry, purge, skinner, dereliction, variability*

Introduction

Presently, Indian population has exploded to the tune of 1210 million. Nearly 447 million populations are still living below poverty line which is 37.2 per cent of total population (According to S. D Tendulkar Panel Report). Though it was found that poverty in relative terms has dwindled from 74 per cent to is 37.2 per cent, just half of former figure, in absolute terms, this has grown from 192 million to 447 million which is nearly two and half times.

Changing Paradigm of estimation of poverty Line:

The pioneering contribution of Prof. Tendulkar on the estimation of poverty and people living below poverty line (BPL) can be used to explain the complete morass of the poor. As the Chairman of an expert group on the methodology for the estimation of poverty, Planning Commission (November 2009), he reported that "every third Indian is living in poverty and the number of the poor has shot up by nearly 10 per cent to over 37 per cent. 41.8 per cent of the rural population spends a meager sum of Rs. 447 a month

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on necessities like food, fuel, light, clothing and footwear". Rural poverty was projected as 41.8% and urban as 25.7% by the committee, as against official estimates of 28.3% and 25.7% for rural and urban population respectively. The estimation by Prof. Tendulkar was based on indicators such as heath, education, sanitation, nutrition and income as per the estimation of National Sample Survey Organization, 2004-05. Since 1972, the poverty has been defined on basis of money required to buy food worth of 2100 calories in urban areas and 2400 calories in rural areas. The Tendulkar panel made four major departures from the past practices. First, it moved away from the calorie intake criteria. Instead, it takes actual food expenditure near the poverty line. Second, it has recommended adoption of uniform BPL for the urban and rural population, instead of past practice of two separate baskets. Third, rejecting the earlier practice of using price indices, it has suggested a new price adjustment procedure based on same data set as the one used for poverty estimation. And fourth, it incorporates explicit provision for expenditure on health and education which, in any case, has been rising. The official poverty estimate, in contrast, assumes basic health care and education services would be provided by the state. Although the 1973-74 base takes note of the private expenditure on these items, it does not take into account the increase in the proportion for total expenditure on these heads over the years. In June 2010, a Government Committee headed by N.C. Saxena estimated that 50% Indians were poor as against the estimation of 28.5%. by the Planning Commission in 2006

Dereliction of Government policies to solve the problem of the poor people

Recently, Indian planning Commission has created debatable controversy over criteria for the estimation of people living below poverty line by fixing it at earning of Rs. 32 per day (Rs. 965 per month) for those living in the urban areas and Rs. 26 per day (Rs. 781 per month) for those living in the rural areas. This criterion is based on the notional price index of 2004-05, recommended by Prof. Suresh Tendulkar, Chief of Prime Minister's Economic Advisory Council (PMEAC). As per this estimate, a family of five spending less than Rs 4,824 (at June, 2011 prices) in urban areas will fall in the BPL (Below Poverty Line) category. The expenditure limit for a family in rural areas has been fixed at Rs 3,905. The number of poor entitled to BPL benefits as per the affidavit, has been estimated at 40.74 crore as against 37.2 crore estimated at the time of accepting the Tendulkar Committee Report. The revised poverty line has drawn criticism from various sections of the society as these figures would keep out majority of the country's population from receiving welfare benefits of the government. But this has few other intimidating ramifications.

Firstly, wages paid to the workers under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme is already at a very low level of Rs. 120 per day at 2009 prices. The Central government outlay for this scheme is Rs. 40,000 crores in the financial year 2010-11. This act was introduced with an aim of improving the purchasing power of the rural people, primarily semi or un-skilled unemployed workers living in rural India. Around one –third of the stipulated work force is women. Therefore, there would be skinner growth in the payment of wages to the workers falling under the ambit of MGNREGA.

Secondly, the Planning Commission would be legitimately underestimating the number of people living below poverty line.

Thirdly, it would provide more leverage to the industrialist class to mount up their profits as they would exploit the labour by paying less in accordance with Minimum Wages Act.

Fourthly, the present scenario of funding the food security scheme entails the cost to be covered over Rs. 45,000 crore a year, but the increased number of people living below poverty line by the Tendulkar committee would increase the funding cost to about Rs. 65,000 crore. Agreeing with the estimation of the expert group, Planning Commission Deputy Chairman Montek Singh Ahluwalia said: "Personally, I think the recommendation made by the Tendulkar Report regarding higher number of people that need to be covered under BPL schemes is reasonable".

The frivolous standards set by the Planning Commission at the price index of 2004-05 are derision of poverty programmes and complete withdrawal of sympathy from the morass of already big chunk of population living below the poverty line. The

Economists like Prof. Montek Singh Ahluwalia is well versed about implications of accepting 2004-05 the price indices as for estimating the people presently living below the poverty line. The failures of the government agencies to purge the starvation of people have added another aspect to the challenges of combating poverty. Poverty dimensions can be gauged from the inter-state disparity during the year 2004-05 as presented in the Table 1.

Variability in Incidence of Poverty :Analysis of Inter-State Disparity in the Poverty Ratio

Table 1. Estimates of poverty	(Head count ratio %)		
State	**Rural**	**Urban**	**Total**
Andhra Pradesh	32.3	23.4	28.9
Bihar	55.7	43.7	54.4
Chhattisgarh	55.1	28.4	49.4
Gujarat	39.1	20.1	31.8
Haryana	24.8	22.4	24.1
Jharkhand	51.6	23.8	45.3
Karnataka	37.5	25.9	33.4
Kerala	20.2	18.4	18.7
Madhya Pradesh	53.6	35.1	48.6
Maharashtra	47.9	25.6	38.1
Orissa	60.8	37.6	57.2
Punjab	22.1	18.7	20.8
Uttar Pradesh	42.7	34.1	40.9
West Bengal	38.2	24.4	34.3
All India	41.8	25.7	37.2

Source : Tendulkar Panel Report 2004-05

Poverty has many dimensions changing from place to place and across time. There are two inter-related aspects of poverty - Urban and Rural poverty. The causes of urban poverty predominantly are due to impoverishment of rural peasantry who are forced to move out of villages to seek some subsistence living in towns and cities. The majority of them fail to get two meals a day when shift to urban area. The causes of rural poverty are manifold including inadequate and ineffective implementation of anti-poverty programs. The overdependence on monsoon with non-availability of irrigational facilities often results in crop-failure and low agricultural productivity resulting farmers to be debt ridden. The rural communities tend to spend a large percentage of annual earnings on social ceremonies like marriage and feast etc.

Poverty level is not uniform across India. It can be gauged without disaggregating into rural and urban poverty. The poverty level is below 25% in states like Kerala (18.7%), Punjab (20.8%) and Haryana (24.1%). But states persisting poverty above 25% but below all India average (37.2%) are Andhra Pradesh (28.9%), Gujarat (31.8%), Karnataka (33.4%), and West Bengal (34.3%). States having number of poor people more than all India average but less than 50% are Maharashtra (38.1%) and Uttar Pradesh (40.9%), Jharkhand (45.3%), Madhya Pradesh (48.6%) and Chhattisgarh (49.4%). The poverty scenario in states like, Bihar (54.4%) and Orissa (57.2%) is quite deplorable.

The vulnerability of inter-state disparity in the poverty ratio can be viewed from the analysis of the rural-urban poverty ratios. It can be inferred from data given in the table that in all cases, the incidence of the rural poverty is more gigantic as compared to the urban poverty. But the variance is more paramount in those cases where the poverty ratio is very high at aggregate level. On the contrary, this variance is of low magnitude in those cases when the poverty ratio is of moderate level. Incidence of rural poverty in various states of India can be classified into four categories.

First Category: In this category, an analysis of disparity in rural poverty suggests that states portraying least poverty ratio of less than 25 per cent are Kerala (20.2%), Punjab (22.1%) and Haryana (24.8%).

Second Category: The states with poverty ratio above 25 per cent but below the all India average (41.8%) are Andhra Pradesh (32.3%), Karnataka (37.5%), west Bengal (38.2%), and Gujarat (39.1%). Andhra Pradesh and West Bengal have retained their position in terms of rural poverty and poverty on the whole, but Gujarat has lost its second position (total poverty) to fourth position (rural poverty). It can be inferred from the changing scenario that in Gujarat, rural poverty has deepened as compared to the urban poverty. Notwithstanding, in Karnataka, rural poverty has been demonstrating low incidence as compared to rural poverty of Gujarat.

Third Category: In this category, states having rural poverty ratio above all India average but below 50 per cent are Uttar Pradesh (42.7%) and Maharashtra (47.9%). Some interesting inferences can be assimilated from states falling in the third category. The inferences are firstly, Maharashtra which otherwise occupied first position in this category of total poverty, was below Uttar Pradesh. Secondly, states like Jharkhand, Madhya Pradesh and Chhattisgarh which hitherto had fallen in this category in terms of aggregate poverty now demonstrate higher incidence of rural poverty having more than 50 per cent of population.

Fourth category: States having rural poverty of more than 50 per cent are grouped in this category. These are Jharkhand (51.6%), Madhya Pradesh (53.6%), Chhattisgarh (55.1%), Bihar (55.7%) and Orissa (60.8%). The deviation of rural poverty from aggregate poverty has become gloomier in states like Jharkhand, Madhya Pradesh and Chhattisgarh. Nevertheless, Bihar and Orissa are the poorest of the poor states of India.

The topology of urban poverty can also be analyzed from the data given in the table. Selected states can be grouped into three broad categories based on the poverty ratio.

First Category:

States having poverty ratio of less than 25 per cent are Kerala (18.4%), Punjab (18.7%), Gujarat (20.1%), Haryana (22.4%), Andhra Pradesh (23.4%), Jharkhand (23.8%), and West Bengal (24.4%). An important inference can be drawn from the foregoing analysis of the poverty ratio data, is that more number of states have fallen in the first category where the incidence of poverty is seen to be moderate as compared to the analysis of rural poverty based on the same criterion.

Second Category:

In this category, the state having poverty ratio of more than 25 per cent but below all India average of (25.7%) is perhaps Maharashtra , the only state which account for poverty ratio of 25.6%.

Third Category:

States portraying poverty ratio of above all India average but below 50 per cent are Karnataka (25.9%), Chhattisgarh (28.4%), Uttar Pradesh (34.1%), Madhya Pradesh (35.1%), Orissa (37.6%), and Bihar (43.7%).

No State falls under the fourth category as it was in the case of rural poverty.

Panoramic view of rural and urban poverty:

The rural poverty appears to be on back foot as more number of states are conglomerated in the last categories, with high poverty ratios. When in the case of urban poverty, more number of states occupy place in the early categories. This shows the greater incidence of poverty in the rural areas as compared to the urban poverty. The following diagram will corroborate this analysis.

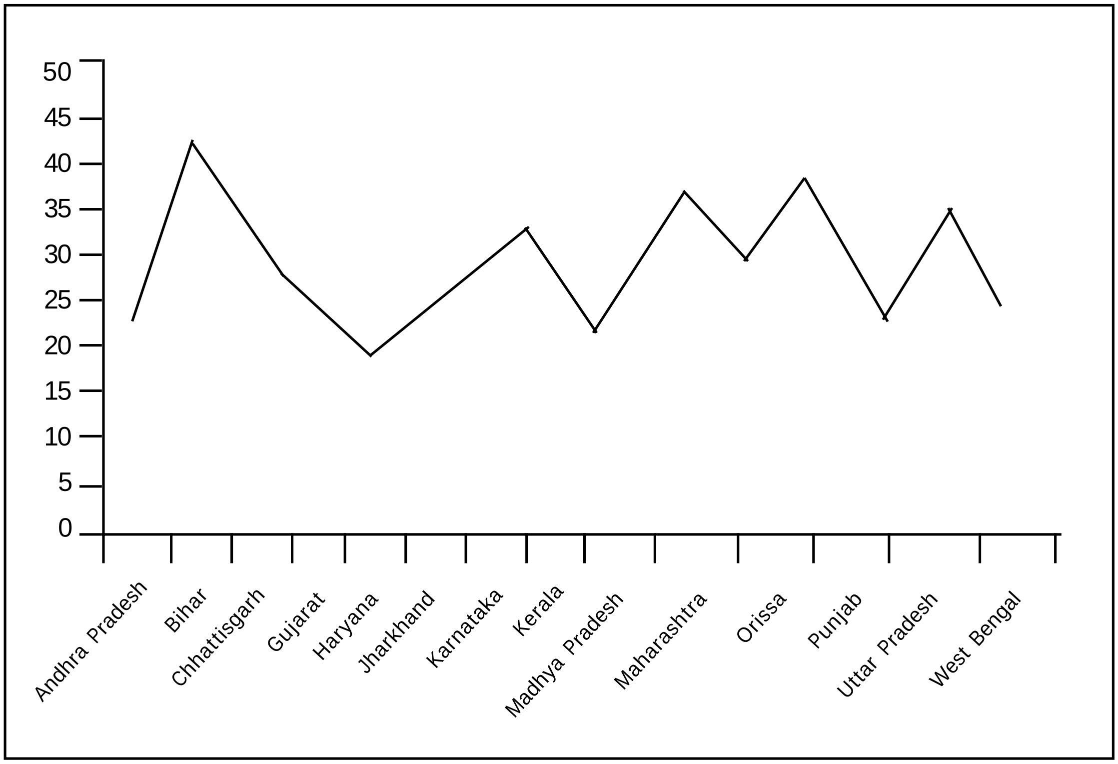

Figure 2. Diagram Portraying Incidence of Urban Poverty

Statistical testing of the Variability of Rural and Urban Poverty

Standard deviations and coefficients of variation techniques have been used more frequently to delineate the incidence of poverty both in rural and urban areas. Standard deviation measures the absolute dispersion or variability of a distribution. The measure of variation related to the standard deviation is called the coefficient of variation. Standard deviation is expressed as a percentage of the mean, thus, the coefficient of variation represents the ratio of the standard deviation to the mean is a useful statistic for comparing the degree of relative variation from one data series to another, even if the means are drastically different from each other. Analysis below uses this statistical method to compare the diversity of incidence of poverty among states.

Standard deviation (**s**) computed on ungrouped data applied on coefficient of variation reveals that 32.69 per cent of population (rural-urban combined) is living below poverty line. The coefficient of variation in the case of total (32.95%) is found to be less than the all India average (37.2%). States having relatively lower incidence of poverty are Kerala, Punjab, Haryana, Andhra Pradesh and Gujarat. These states portray poverty ratios less than the coefficient of variation. States other than these are having poverty ratios more than the coefficient of variance are Maharashtra, Chhattisgarh, West Bengal, Karnataka, Jharkhand, Uttar Pradesh, Madhya Pradesh, Bihar and Orissa.

In the case of rural poverty, the coefficient of variation has been found to be 31.80 per cent. The coefficient of variation in the context of rural poverty (31.80%) is less than the all India average (41.8%). The states having rural poverty ratio below the value of coefficient of variation are Kerala, Punjab and Haryana. Large number of states are representing poverty ratio of more than the coefficient of variation, greater the amount of dispersion or variability of the poverty ratio from the value of coefficient of variation, greater would be the incidence of poverty. Similar is the point in the context of rural India.

Computed values of coefficient of variation concerning to total poverty (rural-urban combined) and rural poverty taken separately have been found to be less than their respective all India average poverty ratios. But in the context of urban poverty, the coefficient of variation has been found to be 27.98 per cent which is marginally more than all India average. The degree of dispersion can be estimated by comparing values of two sets of data, one is the coefficient of variation and the other is poverty ratios of each state. On comparison, it was found that large number of states are having urban poverty ratios less than the coefficient of variation such as; Kerala, Punjab, Gujarat, Haryana, Andhra Pradesh, Jharkhand, West Bengal, Maharashtra and Karnataka. Only few states are found to have poverty ratios more than the coefficient of variation.

Formulation and Testing of Hypothesis

Hypothesis Number 1

There is no significant difference between the poverty ratio of the rural area of each state (observed) and the average rural poverty ratio on All India basis (Expected).

Null Hypothesis

H_0: μ= 41.8

Alternative Hypothesis :

(i) $H_1 : \mu > 41.8$

(ii) $H_1 : \mu < 41.8$

Interpretation of the result:

v= k-1 (since the number of observations are 14) therefore the value of *v*= 14-1=13 degree of freedom Using 0.05 level of significance, the value of *Chi Square,* 0.95=22.36

Since the calculated *Chi Square* =54.42 is more than table value *Chi Square* therefore, the difference between the observed and the expected frequencies is considered significant. Thus, H_0: μ= 41.8 that the 14 states having equal incidence of poverty is rejected. The alternative hypothesis is proved to be true.

Hypothesis Number 2

There is significant difference between the poverty ratio of the urban area of each state (observed) and the average urban poverty ratio on All India basis (Expected).

$H_0 = \mu = 25.7$

Alternative Hypothesis

(i) $H_1 : \mu > 25.7$

(ii) $H_1 : \mu < 25.7$

Interpretation of the result:

v= k-1 (since the number of observations are 14) therefore the value of *v*= 14-1=13 degree of freedom

Using 0.05 level of significance, the value of *Chi Square,* 0.95=22.36

Since the calculated of *Chi Square* = 30.57 is more than the table value *Chi Square,* $H_0 = \mu = 25.7$. Therefore, it reveals that the 14 states having unequal incidence of urban poverty is accepted. The alternative hypothesis is proved to be wrong.

Hypothesis Number 3

There is significant difference between total poverty ratios (urban area +rural area) of each state (observed) and the average poverty ratio (Total) on All India basis (Expected).

Null Hypothesis

H_0: μ= 37.2

Alternative Hypothesis

(i) $H_1 : \mu > 37.2$

(ii) H μ< 37.2

Interpretation of the result:

v= k-1 (since the number of observations are 14) therefore the value of v= 14-1=13 degree of freedom

Using 0.05 level of significance, the value of *Chi Square* 0.95=2.36

Since the calculated *Chi Square* =52.58, which is more than table value of *Chi Square*, the null hypothesis number 3 reveals that the 14 states have equal incidence of poverty is not rejected. The alternative hypothesis is proved to be wrong.

Conclusion

This study culminated into some conclusive results after having estimated the extent of poverty by comparing the number of states with poverty ratios less than their own average on the one hand and the number of states having poverty ratios less than the value of coefficient of variation on the other. First of all, the degree of dispersion between the all India average and the coefficient of variation in the context of total poverty (rural- urban combined) resulted into identification of lesser number of states having least incidence of poverty using the technique of coefficient of variation. In contrast, the numbers of states having least poverty ratios were in large number, poverty ratios are compared with the all India average.

Alarming situations were observed in the context of rural poverty. There appeared to be significant deviations between two sets of data: one is the poverty ratio of all India average (41.8%) and the other is the coefficient of variation (31.8%). On comparing these two sets of data with the poverty ratios in the rural sector, it was found that the number of states falling within this category of states having less incidence of poverty, were more when compared with their own all India average. But having less incidence of poverty were found in small number when it was compared with the coefficient of variation. It can be inferred from the foregoing comparisons that the coefficient of variation was found better measure of dispersion, which results into lesser number of states having least incidence of poverty. Therefore, it can be concluded that the large number of states were found to have high incidence of poverty ratios.

An examination of incidence of urban poverty was also attempted. The analyses of the dispersion level of the higher value of coefficient of variation (27.98%) and the all India average poverty (25.7%) resulted into some interesting conclusions. A comparison of coefficient of variation value with the poverty ratios of these states reveal that large number of states were found to have less degree of urban poverty as compared to the estimates of comparing the poverty ratios with the all India average.

Comparison of both rural and urban incidence of poverty reveal that the higher degree of incidence was found in the context of rural poverty as compared to the urban poverty by using the technique of coefficient of variation. In this context, there appears to have dire need for launching vigorous programs to purge the deepening poverty from this nation.

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