

**A Multi-dimensional Framework for
Understanding, Measuring and Promoting Inclusive
Economies**

**Growth and Poverty Reduction:
India's Experience**

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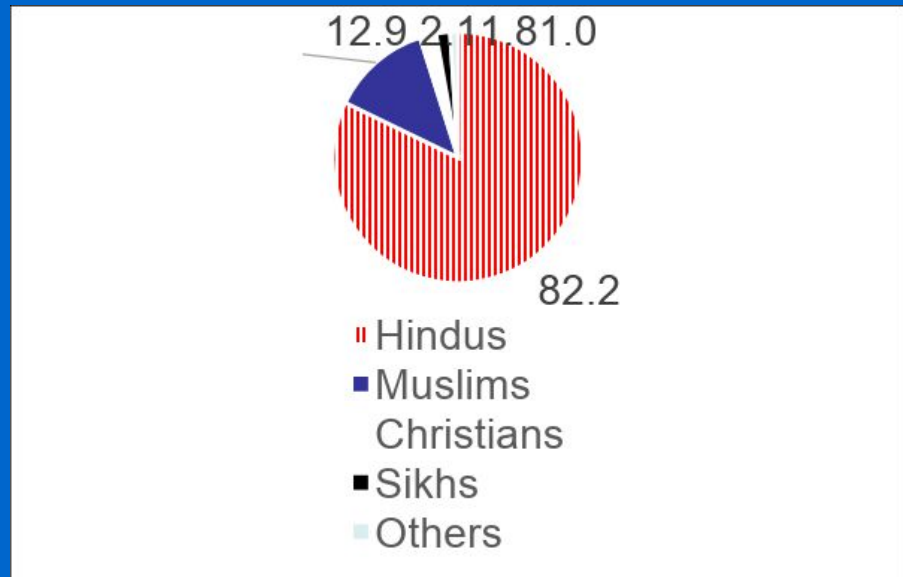
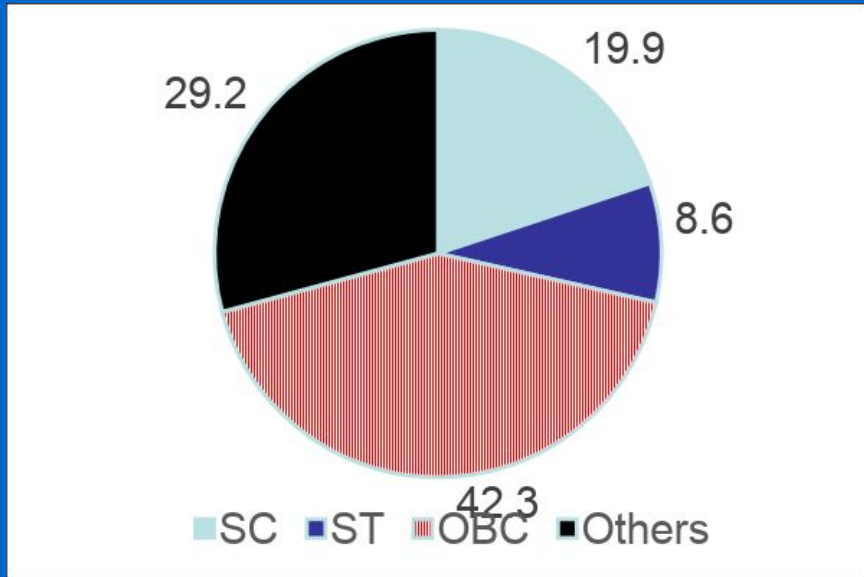
Recognition of the Development Challenges

- Foreword to the Tenth FYP (2002-2007), the Prime Minister of the time noted:
- “I have a vision of an India free of poverty, illiteracy and homelessness – free of regional, social and gender disparities – with modern physical and social infrastructure – and a healthy and sustainable environment.
- Above all, an India which stands tall and proud in the comity of nations, confident in her capability to face all possible challenges.
- In short, I dream of an India which is counted among the ranks of developed nations before the end of the second decade of this new century.

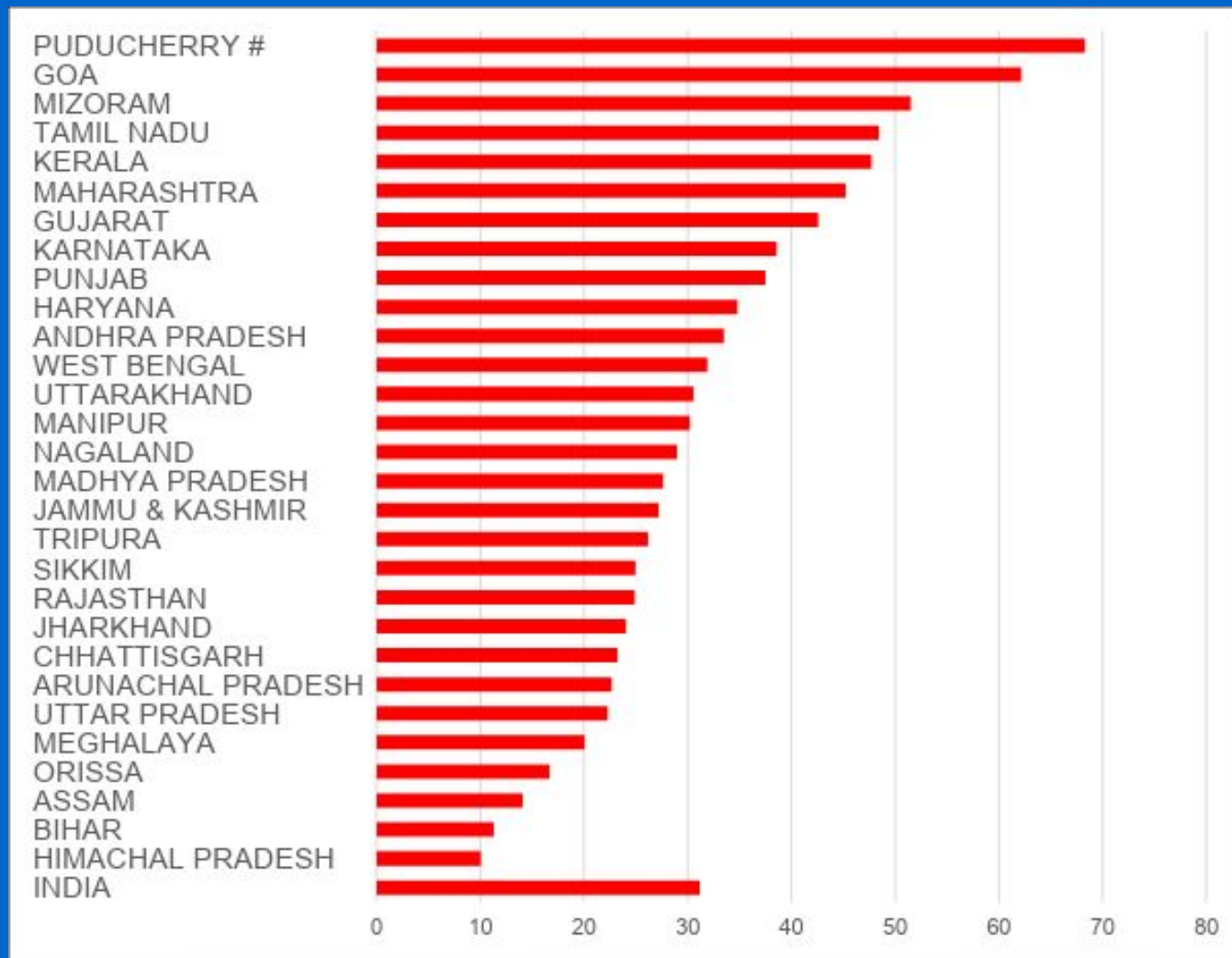
Foreword (Contd.)

- The most pressing challenge facing us in the coming years will be to provide every Indian with the opportunity to realize his or her full creative potential.
- Demographic trends indicate that the rate of growth of our working age population during the next ten years will be the highest we have ever experienced, and unless we achieve a significant improvement in the pace of creation of work opportunities, there will be an increase in the level of unemployment.
- Such a situation cannot be allowed to materialize”

Population by Social/ Religious Categories: % 2007-08



Urban Population: %, 2011 Census



Reduction in Poverty, but large number of poor

Year	No. of Poor (mill.)	% of Poor in the Population
1973-74 (L)	321.3	54.9
1977-78 (L)	328.9	51.3
1983 (L)	322.9	44.5
1987-88 (L)	307.1	38.9
1993-94 (L)	320.3	36.0
2004-05 (L)	301.7	27.5
1993-94 (T)	402.4	45.2
2004-05 (T)	407.2	37.2
2009-10 (T)	354.7	29.8
2011-12 (T)	265.7	21.9
2009-10 (CR)	454.6	38.2
2011-12 (CR)	363.0	29.5

Reduction in Poverty (World Bank estimates with PPP\$1.9 per capita per day)

- HCR for India at
- 1993: 45.9 per cent (Tendulkar: 45.2%),
- 2004: 38.2 per cent (Tendulkar: 37.2%),
- 2009: 31.1 per cent (Tendulkar: 29.8%) and
- 2011: 21.2 per cent (Tendulkar: 21.9%)

- The decline in HCR between 2004 and 2011 is comparable to the decline seen in the estimates by the Tendulkar approach but

- decline of almost 10 percentage points between 2009 and 2011 is greater than the estimates by Tendulkar (7.9 percentage) and Rangarajan (6.7 percentage) approaches.

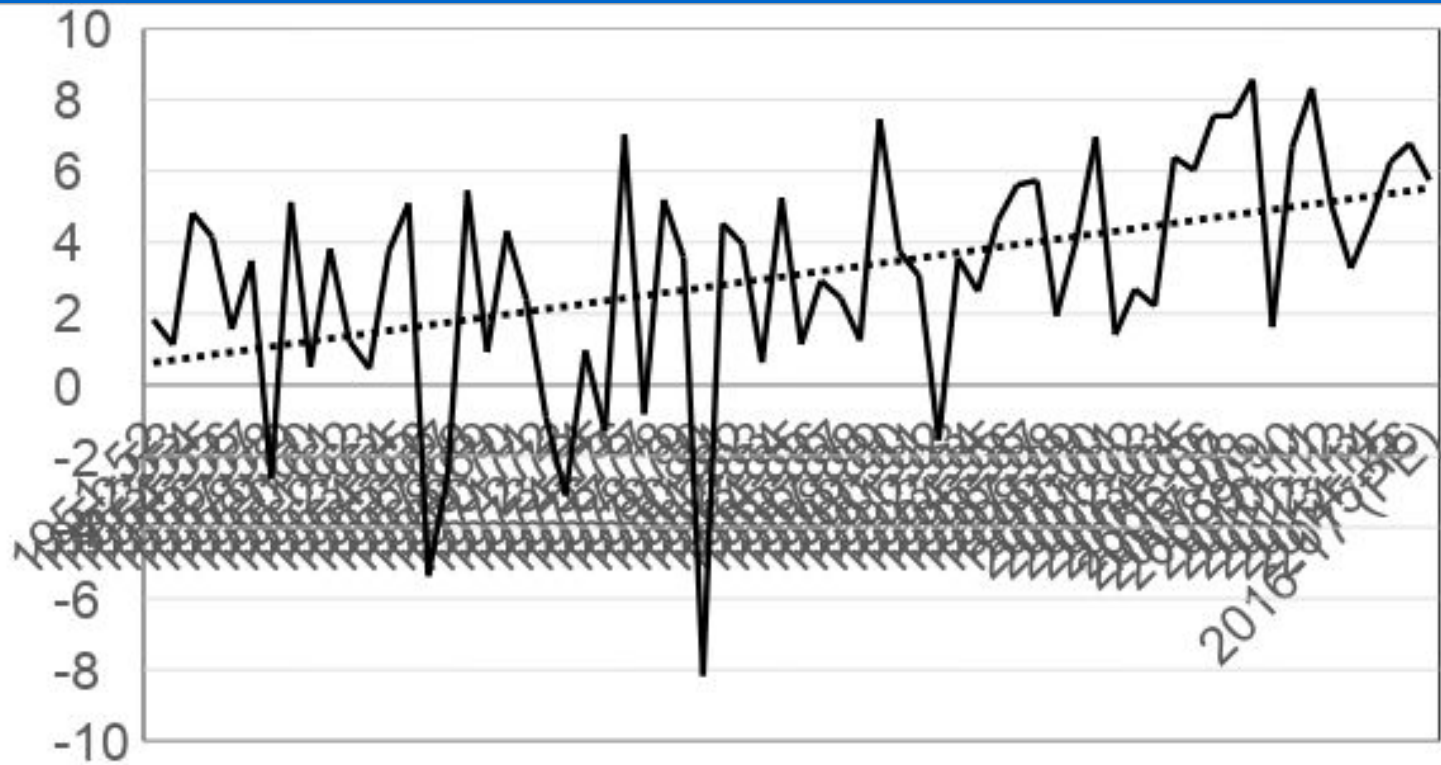
Concentration of Poverty

Social groups	Rural			Urban		
	2004-05	2011-12	Decline from 2004-05 to 2011-12 (% points)	2004-05	2011-12	Decline from 2004-05 to 2011-12 (% points)
Scheduled Tribes	62.3	45.3	17.0	35.5	24.1	11.4
Scheduled Castes	53.5	31.5	22.0	40.6	21.7	18.9
Other Backward Castes	39.8	22.6	17.2	30.6	15.4	15.2
Others	27.1	15.5	11.6	16.1	8.2	7.9
All groups	41.8	25.7	16.1	25.7	13.7	12.0

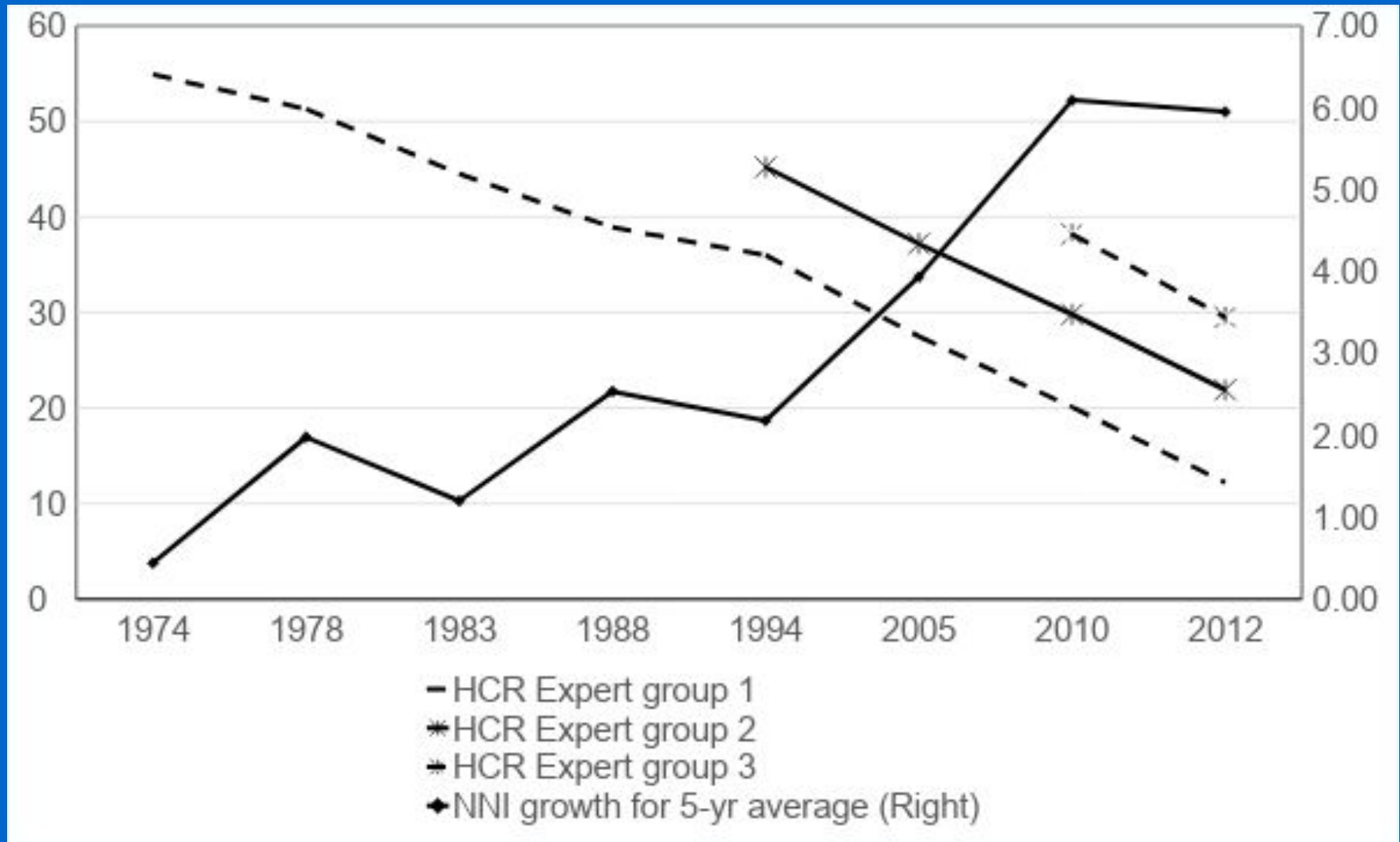
Multi-dimensional Aspects of Poverty (Well-being)

- Health
- Nutrition
- Education
- Skills
- Housing
- Water/ sanitation
- Lack of assets
- Layered society and economy

Per capita Net National Income (Constant Prices): % YOY



Economic Growth and Poverty Reduction (Rate of growth of NNI and HCR)



Addressing Structural Dimensions of Poverty

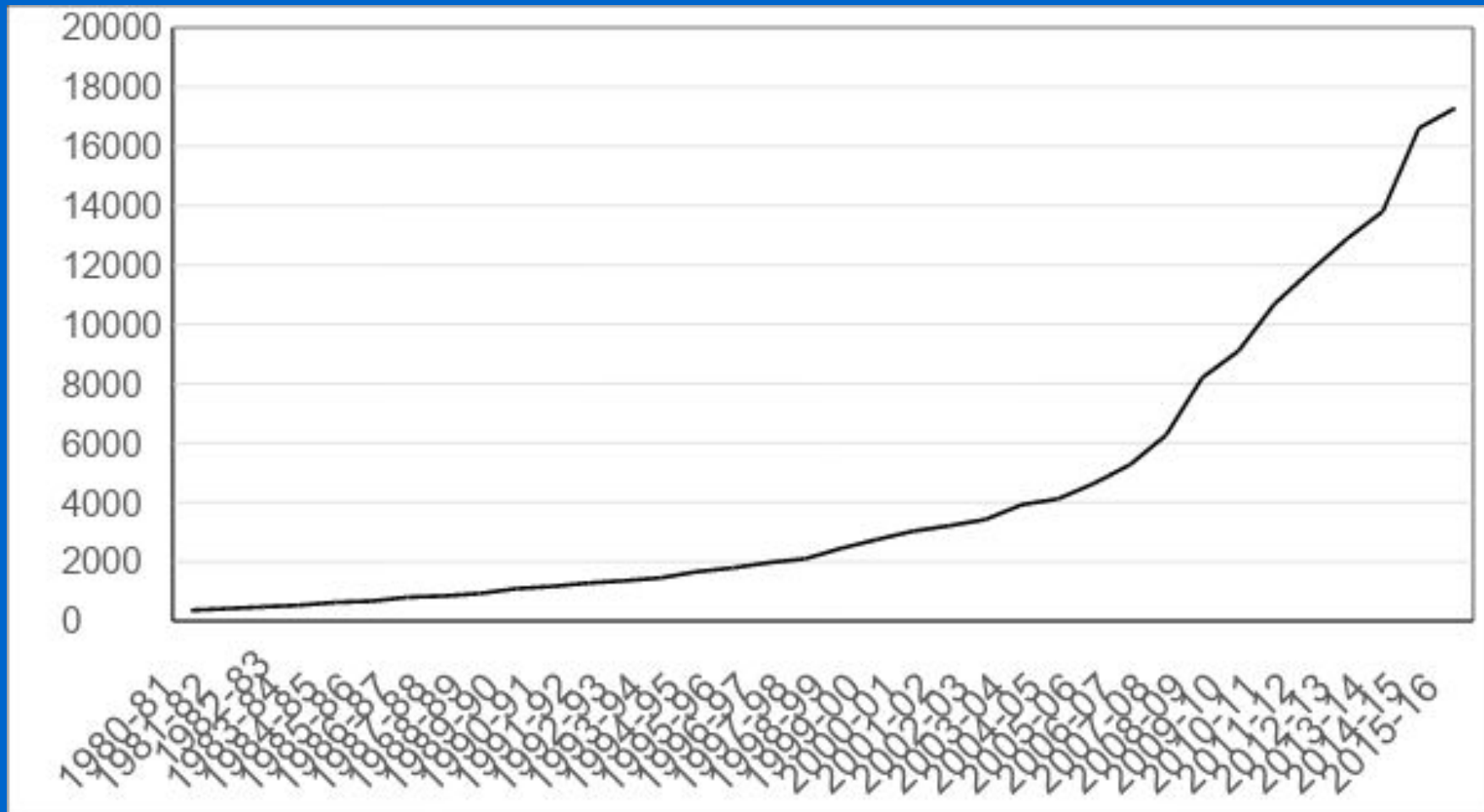
- ICDS: 1975
- Indira Awas Yojana: 1985 - Housing
- Decentralisation of governance to local bodies: 1992/ 1993- Governance
- Right to Information 2005: Governance
- Bharat Nirman (Rural infrastructure)/ JNNURM (Urban infrastructure): 2005
- NREGA: 2005 – Social Protection
- Right to Education: 2009 – Universalising elementary education
- National Food Security Act: 2013 – Food security

Most schemes had antecedents; improve implementation

Addressing Structural Dimensions of Poverty (Contd.)

- JAM: 2017 – Financial inclusion, Technology for benefit transfers
- National Health Protection Scheme 2018 – Universal health access
- Doubling Farmers' income: 2018 – Farm sector

Per capita development expenditure by Centre + States (2001-02 prices, INR)



Poverty Dynamics: Panel data results (Rural poverty, REDS Panel)

Findings from a Panel data on rural households, spread over 15 states of the country (IIPA, 2011):

In a sample of more than 3,200 households in the panel,

- 28 per cent of the households, poor in 1971, were also poor in 1981.
- 23 per cent of the households, poor in 1981, were also poor in 1998.
- About 46 per cent of the poor households in 1971 escaped poverty in 1981; about 43 per cent of the poor households in 1981 escaped poverty in 1998.
- In contrast, about 27 per cent of the non-poor households in 1971 became poor in 1981. About 33 per cent of non-poor households in 1981 became poor in 1998-99.

Poverty Dynamics: Panel data results (Rural + Urban, IHDS Panel)

Status in 2005	Status in 2012			
	Poor	Vulnerable	Middle Class	Total
Poor	15.3	15.9	5.7	36.9
Vulnerable	8.2	18.3	13.8	40.3
Middle Class	1.5	6.7	14.6	22.8
Total	25.0	40.9	34.1	100.0

Source: Based on data reported Chatterjee et al (2016). The numbers are adjusted in the largest category of 'Vulnerable' column to round off the total percentage of households to 100.

Poverty Dynamics: Entry, Escape and Traps

- Krishna (2017) provides a number of insights from his studies of the households conducted around 2003-04 based on data over the previous 25 years.
- In the study of rural households in Andhra Pradesh, Gujarat and Rajasthan, he finds that common factors leading the households into poverty are
 - (1) poor health and health related expenditures
 - (2) marriage, dowry and new household related expenditures
 - (3) funeral related expenses and
 - (4) drought, irrigation failure, crop disease.

Poverty Dynamics: Entry, Escape and Traps (Contd.)

- The common factors responsible for the escape from poverty in the study by Krishna (2017) were
 - (a) diversification of income
 - (b) private sector employment
 - (c) public sector employment
 - (d) government or NGO assistance and
 - (d) irrigation.

Poverty Dynamics: Entry, Escape and Traps (Contd.)

- Krishna notes that

‘A pattern of layered achievements has come into existence.

Some in India have been part of an international or ‘dollar economy’ sharing lifestyles and Facebook links with peers in the western world.

Others who neither have a specialised education nor own a globally scarce resource are in the ‘rupee economy’, the less affluent part of the country.

Improving the quality of education in the rural areas is the key builder of capacity to escape from poverty. Realisation of the potential of urbanisation will require more investments in rural India

Poverty Dynamics: Entry, Escape and Traps (Contd.)

- Ladders to climb out of poverty are broken, particularly for the rural population; task is to prepare the rural youth to break the barriers to moving out of poverty
- ICRISAT study (6 villages panel): 1975-84; 1989; 2001-2011
- Escape from poverty: Proximity to new factories and cities; involvement in education; migration; diversification opportunities
- “Agricultural opportunities are not necessarily the main factors shaping village development”.

Chatterjee et al Conclusions: Escape from Poverty

- ‘non-farm wage employment’ was the ‘main ticket’ out of poverty: ‘Regular jobs’ were a key feature of the households that escaped from the poverty and helped remain ‘non-poor’. The non-farm casual jobs helped the households escape poverty but a large number of those in casual non-farm employment also fell into poverty.
- The steep rise in the wages of casual labour helped many poor escape from poverty.
- The urban areas create more jobs and therefore help in reducing poverty. However, this aspect of the economy, urbanisation being a major economic force that can drive down poverty, also implies that low income states, which are less urbanised need a differentiated strategy.

Conclusions

- The incidence of poverty- when defined in a narrow way- has declined over the years, due to the expansion of the economy and the poverty alleviation programs; but reduction is not easy and not assured to be sustained unless there are protective policies for those who may slip back into poverty.
- Focus of economic policies will remain on achieving sustained high levels of growth.
- Universalising access to all segments of the population is essential for the basic needs; this implies subsidised access to the lower income groups; measures to strengthen upwards economic mobility for the disadvantaged.

Conclusions (Contd.)

- Indicators approach would be critical to designing development programs, to evaluate progress and impact.
- Data challenges remain but solution is to improve data; panel data will be needed to understand the progress in achieving multiple goals of development.