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MASTER'S THESIS

**THE RECENT DEVELOPMENTS  
IN THE FIELD OF POVERTY ALLEVIATION PROGRAMMES  
IN INDIA**

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## STATEMENT

I, Juglal Singh, do hereby certify to be the author of this Master's thesis written under the mentorship of Professor Dr. Janez Malacic in compliance with the Act of Author's and Related Rights-vide Para 1 of Article 21. I herewith agree this thesis to be published on the website pages of the Faculty of Economics, University of Ljubljana.

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## INTRODUCTION

India was ruled by Britishers for about two centuries and got independence of foreign power in 1947. On the eve of the departure of the British, on 14<sup>th</sup> August 1947, Jawaharlal Nehru, the first prime minister of India declared: 'Long years ago we made a tryst with destiny, and now the time comes when we shall redeem our pledge.' The achievement we celebrate today,' Nehru went on, 'is but a step, an opening of opportunity, to the great triumphs and achievements that await us.' He reminded the country that the task ahead included 'the ending of poverty and ignorance and disease and inequality of opportunity.' India adopted development planning to achieve its goals and first Five Year Plan was launched in 1951 and since then the country has been implementing its development schemes through five-year plans. The country has entered into eleventh Five Year Plan from 2007.

It is an admitted fact that the task that Nehru has envisioned remains, alas, largely unaccomplished. There is no denying the fact that progress has been made in certain fields. One example of the progress made is elimination of substantial famines that continued to wreck the country right up to independence (the last famine was the Bengal famine in 1943 which killed between 2 and 3 million people). There are also other achievements to which one can point, varying from successful functioning of a multiparty democratic system to the emergence of a large scientific community and an Information Technology hub.

However, the overall success in the task, identified by Nehru, of 'ending of poverty and ignorance and disease and inequality of opportunity' has been quite limited. The intensities of many of the deprivations have been considerably reduced, but still we have to go a long way before these objectives can be seen as anywhere near being achieved. For example, while there has been substantial declines in age - specific mortality rates, and the expectation of life at birth in India today (just about 65 years) is certainly higher than at the time of independence in 1947 (around 30 years), many other developing countries that were in a comparable position to India not long ago have meanwhile surged ahead with life expectancies around or about 70 years in many cases.

However, despite a development planning for about six decades, India continues to be a country with millions of poor. While there has been a steady decline in the rural poverty over the last two decades, still an estimated 250 million people are below the poverty line and 75% of them are in rural areas (Planning Commission of India, 2004). India is emerging as an economic power and its growth rate is about 8.5% but still the poverty in India remains a major challenge before the government, which is perturbing the policy planners and society as a whole.

It is my endeavour, through this master thesis, to know, that despite all round thrust for eradication of poverty, what ails the policy planning and what is wrong with the poverty alleviation programmes, being implemented by the government, which have not been able to take the millions above the poverty line. Through this master's thesis, it is intended to know whether there is a lack of coordination among different agencies of the government both at the level of federal and state governments, resulting in poor implementation of the poverty alleviation schemes. It appears the money earmarked is not reaching to the target group. The purpose of this research is also to know whether the money allocated for the poor is being siphoned off, by the unscrupulous elements.

In the master thesis, I discuss definition of poverty of India (old and new one) and its comparison with other developing and developed countries, poverty prevailing over the ages and the basic reasons of poverty. Further in the essay, I am discussing ineffectiveness of macro-economic approach (Trickle down theory) and thus shift to micro economic approach by way of specific poverty alleviation programmes/policies. Finally, the introspection, way forward and suggestions for bringing in 4Es i.e. economy, equity, efficiency and effectiveness in the policies/programmes.

## **1 CONCEPT OF RURAL POVERTY**

First requirement of concept of poverty is of a criterion as to who should be the focus of our concern. The specification of certain 'consumption norms', or a 'poverty line', may do part of the job; 'the poor' are those people whose consumption standards fall short of the norms, or whose income lie below that line. There are different approaches for evaluation of poverty (Sen, 1982). Some of them are as follows:

- a) **Biological Approach** - In his famous study of poverty, Rowntree defined families as being in 'primary poverty' if their total earnings are insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency'. It is not surprising that biological considerations related to the requirements of survival or work efficiency have been often used in defining the poverty line. Starvation, clearly, is the most telling aspect of poverty.
- b) **Inequality Approach** - The idea that the concept of poverty is essentially one of inequality has some immediate plausibility. After all, transfers from the rich to the poor can make a substantial dent on poverty in most societies. Even the poverty line to be used for identifying the poor has to be drawn with respect to contemporary standards in the community in question, so that the poverty may look very like inequality between the poorest group and the rest of the community.
- c) **Relative deprivation** - The concept of 'relative deprivation' has been fruitfully used in the analysis of poverty, especially in the sociological literature. Being poor has clearly much to do with being deprived, and it is natural that, for a social animal, the concept of deprivation will be a relative one.
- d) **Value judgement** - The view that 'poverty is a value judgement' has recently been presented forcefully by many authors. It seems natural to think of poverty as something that is disapproved of, the elimination of which is regarded as morally good. Going further, it has been argued by Mollie Orshansky, an outstanding authority in the field that 'poverty, like beauty, lies in the eyes of the beholder.

Poverty, particularly rural poverty, has been one of the enduring policy challenges in India. Causes of rural poverty are complex and multidimensional. They involve, among other things, culture, climate, gender, markets, and public policy. Likewise, the rural poor are quite diverse both in the problems they face and the possible solutions to these problems.

Broad economic stability, competitive markets, and public investment in physical and social infrastructure are widely recognized as important requirements for achieving sustained economic growth and a reduction in rural poverty. In addition, because the rural poor's links to the economy vary considerably, public policy should focus on issues such



as their access to land and credit, education and health care, support services, and entitlements to food through well-designed public works programs and other transfer mechanisms.

About one-fifth of the world's population is afflicted by poverty - these people live on less than \$1 a day. Poverty is not only a state of existence but also a process with many dimensions and complexities. Poverty can be persistent (chronic) or transient, but transient poverty, if acute, can trap succeeding generations. Poor adopt all kinds of strategies to mitigate and cope with their poverty (Khan, 2001).

To understand poverty, it is essential to examine the economic and social context, including institutions of the state, markets, communities, and households. Poverty differences cut across gender, ethnicity, age, location (rural versus urban), and income source. In households, children and women often suffer more than men. In the community, minority ethnic or religious groups suffer more than majority groups and the rural poor more than the urban poor; among the rural poor, landless wage workers suffer more than small landowners or tenants. These differences among the poor reflect highly complex interactions of cultures, markets, and public policies.

Rural poverty accounts for nearly 63% of poverty worldwide, reaching 90% in some countries like Bangladesh and between 65 and 90% in sub-Saharan Africa (Exceptions to this pattern are several Latin American countries in which poverty is concentrated in urban areas) (Khan, 2001). In almost all countries, the conditions - in terms of personal consumption and access to education, health care, potable water and sanitation, housing, transport, and communications - faced by the rural poor are far worse than those faced by the urban poor. Persistently high levels of rural poverty, with or without overall economic growth, have contributed to rapid population growth and migration to urban areas. In fact, much urban poverty is created by the rural poor's efforts to get out of poverty by moving to cities. Distorted government policies, such as penalizing the agriculture sector and neglecting rural (social and physical) infrastructure, have been major contributors to both rural and urban poverty.

Links between poverty, economic growth, and income distribution have been studied quite extensively in recent literature on economic development. Absolute poverty can be alleviated if at least two conditions are met:

- economic growth must occur - or mean income must rise - on a sustained basis; and
- economic growth must be neutral with respect to income distribution or reduce income inequality.

Generally, poverty cannot be reduced if economic growth does not occur. In fact, the persistent poverty of a substantial portion of the population can dampen the prospects for economic growth. Also, the initial distribution of income (and wealth) can greatly affect the prospects for growth and alleviation of mass poverty. Substantial evidence suggests that a highly unequal distribution of income is not conducive to either economic growth or poverty reduction. Experience has shown that if countries put in place incentive structures and complementary investments to ensure that better health and education lead to higher incomes, the poor will benefit doubly through increased current consumption and higher future incomes.

Pattern and stability of economic growth also matter. On the one hand, traditional capital-intensive, import-substituting and urban-biased growth, induced by government policies on pricing, trade, and public expenditure, has generally not helped alleviate poverty. On the other hand, agricultural growth, where there is a low concentration of land ownership and labour-intensive technologies are used, has almost always helped reduce poverty. Finally, sharp drops in economic growth resulting from shocks and economic adjustments may increase the incidence of poverty. Even when growth resumes, the incidence of poverty may not improve if inequality has been worsened by the crisis.

**Rural poor (who are they?)** - They depend largely on agriculture, fishing, forestry, and related small-scale industries and services. To understand how poverty affects these individuals and households, and to delineate the policy options for poverty reduction, we first need to know who the rural poor are. Rural poor are not a homogeneous group. One important way to classify the rural poor is according to their access to agricultural land: cultivators have access to land as small landowners and tenants, and non-cultivators are landless, unskilled workers. There is, however, much functional overlap between these groups, reflecting the poverty-mitigating strategies of the poor in response to changes in the economy and society.

Cultivators, who form the bulk of the rural poor in developing countries, are directly engaged in producing and managing crops and livestock. Since these households cannot sustain themselves on the small parcels of land they own or cultivate, they provide labour to others for both farm and non farm activities inside and outside their villages. Some members of these households migrate to towns or cities on either a rotational or a long-term basis. In many countries, both small landowners and tenants are under increasing pressure to get out of the agriculture sector altogether. Underlying this process of »depeasantization are market forces and policies affecting landholdings, rents, prices, credit, inputs, and public investment in social and physical infrastructure«.

Non-cultivators are perhaps the poorest among the rural poor. Their numbers have been rising rapidly because of the natural increase in population and depeasantization. These workers depend on seasonal demand for labour in agriculture and in rural informal, small-scale industries and services. Landless rural workers are vulnerable to fluctuations in the demand for labour, wage rates, and food prices. They find it even more difficult than small landowners and tenants to gain access to public infrastructure and services. In addition, unlike their counterparts in urban areas, they are often excluded from public sector safety nets (food rations, for example).

Rural women tend to suffer far more than rural men. Their poverty and low social status in most societies is a major contributor to chronic poverty. Substantial evidence from many countries shows that focusing on the needs and empowerment of women is one of the keys to human development.

**How rural poverty is created?** Numerous characteristics of a country's economy and society, as well as some external influences, create and perpetuate rural poverty:

- political instability and civil strife;
- systemic discrimination on the basis of gender, race, ethnicity, religion, or caste;
- ill-defined property rights or unfair enforcement of rights to agricultural land and other natural resources;

- high concentration of land ownership and asymmetrical tenancy arrangements;
- corrupt politicians and rent-seeking public bureaucracies;
- economic policies that discriminate against or exclude the rural poor from the development process and accentuate the effects of other poverty-creating processes;
- large and rapidly growing families with high dependency ratios.

Biases in national economic and social policies can contribute to rural poverty by excluding the rural poor from the benefits of development and accentuating the effects of other poverty-creating processes.

## 1.1 Generic definition of poverty

In general, poverty can be defined as a situation when people are unable to satisfy the basic needs of life. Definition and methods of measuring poverty differs from country to country. However, broadly there are three basic definitions of poverty in common usage, which are mentioned as follows:

1. **Absolute poverty** - Measure of absolute poverty quantifies the number of people below a fixed real poverty threshold. It is a level of policy as defined in terms of the minimal requirements necessary to afford minimal standards of food, clothing, health care and shelter.
2. **Relative poverty** defines income or resources in relation to the average. It is concerned with the absence of the material needs to participate fully in accepted daily life.
3. **Social exclusion** is a new term used by the government. Prime minister of UK described social exclusion as »...a shorthand label for what can happen when individuals or areas suffer health and family breakdown« from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, and measurement of poverty can be quite elusive (BBC News,2010).It varies from place to place and from time to time. World Bank has listed the following as faces of poverty:
  - hunger, lack of shelter;
  - being sick and not being able to see a doctor;
  - not being able to go to school and not knowing how to read;
  - not having a job;
  - fear for the future, living one day at a time;
  - living in an unhealthy environment;
  - powerlessness, lack of representation and freedom.

## 1.2 Definition of poverty in India

‘Task Force on Projection of Minimum Needs and Effective consumption Demand’ constituted by the Planning Commission in 1979 defined the poverty line as that per capita expenditure level at which the average per capita per day calorie intake was 2400 kcal for rural population and 2100 kcal for urban population. The recommended poverty line was Rs. 49.09 per capita per month for rural population and Rs. 56.64 per capita per month for

urban population, at 1973-1974 prices. Task Force also recommended an adjustment in the NSS based consumption expenditure levels by raising it by a 'factor' to make it consistent with the total level of private consumption expenditure reported in the National Accounts Statistics, which was higher. This 'factor' was small in the beginning but grew larger and larger over the years (Govt. of India, Task Force Report, 1979).

Expert Group constituted by the Planning Commission in 1989 recommended the continuation of the poverty line (Rs. 49.09 rural and Rs. 56.64 urban in 1973-1974 prices) as the level separating poor from non-poor. Group recommended specially constructed state-wise indices for updating the poverty line for prices. Group also recommended abandoning the adjustment of NSS-based consumption with NAS, since the reasons for differences were diverse and the NSS survey obtained direct information on consumption and hence was more reliable. Following the Expert Group recommendation, the poverty series were revised by the Planning Commission from 1973-1974 onwards. Since then the official poverty estimates are based on the methodology recommended by the Expert Group.

Methodology suggested by the EG is summarized as follows (Expert Group Report, 1993):

Poverty lines are anchored to a fixed commodity basket corresponding to the Task Force recommended poverty line (Rs. 49.09 per person per month at 1973-1974 prices for rural areas and Rs. 56.64 for urban areas). The suggested rural commodity basket by the Expert Group contained 2,400 kcal per capita per day in rural areas and the urban food basket had 2,100 kcal per capita per day in 1973-1974. Use of calorie norm was taken as an approximation to what may be considered as an acceptable 'minimum needs'. Consumption basket is common to all states. In order to take care of the changing tastes and preferences, the Expert group recommended that the consumption basket be revised once in five years. This was to take care of 'minimum needs' as derived from the chosen nutrition attributes as revealed by the behaviour patterns of consumers.

Consumption basket identified separately for rural and urban areas thus, is evaluated at state-specific prices to arrive at state specific poverty lines in the base year, 1973-1974. The state-wise poverty lines computed for the base year 1973-1974 are adjusted for prices for the subsequent years. For any year, poverty levels are estimated for each state using the state level consumer expenditure distribution. Aggregating the state-wise poverty ratios, the all India poverty ratio is estimated. Given the all India poverty ratio, poverty line is estimated using the consumer expenditure distribution for that year .

**Below poverty line** (India) is an economic benchmark and poverty threshold used by the government of India to indicate economic disadvantage and to identify individuals and households in need of government assistance and aid. It is determined using various parameters which vary from state to state and within states.

**International benchmarking**, internationally, an income of less than \$1 per day per head of purchasing power parity is defined as extreme poverty. By this estimate, about 24% of Indians are extremely poor. Income-based poverty lines consider the bare minimum income to provide basic food requirements; it does not account for other essentials such as health care and education. That is why some times the poverty lines have been described as **starvation lines**.

In its **ninth Five Year Plan** (1997-2002), BPL for rural areas was set at annual family income less than Rs. 20,000, less than two hectares land, and no television or refrigerator. Number of rural BPL families was 650,000 (6.5 lakh) during the ninth Plan. The survey based on this criterion was again carried out in 2002 and the total number of 387,000 (3.87 lakh) families was identified. This figure was in force until September 2006 (Planning Commission of India, 2007).

In its **tenth Five Year Plan** (2002-2007) survey, BPL for rural areas was based on the degree of deprivation in respect of 13 parameters, with scores from 0-4: landholding, type of house, clothing, food security, sanitation, consumer durables, literacy status, labour force, means of livelihood, status of children, type of indebtedness, reasons for migrations, etc. Families with 17 marks or less (formerly 15 marks or less) out of a maximum 52 marks have been classified as BPL. Poverty line for urban areas was based on degree of deprivation in respect of seven parameters: roof, floor, water, sanitation, education level, type of employment and status of children in a house.

**Income based poverty line in India:** Poverty line was originally fixed in terms of income/food requirements, which stipulated that the calorie standard for a typical individual in rural areas was 2,400 calorie and was 2,100 calorie in urban areas. Then the cost of the grains (about 650 gms) that fulfil this normative standard was calculated. This cost was the poverty line. In 1978, it was Rs. 61.80 per person per month for rural areas and Rs. 71.30 for urban areas. Since then the Planning Commission calculates the poverty line every year, adjusting inflation (Planning Commission of India, 2002).

This income is bare minimum to support the food requirements and does not provide much for the other basic essential items like health, education etc. That is why some times the poverty lines have been described as starvation lines. Therefore, a poverty line thus defined is something of a destitution line (an absolute definition) since it takes into account only the expenditure required for subsistence food, leaving out everything else needed for a minimally decent living, such as basic housing, clothing, education and health services. The view that these should be taken into account has gained weight since Amartya Sen's Nobel Prize. Sen succeeded in bringing into economics and the poverty debate a modicum of moral philosophy, which, until now, had been regarded as non-scientific because it was stated by lesser luminaries.

### **1.3 New definition of poverty**

In view of the above, the Planning Commission recently felt that the current index of measuring poverty mainly on the basis of the number of calories consumed, fails to reflect the number of people in India who do not have access to the basic facilities enshrined in the constitution i.e. social exclusion.

In the new system, the poverty would be measured with reference to basic facilities like quality education, good health care centres and clean drinking water availability i.e. positive rights. New index would be used in the next round of the countrywide National Sample Survey conducted to gauge poverty. To provide a broader national picture of deprivation, rather than absolute poverty, the commission has decided to incorporate 27 national targets under six essential sectors.

New index will help the government formulate Multi dimensional approach to check deprivation. The percentage of poor in 2004 05 was 27.5% of the country population. The reduction in poverty ratio is 1.4 percentage points, which is almost double of the trend observed between 1993-1994 and 2004-2005. This became possible mainly because of the high growth rate.

Poverty is deepest among members of scheduled castes (SCs) and scheduled tribes (STs) in the country's rural areas. In 2005, these groups accounted for 80% of rural poor, although their share in the total rural population is much smaller (Ministry of Social Justice and Empowerment, India, 2006).

## **1.4 Poverty in other countries**

Poverty is universal phenomenon. Though poverty is rampant in Asian and third world countries, but it is prevalent in the developing countries as well. It is also perturbing policy makers in these countries as in developing countries.

### **1.4.1 Definition of poverty in the developed countries**

Kofi Annan, former Secretary General of the United Nations, defined a developed country as follows. »A developed country is one that allows all its citizens to enjoy a free and healthy life in a safe environment (UN Inf.Service,2000). « But according to the division, there is no established convention for the designation of »developed« and »developing« countries or areas in the United Nations system. And it notes that the designations »developed« and »developing« are intended for statistical convenience and do not necessarily express a judgement about the stage reached by a particular country or area in the development process.

According to the classification from IMF before April 2004, all the countries of Eastern Europe (including Central European countries which still belong to »Eastern Europe Group« in the UN institutions) as well as the former Soviet Union (U.S.S.R.) countries in Central Asia (Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan and Turkmenistan) and Mongolia, were not included under either developed or developing regions, but rather were referred to as »countries in transition«; however they are now widely regarded (in the international reports) as »developing countries«. In the 21<sup>st</sup> century, the original Four Asian Tigers regions (Hong Kong, Singapore, South Korea, and Taiwan) are considered »developed« region or areas, along with Cyprus, Israel, Malta, and Slovenia, are considered »newly developed countries«.

IMF uses a flexible classification system that considers:

1. per capita income level,
2. export diversification - so oil exporters that have high per capita GDP would not make the advanced classification because around 70% of its exports are oil, and
3. degree of integration into the global financial system.

UN also notes that in common practice, Japan in Asia, Canada and the United States in Northern America, Australia and New Zealand in Oceania, and Europe are considered »developed« regions or areas. In international trade statistics, the Southern African

Customs Union is also treated as a developed region and Israel as a developed country; countries emerging from the former Yugoslavia, except for Slovenia, are treated as developing countries; and countries of eastern Europe and the Commonwealth of Independent States (code 172) in Europe are not included under either developed or developing regions.

World Bank classifies countries into four income groups. Low income countries have GNI per capita of US\$975 or less. Lower middle income countries have GNI per capita of US\$976-\$3,855. Upper middle income countries have GNI per capita between US\$3,856-\$11,905. High income countries have GNI above \$11,906 (World Bank, 2008).

World Bank classifies all low- and middle-income countries as developing but notes, »Use of the term is convenient; it is not intended to imply that all economies in the group are experiencing similar development or that other economies have reached a preferred or final stage of development. Classification by income does not necessarily reflect development.«

### **1.4.2 Poverty in the United Kingdom**

Poverty is defined by the government as 'household income below 60% of gross median income'. The median is the income earned by the household in the middle of the income distribution (UK Parliament, 2004). In the year 2004/2005, the 60% threshold was worth £183 per week for a two adult household, £100 per week for a single adult, £268 per week for two adults living with two children, and £186 per week for a single adult living with two children (Poverty Site, 2005). This sum of money is after income tax and national insurance have been deducted from earnings and after council tax, rent, mortgage and water charges have been paid. It is therefore what a household has available to spend on everything else it needs.

**Current/recent figures** - Defining the poverty line as those individuals and households with incomes less than 60% of their respective medians:

- 17-18% of the population are found to be in poverty at any one time consistently, from 1994-2004.
- In 2003 to 2004, 21% of children lived in households below the poverty line. After Being a lone parent - half of all lone parents are on a low income.
- Housing costs are taken into account, this rises to 28%.
- 3.9 million number of single people in the UK living below the poverty line in 2005. Many of these people are divorced women. (Poverty among single people is not as high profile as that suffered by families and pensioners.)
- Nearly **60%** of those in poverty are homeowners.

*Table 1: Comparison with other countries - Percentage of people living below 60% median income (year 2005)*

<b>Country</b>	<b>Percentage</b>
Sweden	12.3
Germany	13.1
France	14.1
United Kingdom	21.8
United States	23.8

*Source: Luxembourg Income Study & J. Hills/BBC News.*

### **1.4.3 Poverty in the United States of America**

Poverty in the United States is cyclical in nature with roughly 13 to 17% living below the federal poverty line at any given point in time, and roughly 40% falling below the poverty line at some point within a 10-year time span (Zweig, 2004). Most Americans (58.5%) will spend at least one year below the poverty line at some point between ages 25 and 75 (Hacker, 2006). There remains some controversy over whether the official poverty threshold over- or understates poverty.

Most common measure of poverty in the United States is the »poverty threshold« set by the U.S. government. This measure recognizes poverty as a lack of those goods and services commonly taken for granted by members of mainstream society. The official threshold is adjusted for inflation using the consumer price index.

Measures of poverty in the USA can be either absolute or relative. There are two basic versions of the federal poverty measure: the poverty thresholds (which are the primary version) and the poverty guidelines. Census Bureau issues the poverty thresholds, which are generally used for statistical purposes - for example, to estimate the number of people in poverty nationwide each year and classify them by type of residence, race, and other social, economic, and demographic characteristics. Department of Health and Human Services issues the poverty guidelines for administrative purposes - for instance, to determine whether a person or family is eligible for assistance through various federal programs.

**Recent poverty rate and guidelines** - Poverty thresholds 2008-2009 were measured according to the Department of Health and Human Services Poverty Guidelines which are illustrated in the table below.



Table 2: Measurement of poverty thresholds

Persons in Family Unit	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$10,830	\$13,530	\$12,460
2	\$14,570	\$18,210	\$16,760
3	\$18,310	\$22,890	\$21,060
4	\$22,050	\$27,570	\$25,360
5	\$25,790	\$32,250	\$29,660
6	\$29,530	\$36,930	\$33,960
7	\$33,270	\$41,610	\$38,260
8	\$37,010	\$46,290	\$42,560
For each additional person, add	\$3,740	\$4,680	\$4,300

Source: U.S. Government Printing Office, *Poverty Thresholds*, pp. 4199-4201.

Official number of poor in the United States in 2008 is about 39.1 million people (most of whom lacked medical insurance until Obama reforms), greater in number but not percentage than the officially poor in Indonesia, which has a far lower Human Development Index and the next largest population after the United States. Poverty level in the United States, with 12.65% (39.1 million people in poverty, of a total of 309 million) is slightly lower than in France, where 13.4% (8 million people in poverty, of a total of 65.4 million) of the population live in poverty (US Census Bureau, 2008).

**Relative measures of poverty** - Another way of looking at poverty is in relative terms. »Relative poverty« can be defined as having significantly less access to income and wealth than other members of society. Therefore, the relative poverty rate can directly be linked to income inequality. When the standard of living among those in more financially advantageous positions rises while that of those considered poor stagnates, the relative poverty rate will reflect such growing income inequality and increase. Conversely, the poverty rate can decrease, with low income people coming to have less wealth and income if wealthier people's wealth is reduced by a larger percentage than theirs. In 1959, a family at the poverty line had an income that was 42.64% of the median income. Thus, a poor family in 1999 had less income and therefore less purchasing power than wealthier members of society in 1959, and, therefore, »poverty« had increased. But, because this is a relative measure, this is not saying that a family in 1999 with the same amount of wealth and income as a family from 1959 had less purchasing power than the 1959 family.

**Income distribution and relative poverty** - Although the relative approach theoretically differs largely from the Orshansky definition, crucial variables of both poverty definitions are more similar than often thought. First, the so-called standardization of income in both approaches is very similar. To make incomes comparable among households of different

sizes, equivalence scales are used to standardize household income to the level of a single person household. In Europe, the modified the Organisation for Economic Co-operation and Development (OECD) equivalence scale is used, which takes the combined value of 1 for the head of household, 0.5 for each additional household member older than 14 years and 0.3 for children. When compared to the US Census poverty lines, which are based on a defined basket of goods, for the most prevalent household types both standardization methods, show to be very similar.

## **1.5 Definition of poverty in developing countries**

Developing country is a term generally used to describe a nation with a low level of material well-being (not to be confused with third world countries). Since no single definition of the term **developed country** is recognized internationally, the levels of development may vary widely within so-called developing countries, with some developing countries having high average standards of living.

### **1.5.1 Definition of poverty in China**

Poverty in China refers to people whose income is less than the \$1.25 per day poverty line (PPP) set by the World Bank. Poverty has affected all aspects of China, including the environment, health, education, housing, nutrition, and agriculture. It has disrupted families and communities, and sent millions from the poorer regions to the cities in a desperate search for work.

Since the start of far-reaching economic reforms in the late 1970s, growth has fueled a remarkable increase in per capita income and a decline in the poverty rate from 64% at the beginning of reform to 10% in 2004 (Park & Wang, 2001). At the same time, however, new disparities have increased. Income inequality has risen, propelled by the rural-urban income gap and by the growing disparity between highly educated urban professionals and the urban working class. There have also been increases in the inequality of health and education outcomes. Exact statistics are disputed, as there have been reports of China underestimating the poverty rate.

Some rise in inequality was expected as China introduced a market system, but inequality may have been exacerbated by a number of policies. Restrictions on rural-urban migration have limited opportunities for the poorer rural population. Inability to sell or mortgage rural land has further reduced opportunities. China has a decentralized fiscal system that relies on local government to fund health and education. Result has been that poor villages cannot afford good services and poor households cannot afford the high costs of basic services.

**Poverty reduction** - China has maintained a high growth rate for more than 30 years since the beginning of economic reform in 1978, and this sustained growth has generated a huge increase in average living standards. China had many characteristics in common with the rest of developing Asia 25 years ago: large population, low per capita income, and resource scarcity on a per capita basis. In the 15 years from 1990-2005, China averaged per capita growth of 8.7%.

Whole reform program is often referred to in brief as the »open door policy«. This highlights that a key component of Chinese reform has been trade liberalization and opening up to foreign direct investment, but not opening the capital account more generally to portfolio flows. China improved its human capital, opened up to foreign trade and investment, and created a better investment climate for the private sector.

After joining the WTO China's average tariffs have dropped below 10%, and to around 5% for manufactured imports. It initially welcomed foreign investment into »special economic zones«, but it is important to note that some of these were very large, amounting to urban areas of 20 million people or more. The positive impact of foreign investment in these locations led to a more general opening up of the economy to foreign investment, with the result that China has become the largest recipient of direct investment flows in recent years.

Openings up measures have been accompanied by improvements in the investment climate. Particularly in the coastal areas have cities developed their investment climates. In these cities the private sector accounts for 90% or more of manufacturing assets and production. In 2005 average pretax rate of return for domestic private firms was the same as that for foreign-invested firms (Lardy, 2002).

China's sustained growth fueled historically unprecedented poverty reduction. World Bank uses a poverty line based on household real consumption (including consumption of own-produced crops and other goods), set at \$1 per day measured at Purchasing Power Parity. In most low-income countries this amount is sufficient to guarantee each person about 2000 calories of nutrition per day, plus other basic necessities. Based on household surveys, the poverty rate in China in 1981 was 64% of the population. This rate declined to 10% in 2004, indicating that about 500 million people have climbed out of poverty during this period (Ravallion & Chen, 2005).

This poverty reduction has occurred in waves. The shift to the household responsibility system propelled a large increase in agricultural output, and poverty was cut in half over the short period from 1981 to 1987. From 1987 to 1993 poverty reduction stagnated, then resumed again. From 1996 to 2001 there was once more relatively little poverty reduction. Since China joined the WTO in 2001, however, poverty reduction resumed at a very rapid rate, and poverty was cut by a third in just three years (Dollar, Hallward-Driemeier & Mengistae, 2005).

### **1.5.2 Poverty in Pakistan**

Poverty in Pakistan is defined as the people whose income is less than \$2 per day. According to the Planning Commission of Pakistan, 35% of the population lives below the poverty line. Poverty in Pakistan like other Asian countries is rampant. Although the middle-class has grown in Pakistan to 35 million, nearly one-quarter of the population is classified poor as of October 2006. As of 2008, 17.2% of the total population lives below the poverty line, which is the lowest figure in the history of Pakistan. Declining trend in poverty as seen in the country during the 1970s and 1980s was reversed in the 1990s by poor federal policies and rampant corruption. This phenomenon has been referred to as the **poverty bomb** (Ziauddin, 1999). The government of Pakistan with help from the International Monetary Fund (IMF) has prepared an **Interim Poverty Reduction Strategy Paper** that suggests guidelines to reduce poverty in the country.

As of 2009, Pakistan's Human Development Index (HDI) is 0.572, higher than that of nearby Bangladesh's 0.543, which was formerly a part of the country itself. Pakistan's HDI still stands lower than that of India's at 0.612 (UNDP<sup>1</sup>, 2009).

Incidences of poverty in Pakistan rose from 22-26% in the fiscal year 1991 to 32-35% in the fiscal year 1999. They have subsequently fallen to 25-26% according to the reports of the World Bank and the UN Development Program reports. These reports contradict the claims made by the Government of Pakistan that the poverty rates are only 23.1% (OneWorld South Asia, 2010). According to the Human Development Index (HDI), 60.3% of Pakistan's population lives on under \$2 a day, compared to 75.6% in nearby India and 81.3% in nearby Bangladesh, and some 22.6% live under \$1 a day, compared to 41.6% in India and 49.6% in Bangladesh (UNDP, 2010).

At the time of partition and independence in 1947, Pakistan inherited the most backward parts of South Asia with only one university, one Textile Mill and one Jute Factory. The country has made tremendous progress and its per Capita GNP remains the highest in South Asia. During the last decade poverty elimination programs helped many of the poor to participate and rise up. However the global financial crisis and other factors like the occupation of Afghanistan have impacted Pakistani growth. Poverty in Pakistan has historically been higher in rural areas and lower in the cities. Out of the total 40 million living below the poverty line, 30 million live in rural areas. Poverty rose sharply in the rural areas in the 1990s and the gap in income between urban and rural areas of the country became more significant. This trend has been attributed to a disproportionate impact of economic events in the rural and urban areas.

**Economic and social vulnerability** - Vulnerability in this case stands for the underlying susceptibility of economically deprived people to fall into poverty as a result of exogenous random shocks. Vulnerable households are generally found to have low expenditure levels. Households are considered vulnerable if they do not have the means to smooth out their expenses in response to changes in income. In general, vulnerability is likely to be high in households clustered around the poverty line. Since coping strategies for vulnerable households depend primarily on their sources of income, exogenous shocks can increase reliance on non-agricultural wages. Such diversification has not occurred in many parts of Pakistan, leading to an increased dependence on credit

While economic vulnerability is a key factor in the rise of poverty in Pakistan, vulnerability also arises from social powerlessness, political disenfranchisement, and ill-functioning and distortionary institutions, and these also are important causes of the persistence of vulnerability among the poor.

Other causes of vulnerability in Pakistan are the everyday harassment by corrupt government officials, as well as their underperformance, exclusion and denial of basic rights to many in Pakistan. Also, lack of adequate health care by the state lead the poor to seek private sources, which are expensive, but still preferable to the possibility of medical malpractice and being given expired medicines in state run medical facilities.

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<sup>1</sup> UNDP stands for United Nations Development Programme.

**Effects of 2010 Pakistan floods on economy** - Pakistan floods began in July 2010 following heavy monsoon rains in the Khyber Pakhtunkhwa, Sindh, Punjab and Balochistan regions of Pakistan. Present estimates indicate that over two thousand people have died and over a million homes have been destroyed since the flooding began. United Nations estimates that more than 21 million people are injured or homeless as a result of the flooding, exceeding the combined total of individuals affected by the 2004 Indian Ocean tsunami, the 2005 Kashmir earthquake and the 2010 Haiti earthquake. At one point, approximately one-fifth of Pakistan's total land area was underwater due to the flooding.

World Health Organization reported that ten million people were forced to drink unsafe water (New York Times, 2010). Pakistani economy has been harmed by extensive damage to infrastructure and crops. Structural damages are estimated to exceed 4 billion USD, and wheat crop damages are estimated to be over 500 million USD (Economic Research, 2010). Officials estimate the total economic impact to be as much as 43 billion USD (Yahoo News, 2010).

**Food** - Floods have submerged 17 million acres (69,000 km<sup>2</sup>) of Pakistan's most fertile crop land, have killed 200,000 herds of livestock and have washed away massive amounts of grain. A major concern is that farmers will be unable to meet the fall deadline for planting new seeds in 2010, which implies a massive loss of food production in 2011, and potential long term food shortages. Agricultural damages are more than 2.9 billion dollars, according to recent estimates, and include over 700,000 acres (2,800 km<sup>2</sup>) of lost cotton crops, 200,000 acres (810 km<sup>2</sup>) of sugar cane and 200,000 acres (810 km<sup>2</sup>) of rice, in addition to the loss of over 500,000 tonnes of stocked wheat, 300,000 acres (1,200 km<sup>2</sup>) of animal fodder and the stored grain losses (Bloomberg News, 2010).

Agricultural crops such as cotton, rice, and sugarcane and to some extent mangoes were badly affected in Punjab, according to a Harvest Tradings-Pakistan spokesman. He called for the international community to fully participate in the rehabilitation process, as well as for the revival of agricultural crops in order to get better GDP growth in the future.

**Infrastructure** - Floods have damaged an estimated 2,433 **miles** of **highway** and 3,508 miles (5,646 km) of **railway**. Cost estimates for highway damages are approximately 158 million USD, and railway damages are 131 million USD. Any unique or particularly large infrastructure damages will increase these estimates. Public building damages are estimated at 1 billion USD (Hicks and Burton, 2010).

**Economic effects** - On 7<sup>th</sup> September 2010, the International Labour Organization reported that more than 5.3 million jobs have been lost due to the floods, emphasizing that »productive and labor intensive job creation programmes are urgently needed to lift millions of people out of poverty that has been aggravated by flood damage«. GDP growth rate of 4% prior to the floods may turn negative with the estimates ranging from -2% to -5% of GDP. Though the GDP growth may improve in 2011 and beyond, it will be several years before it can return to the 4% level of 2009. Loss of crops will hit the textile manufacturing which is the largest export sector of Pakistan. Furthermore, the loss of over 10 million heads of livestock's along with the loss of other crops will bring down the total agricultural production by more than 15%. Toyota and Unilever Pakistan have said that the floods may sap growth, necessitating production cuts as people struggle to cope with the destruction. Milk supplies have also fallen by 15%, which will cause the retail price of milk to increase by Rs. 4 (5 US cents) per liter (Hicks and Burton, 2010).

### **1.5.3 Poverty in Bangladesh**

Deficiency of income to satisfy basic needs is by far the most widely used definition of poverty status. Income poverty is determined by comparison of household income to a poverty line estimated using a normative food basket and price attached to each unit of food items. Absolute poverty line is set at the level of the expenditure needed to provide a balanced minimum diet of 2,110 calories with a 30% (of poverty level income) allowance for non-food basic needs.

**Measurement of income** - Most of the studies on poverty in Bangladesh are based on data on consumption expenditure available from the Household Income and Expenditure Surveys (HIES) conducted by the Bangladesh Bureau of Statistics. This study is however based on per capita income estimated from data on economic activities conducted by the household over a reference year.

Income variable includes receipts both in kind and in cash. A money value was imputed to production and receipts in kind at average prices for the entire sample for the reference year of the survey. Household consumption of self-produced crops, livestock, and forestry and fishery products is included in income. Income from crop production activities is estimated as the value of the main product and the by-products net of the cost on account of seeds, fertilizers, pesticides, irrigation charge, payment to the hired labour, and rental charge of animal labour and agricultural machinery.

For business enterprises and agro-processing activities, incomes are estimated as gross returns minus business-related expenses, as recollected by the respondents. Due to lack of information, no allowance is made for the depreciation of fixed assets and owner-occupied housing that is sometimes used for business purposes. Salaries and wages were recorded as earnings per months which were multiplied by the number of months family workers were employed in the occupation. It may be stated that in the underdeveloped and developing countries, the poverty is being measured in Absolute Terms and the poverty measured in developed countries is in Relative Terms. Pros and cons of measurement of poverty in Absolute Terms are as under.

Advantages:

- a) a clear measure-quantifiable;
- b) can easily be adjusted to take account of inflation.

Disadvantages:

- a) real value eroded by inflation;
- b) assumes a market economy, so not fully suitable where there is a substantial non-market sector;
- c) it may exaggerate poverty;
- d) fails to take account of regional variations in the cost of living etc.

### **1.5.4 Poverty in under developed countries (least developed countries)**

Fifty countries are currently designated by the United Nations as »least developed countries« (LDCs) (United Nations, 2008): Afghanistan, Angola, Bangladesh, Benin,

Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde (until December 2007), Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen and Zambia. The list of LDCs is reviewed every three years by the Economic and Social Council (ECOSOC) in the light of recommendations by the Committee for Development Policy (CDP). The following criteria were used by the CDP in the 2006 review of the list of LDCs:

- a) Low income criterion, based on the gross national income ( GNI) per capita (a 3-year average, 2002-2004), with thresholds of \$750 for cases of addition to the list, and \$900 for cases of graduation from LDC status (UNCTAD<sup>2</sup>, 2006).
- b) Human assets criterion, involving a composite index (the Human Assets Index) based on indicators of:
  - nutrition (percentage of the population undernourished);
  - health (child mortality rate);
  - school enrolment (gross secondary school enrolment rate); and
  - literacy (adult literacy rate).
- c) Economic vulnerability criterion, involving a composite index (the Economic Vulnerability Index) based on indicators of:
  - natural shocks (index of instability of agricultural production; share of population displaced by natural disasters);
  - trade shocks (index of instability of exports of goods and services);
  - exposure to shocks (share of agriculture, forestry and fisheries in GDP; merchandise export concentration index);
  - economic smallness (population in logarithm); and
  - economic remoteness (index of remoteness).

For all three criteria, different thresholds are used for addition to, and graduation from, the list of LDCs. A country will qualify to be added to the list if it meets the three criteria and does not have a population greater than 75 million. A country will normally qualify for graduation from LDC status if it has met graduation thresholds under at least two of the three criteria in at least two consecutive reviews of the list. However, if the GNI per capita of an LDC has risen to a level at least double the graduation threshold, this country will be deemed eligible for graduation regardless of its performance under the other two criteria. After a recommendation to graduate a country has been made by the CDP and endorsed by ECOSOC and the General Assembly, the graduating country will be granted a three-year grace period before actual graduation takes place. In accordance with General Assembly resolution 59/209, this standard grace period is expected to enable the relevant country and its development partners to agree on a »smooth transition strategy, so that the loss of LDC-

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<sup>2</sup> UNCTAD stands for United Nations Conference on Trade and Development.

specific concessions at the end of the grace period does not disturb the socioeconomic progress of the country.

**Trends in poverty** - Incidence of extreme poverty (measured as the proportion of the people living on less than \$1 a day) have decreased from a peak of 44 per cent in 1994 to 36 per cent in 2005. But the absolute number of extremely poor people continued to rise in the LDCs until 2003, when the upward trend levelled off. Poverty reduction has been much faster in Asian LDCs than in African LDCs, where the absolute number of extremely poor people continues to rise. In 2005, we estimate that 277 million people lived on less than \$1 a day in all LDCs, including 206 million in African LDCs, 71 million in Asian LDCs and 1 million in island LDCs (UNCTAD, 2008). Classifying LDCs according to their export specialization, poverty incidence is highest in commodity exporters, i.e. those for which petroleum, mineral and agricultural products account for the majority of their exports.

Although the incidence of extreme poverty is declining, the proportion of the population living on more than \$1 a day but less than \$2 a day has remained constant, at approximately 40 per cent of the population. Population living on less than \$2 a day has been declining only very slowly. In 2005, 581 million people lived under these conditions in the LDCs. This corresponds to three quarters of the population, which shows that poverty continues to be pervasive in these countries.

**Growth and poverty in the LDCs** - Relationship between economic growth and human well-being is a controversial subject with many different viewpoints. It is seen that the recent period of rapid economic growth in the LDCs has been associated with a slow rate of poverty reduction and progress towards the Millennium Development Goals because of the type of economic growth that is occurring and the development model in place in the LDCs. Since 2000, economic growth has accelerated sharply in the LDCs, but this has been accompanied by only a marginal increase in the pace of poverty reduction, contrary to expectations. Thus, the relationship between economic growth and poverty reduction has weakened in the LDCs since then.

## **2 HISTORICAL AND SOCIAL BACKGROUND**

India is an ancient civilisation. It will be proper if we discuss the economic conditions of people of the country since olden times, so as to understand the concept of poverty in a better manner. For the sake of continuity, I propose to discuss the concept by dividing the historical period in three segments viz ancient, medieval and British era, after independence and since liberalisation i.e. since 1991.

### **2.1 Ancient times**

**Indus valley civilization-** History of India is traced back to Indus valley civilisation. First known permanent and predominantly urban settlement that flourished between 2800 BC to 1800 BC, boasted of an advanced and thriving economic system. Its citizens practiced agriculture, domesticated animals, made sharp tools and weapons from copper, bronze and tin and traded with other cities. Evidence of well laid streets, layouts, drainage system and water supply in the valley's major cities, Harappa, Lothal, Mohenjo-daro and Rakhigarhi reveals their knowledge of urban planning. One of the theories about their end is that they eventually overused their resources, and slowly died out.



**Ancient and medieval characteristics** - Though ancient India had a significant urban population, much of India's population resided in villages, whose economy was largely isolated and self-sustaining. Agriculture was the predominant occupation of the populace and satisfied a village's food requirements besides providing raw materials for hand based industries like textile, food processing and crafts. Besides farmers, other classes of people were barbers, carpenters, medical practitioners, goldsmiths, weavers etc.

Religion, especially Hinduism, played an influential role in shaping economic activities. The Indian caste system and sub-castes functioned much like medieval European guilds, ensuring division of labour and provided for training of apprentices. Caste system restricted people from changing one's occupation and aspiring to an upper caste's lifestyle. Thus, a barber could not become a goldsmith and even a highly skilled carpenter could not aspire to the lifestyle or privileges enjoyed by a Kshatriya (person of a warrior class). This barrier to mobility on labour restricted economic prosperity to a few castes.

Pilgrimage towns like Allahabad, Benares, Nasik and Puri mostly centred around the rivers, developed into centres of trade and commerce. Religious functions, festivals and the practice of taking a pilgrimage resulted in a flourishing pilgrimage economy.

**Family business** - In the joint family system, members of a family pooled their resources to maintain the family and invest in business ventures. Joint family system ensured younger members were trained and employed in the family business and the older and disabled persons would be supported by the family. This system, by preventing the agricultural land from being split ensured higher yield because of the benefits of scale, but also curbed members from taking initiative because of the support system.

**Exports** - Surplus of Indian manufactures, like the muslin of Dacca, calicos of Bengal, shawls of Kashmir, steel and iron works, silk, and other textiles and handicrafts, agricultural products like pepper, cinnamon, opium and indigo were exported to Europe, the Middle East and South East Asia in return for gold and silver.

**Maurya Empire** - During the Maurya Empire (c. 321-185 BC), there were a number of important changes and developments to the Indian economy. It was the first time most of India was unified under one ruler. With an empire in place, the trade routes throughout India became more secure thereby reducing the risk associated with the transportation of goods. The empire spent considerable resources building roads and maintaining them throughout India. The improved infrastructure combined with increased security, greater uniformity in measurements, and increasing usage of coins as currency enhanced trade.

Economic situation in the Maurya Empire is comparable to the Roman Empire several centuries later, which both had extensive trade connections and both had organizations similar to corporations. While Rome had organizational entities which were largely used for public state-driven projects, Maurya India had numerous private commercial entities which existed purely for private commerce. This was due to the Mauryas having to contend with pre-existing sreni, hence they were more concerned about keeping the support of these pre-existing private commercial entities. Romans did not have such pre-existing entities to contend with; hence, they were able to prevent such entities from developing.

## 2.2 Medieval and British era

Reign of the Islamic dynasty of the Great Mughals had been an era of unprecedented prosperity in India. During this period; India was the second largest economy in the world. Gross domestic product of India in the 16th century was estimated at about 24.5% of the world economy, in comparison to Ming China's 25% share (Maddison, 2001). According to an estimate of India's pre-colonial economy, it puts the annual revenue of Emperor Akbar's treasury in 1600 at £17.5 million, in contrast to the entire treasury of Great Britain in 1800, which totalled £16 million. Gross domestic product of Mughal India in 1600 was estimated at about 22.6% of the world economy, in comparison to Ming China's 29.2% share.

Mughal era ended about 1800 A.D. Jawaharlal Nehru claimed »A significant fact which stands out is that those parts of India which have been longest under British rule are the poorest today.« The Indian economy was purposely and severely deindustrialized (especially in the areas of textiles and metal-working) through colonial privatizations, regulations, tariffs on manufactured or refined Indian goods, taxes, and direct seizures.

Pre-modern Indian society was feudal and therefore inherently unequal as in many European countries, including UK. But an even more oppressive system began with the introduction of the Permanent Land Settlement Act by Lord Cornwallis in 1793, by which individuals loyal to the British were awarded huge tracts of land. They were turned into landlords or zamindars overnight, provided they collected revenue for the British Crown. This was the beginning of the zamindari system and life for the peasantry became infinitely worse. It also laid the foundation for the huge discrepancies in our economic system and an inequitable, exploitative pattern of land distribution, which kept the poor perennially oppressed. The same happened in the UK and in Scotland. The clan system of collective property rights was forcibly replaced by individualised property rights.

Under the British, there were unprecedented famines, the last being the Great Bengal Famine in 1943 when food grain and wealth were diverted to the war effort even as people died slow, and painful, tortuous deaths of starvation on the streets (Sen, 1981). It left a lasting and sobering impact on Indian leaders fighting for independence. Imbued with the spirit of patriotism, the founders of the nation produced a brilliant Constitution that held out a vision of justice and freedom for all. Nehru's words rang out passionately from the ramparts of the Red Fort on the eve of Independence. He sought »the ending of poverty and ignorance and disease and inequality of opportunity. A finer Constitution could not have been written.«

Same happened in many parts of the world also. In Scotland forcible eviction of the native population occurred during the 18th and 19th centuries. Even today remote communities and islands are still seeking repossession of their lands. The same has happened in the USA for the native (red) Indian tribes (granted return of tribal homeland in the 20<sup>th</sup> century and in Australia (Aborigines) and New Zealand (Maoris). So the British did to India what they did in these countries-forcible replacements of collective non-market property rights by individual (marketised) property rights.

However, according to economist Angus Maddison, such explanation ignores the role of changes in demand and technology. In 1830, India accounted for 17.6% of industrial production against Britain's 9.5%, but by 1900 India's share was down to 1.7% against Britain's 18.5%. (The change in industrial production per capita is even more extreme due to Indian population growth). This is because Europe - particularly Britain - industrialized before the rest of the world (Maddison, 2003).

This view claims that British policies in India exacerbated weather conditions to lead to mass famines which, when taken together, led to between 30 to 60 million deaths from starvation in the Indian colonies. Community grain banks were forcibly disabled, land was converted from food crops for local consumption to cotton, opium, tea, and grain for export, largely for animal feed.

### **2.3 Poverty in the post independence era**

Proportion of India's population below the poverty line has fluctuated widely in the past, but the overall trend has been downward. However, there have been roughly three periods of trends in income poverty (Singh, 2009).

1950 to mid-1970s: Income poverty reduction shows no discernible trend. In 1951, 47% of India's rural population was below the poverty line. Proportion went up to 64% in 1954-55; it came down to 45% in 1960-1961 but in 1977-1978, it went up again to 51%.

Mid-1970s to 1990: Income poverty declined significantly between the mid-1970s and the end of the 1980s. Decline was more pronounced between 1977-1978 and 1986-1987, with rural income poverty declining from 51% to 39%. It went down further to 34% by 1989-1990. Urban income poverty went down from 41% in 1977-1978 to 34% in 1986-1987, and further to 33% in 1989-1990.

### **2.4 Poverty in the post reforms era (since 1991)**

This post-economic reform period evidenced both setbacks and progress. Rural income poverty increased from 34% in 1989-1990 to 43% in 1992 and then fell to 37% in 1993-1994. Urban income poverty went up from 33.4% in 1989-1990 to 33.7% in 1992 and declined to 32% in 1993-1994. Also, NSS data for 1994-1995 to 1998 show little or no poverty reduction, so that the evidence till 1999-2000 was that poverty, particularly rural poverty, had increased post-reform. However, the official estimate of poverty for 1999-2000 was 26.1%, a dramatic decline that led to much debate and analysis. This was because for this year the NSS had adopted a new survey methodology that led to both higher estimated mean consumption and also an estimated distribution that was more equal than in past NSS surveys.

Latest NSS survey for 2004-2005 is fully comparable to the surveys before 1999-2000 and shows poverty at 28.3% in rural areas, 25.7% in urban areas and 27.5% for the country as a whole, using uniform recall period consumption. Corresponding figures using the mixed recall period consumption method was 21.8%, 21.7% and 21.8% respectively. Thus, poverty has declined after 1998, although it is still being debated whether there was any significant poverty reduction between 1989-1990 and 1999-00. Latest NSS survey was so designed as to also give estimates roughly, but not fully, comparable to the 1999-2000

survey. These suggest that most of the decline in rural poverty over the period during 1993-1994 to 2004-2005 actually occurred after 1999-2000.

*Table 3: Poverty estimates in India (1977-78 to 2004-05).*

<b>Year</b>	<b>Round</b>	<b>Uniform poverty rate (%)</b>	<b>Mixed</b>	<b>Poverty reduction per year (%)</b>	<b>Mixed reduction (%)</b>
1977-1978	32	51.3			
1983	38	44.5		1.3	
1987-1988	43	38.9		1.2	
1993-1994	50	36.0		0.5	
1999-2000	55		26.9		
2004-2005	61	27.5	21.8	0.8	1.0

*Source: Ministry of Statistics and Programme Implementation, India, National Sample Survey (2004-2005), 2005.*

## **2.5 Caste system**

India, especially Hindus, is a caste ridden society, where position of a person in society is recognised by birth. An upper caste person gets respect and regard by his sheer birth in higher caste and a low caste is looked down upon in the society due to his sheer birth in lower caste. Women in the society are also treated second grade citizens. There are many social evils prevailing in the society, like dowry system, Sati Pratha and denial of education etc. which hamper overall development of women.

According to the ancient Hindu scriptures, there are four »varnas«. Bhagavad-Gita says varnas are decided based on Guna and Karma. Manusmriti and some other shastras name four varnas: the Brahmins (teachers, scholars and priests), the Kshatriyas (kings and warriors), the Vaishyas (agriculturists and traders), and Shudras (artisans, service providers) (Mascaro, 1962).

This theoretical system postulated Varna categories as ideals and explained away the reality of thousands of endogamous Jātis actually prevailing in the country as being the result of historical mixing among the »pure« Varnas - Varna Sankara. All those who did not subscribe to the norms of the Hindu society, including foreigners, tribals and nomads, were considered contagious and untouchables. Another group excluded from the main society was called Parjanya or Antyaja. This group of former untouchables, Dalits, was considered either low among the Shudras or outside the Varna system altogether. Passages from scriptures such as Manusmriti indicate that the Varna system was originally non-hereditary. Several critics of Hinduism state that the caste system is rooted in the Varna system mentioned in the ancient Hindu scriptures. However, many groups, such as ISKCON, consider the modern Indian caste system and the Varna system two distinct concepts.

Many European administrators from the colonial era incorrectly regarded the Manusmriti as the »law book« of the Hindus, and thus concluded that the caste system is a part of Hinduism, an assertion that is now rejected by most scholars, who state that it is a social practice, not a religious belief. Manusmriti was a work of reference for the Brahmins of north India, especially Bengal, and was largely unknown in southern India.

Although many Hindu scriptures contain passages that can be interpreted to sanction the caste system, they also contain indications that the caste system is not an essential part of Hinduism. Vedas placed no importance on the caste system, mentioning caste only once (in the Purush Sukta) out of tens of thousands of verses. Most Vedic scholars believe even this to be a subsequent and artificial insertion. Dr.B.R.Ambedkar concluded after a thorough study that this is a much later interpolation, giving strong evidence to support his conclusion (Ambedkar,1990). In the Vedic period, there was no prohibition against anyone, including the Shudras, listening to the Vedas or participating in any religious rite (Yajurveda).

In Early Evidence for Caste in South India, George L. Hart stated that »the earliest Tamil texts show the existence of what seems definitely to be caste, but which antedates the Brahmins and the Hindu orthodoxy«. He believes that the origins of the caste system can be seen in the »belief system that developed with the agricultural civilization«, and was later profoundly influenced by »the Brahmins and the Brahmanical religion«. These early Tamil texts also outline the concept of equality. Saint Valluvar has stated »pirapokkum ella uyirkkum«, which means »all are equal at birth«. Likewise, Saint Auvaiyaar has stated that there are only two castes in the world: those who contribute negatively and those who contribute positively. From these statements, it can be inferred that the caste system is a socio-economic class system (Hart, 1988).

## **2.6 Caste discrimination**

I think the caste system and for that matter caste based profession is one of the important causes of poverty in India, especially in rural areas, where caste based discrimination is rampant. Although generally identified with Hinduism, the caste system was also observed among followers of other religions in the Indian subcontinent, including some groups of Muslims and Christians (Francis Buchanan, Indian Census record, 1883). Caste barriers have mostly broken down in large cities, though they persist in rural areas of the country, where 72% of India's population resides. None of the Hindu scriptures endorses caste-based discrimination, and the Indian Constitution has outlawed caste-based discrimination, in keeping with the secular, democratic principles that founded the nation. Nevertheless, the caste system, in various forms, continues to survive in modern India because of a combination of political factors and social perceptions and behaviour.

Some activists consider the caste system a form of racial discrimination. At the United Nations Conference Against Racism in Durban, South Africa in March 2001, participants condemned discrimination based on the caste system and tried to pass a resolution declaring caste as a basis for segregation and oppression a form of apartheid. However, no formal resolution was passed.

Maltreatment of dalits (downtrodden) in India has been described by some authors as »India's hidden apartheid«. Critics of the accusations point to substantial improvements in the position of dalits in post-independence India, consequent to the strict implementation of the rights and privileges enshrined in the Constitution of India, as implemented by the Protection of Civil rights Act, 1955. They also note that India has had a Dalit president, K.R. Narayanan, and argue that the practice had disappeared in urban public life.

According to William A. Haviland, although India's national constitution of 1950 sought to abolish caste discrimination and the practice of untouchability, the caste system remains deeply entrenched in Hindu culture and is still widespread throughout southern Asia, especially in rural India. In what has been called India's »hidden apartheid«, entire villages in many Indian states remain completely segregated by caste. Representing about 15% of India's population - or some 160 million people - the widely scattered Dalits endure near complete social isolation, humiliation, and discrimination based exclusively on their birth status. Even a Dalit's shadow is believed to pollute the upper classes. They may not cross the line dividing their part of the village from that occupied by higher castes, drink water from public wells, or visit the same temples as the higher castes. Dalit children are still often made to sit in the back of classrooms (Haviland, 2005).

Sociologists Reilly, Kaufman and Bodino (2003), while critical of casteism, conclude that modern India does not practice any apartheid since there is no state-sanctioned discrimination. They write that casteism in India is presently »not apartheid«. In fact, untouchables, as well as tribal people and members of the lowest castes in India benefit from broad affirmative action programmes and are enjoying greater political power. Constitution of India places special emphasis on outlawing caste discrimination, especially the practice of untouchability. In addition, the Indian penal code inflicts severe punishments on those who discriminate on the basis of caste. Notwithstanding the measures taken by the government to remove casteism and related discrimination, anti dalit prejudice and discrimination still exists, primarily in rural areas.

## **2.7 Gender discrimination**

Sociologically the word gender refers to the socio-cultural definition of man and woman, the way societies distinguish men and women and assign them social roles. Distinction between sex and gender was introduced to deal with the general tendency to attribute women's subordination to their anatomy. For ages, it was believed that the different characteristics, roles and status accorded to women and men in society are determined by sex, that they are natural and therefore not changeable. Gender is seen closely related to the roles and behaviour assigned to women and men based on their sexual differences. As soon as a child is born, families and society begin the process of gendering. Birth of the son is celebrated, the birth of a daughter filled with pain; sons are showered with love, respect, better food and proper health care. Boys are encouraged to be tough and outgoing; girls are encouraged to be homebound and shy.

All these differences are gender differences and they are created by society. Gender inequality is therefore a form of inequality which is distinct from other forms of economic and social inequalities. It dwells not only outside the household but also centrally within it. It stems not only from pre-existing differences in economic endowments between women and men but also from pre-existing gendered social norms and social perceptions. Gender inequality has adverse impact on development goals as it reduces economic growth. It hampers the overall well being because blocking women from participation in social, political and economic activities can adversely affect the whole society. Many developing countries including India have displayed gender inequality in education, employment and health. It is common to find girls and women suffering from high mortality rates. There are vast differences in education level of two sexes. India has witnessed gender inequality from its early history due to its socio-economic and religious practices that resulted in a wide gap between the position of men and women in the society.

Origin of the Indian idea of appropriate female behaviour can be traced to the rules laid down by Manu in 200 BC: »by a young girl, by a young woman, or even by an aged one, nothing must be done independently, even in her own house«. »In childhood a female must be subject to her father, in youth to her husband, when her lord is dead to her sons; a woman must never be independent.« Women's lives are shaped by customs that are centuries old. »May you be the mother of a hundred sons« is a common Hindu wedding blessing. Statistics reveal that in India males significantly outnumber females and this imbalance has increased over time.

Sex ratio according to 2001 census report stands at 933 per 1000 males. Out of the total population, 120 million are women who live in abject poverty. Maternal mortality rate in rural areas is among the highest in the world. From a global perspective India accounts for 19% of all live births and 27% of all maternal deaths.

Deaths of young girls in India exceed those of young boys by over 300,000 each year and every 6th infant death is specifically due to gender discrimination. Women face discrimination right from the childhood. Gender disparities in nutrition are evident from infancy to adulthood. In fact, gender has been the most statistically significant determinant of malnutrition among young children and malnutrition is a frequent, direct or underlying, cause of death among girls below age five. Girls are breast-fed less frequently and for a shorter duration in infancy. In childhood and adulthood, males are fed first and better. Adult women consume approximately 1,000 fewer calories per day than men according to one estimate. Nutritional deprivation has two major consequences for women: they never reach their full growth potential, and suffer from anaemia, which are risk factors in pregnancy.

This condition complicates childbearing and results in women and infant deaths, and low birth weight infants. The tradition also requires that women eat last and least throughout their lives even when pregnant and lactating. Malnourished women give birth to malnourished children, perpetuating the cycle. Women receive less healthcare facilities than men. A primary way that parents discriminate against their girl children is through neglect during illness.

As an adult they tend to be less likely to admit that they are sick and may wait until their sickness has progressed far before they seek help or help is sought for them. Many women in rural areas die in childbirth due to easily preventable complications. Women's social training to tolerate suffering and their reluctance to be examined by male personnel are additional constraints in their getting adequate health care.

Constitution of India ensures gender equality in its preamble as a fundamental right but also empowers the state to adopt measures of positive discrimination in favour of women by ways of legislation and policies. Women have been finding place in local governance structures, overcoming gender biases. Over one million women have been elected to local panchayats as a result of 1993 amendment to the Indian Constitution requiring that 1/3<sup>rd</sup> of the elected seats to the local governing bodies be reserved for women. Passing of Pre-natal Diagnostic Tech Act in 1994 also is a step in removing gender discrimination.

This Act seeks to end sex-determination tests and female foeticide and prohibits doctors from conducting such procedures for the specific purpose of determining the sex of the foetus. The Government also announced the National policy for empowerment of women

in 2001 to bring out advancement, development and empowerment of women. Government has also drawn up a draft National policy for the empowerment of women which a policy statement is outlining the state's response to problems of gender discrimination.

As persistent gender inequalities continue, we need to rethink concepts and strategies for promoting women's dignity and rights. UN Secretary General Kofi Annan has stated, »Gender equality is more than a goal in itself. It is a precondition for meeting the challenge of reducing poverty, promoting sustainable development and building good governance,« (Thinkexist, 2010). There is a need for new kinds of institutions, incorporating new norms and rules that support equal and just relations between women and men. Today women are organizing themselves to meet the challenges that are hampering their progress.

### **3 BASIC REASONS OF POVERTY IN INDIA**

India is a vast country both by geographical and population point of view. It is a multi caste, multi creed and multi religious country. Since independence, the country is moving ahead in all spheres of development. Still, there are certain basic reasons which are proving to be bottleneck in its overall development, leading to poverty. Same are elaborated as under.

#### **3.1 High level of dependence on primitive methods of agriculture**

Indian agriculture is still dependent on rainfall (Monsoon) for irrigation of the crops, which in common parlance is called »Monsoon Gambling«. If Monsoon is adequate, the farmer gets a good crop, if it fails, the crop is lost. So in this so called gambling, the farmer is generally loser. As regards, agriculture tools, the farmer still uses manual plough and other agriculture tools. Manual tools reduce the efficiency and also not cost effective.

#### **3.2 High population growth rate**

India is the second largest populated country in the world with over 1.18 billion (estimates in April 2010) and consists of more than one sixth of the world's population. It contributes 17.31% of the world's population. Present growth rate is 1.548%. India is projected to be the world's most populous country by 2025, surpassing China, its population exceeding 1.6 billion people by 2050 (United States Census Bureau, 2010).

Population growth and its relation to economic growth has been a matter of debate for over a century. Early Malthusian view was that population growth is likely to impede economic growth because it will put pressure on the available resources, result in reduction in per capita income and resources. This is proving to be applicable for India. Increasing population of the country is putting pressure on all the natural resources, which as a result, are over harnessed, leading to their destruction. Increasing population is facing the problem of un-employment, lack of health care facilities, lack of education and other basic needs of life.

Large population in India is eating away all the benefits of the policies and programmes launched by the government for eradication of poverty, especially when population grows faster than GDP so GDP per head falls (assuming GDP can be measured accurately).



### 3.3 Inadequate land reforms

Land reforms (also agrarian reform, though that can have a broader meaning) is an often-controversial alteration in the societal arrangements whereby a government administers the ownership and use of land. Land reform may consist of a government-initiated or government-backed property redistribution, generally of agricultural land, or be part of an even more revolutionary program that may include forcible removal of an existing government that is seen to oppose such reforms. Throughout history, popular discontent with land-related institutions has been one of the most common factors in provoking revolutionary movements and other social upheavals. To those who work on the land, the landowner's privilege of taking a substantial portion - in some cases half or even more - of production may seem unfair.

Consequently, land reform most often refers to transfer of ownership from the more powerful to the less powerful: from a relatively small number of wealthy (or noble) owners with extensive land holdings (e.g. plantations, large ranches, or agribusiness plots) to individual ownership by those who work the land. Such transfer of ownership may be with or without compensation; compensation may vary from token amounts to the full value of the land. Due to the taxation and regulation under the British Raj, at the time of independence, India inherited a semi-feudal agrarian system, with ownership of land concentrated in the hands of a few individual landlords (Zamindars, Zamindari System).

Land distribution has been inequitable and exploitative, which kept the poor perennially poor. After independence in 1947, the government initiated land reforms in many states of the country and land ceilings were prescribed but the reforms were not complete, as the big landlords, who were from the erstwhile royal families, proved obstacle in the way of reforms and they camouflaged the process, as a result the real tiller of land remained without land and he continued to work on the big land lord's farms as a labour Most notable and successful example of land reforms are in the states of West Bengal and Kerala. After promising land reforms and elected to power in West Bengal in 1977, the Communist Party of India (Marxist) (CPI (M)) kept their word and initiated gradual land reforms, such as Operation Barga. Result was a more equitable distribution of land among the landless farmers, and enumeration of landless farmers. This has ensured an almost life long loyalty from the farmers and the communists have been in power ever since.

In Kerala, the only other large state where the CPI (M) came to power, state administrations have actually carried out the most extensive land, tenancy and agrarian labor wage reforms in the non-socialist late-industrializing world. Another successful land reform program was launched in Jammu and Kashmir after 1947.

However, this success was not replicated in other areas like the states of Andhra and Madhya Pradesh, where the more radical Communist Party of India (Maoist) or Naxalites resorted to violence as it failed to secure power. Even in West Bengal, the economy suffered for a long time as a result of the communist economic policies that did little to encourage heavy industries. In the state of Bihar, tensions between land owners militia, villagers and Maoists have resulted in numerous massacres. All in all, land reforms have been successful only in pockets of the country, as people have often found loopholes in the laws setting limits on the maximum area of land held by any one person.

In an economy where over 60 per cent of the population is dependent on agriculture, the structure of land ownership is central to the wellbeing of the people. The government has strived to change the ownership pattern of cultivable land, but has had limited success. Abolition of intermediaries immediately after independence, in spite of its many well-documented shortcomings and lack of implementation in certain parts of the country, was a significant achievement and covered close to 40 per cent of the cultivated area.

These achievements notwithstanding, the lack of progress in the other components of the land reforms programme, viz., implementation of land ceiling laws, security of tenure to tenants and consolidation of land holdings, remains a matter of serious concern. Agricultural workers did not benefit from the abolition of zamindari. SC/STs, who constitute the bulk of the labour force, do not have either the assets or the skills to participate in the limited but emerging employment opportunities in different sectors of the economy.

Problem is further compounded by the fact that though the contribution of agriculture to GDP has nearly halved from over 50 per cent in 1951 to around 25 per cent in 2000-2001, a similar transformation of employment opportunities has not taken place. Number of people dependent on agriculture and allied activities has fallen only 12 percentage points from 71 per cent of the population in 1951 to 59 per cent in 2001 (Pandey, 2005). Land reforms seem to have been relegated to the background in the 1990s. More recently, initiatives of state governments have related to liberalisation of land laws in order to promote large scale corporate farming. This is in sharp contrast to the policy environment soon after Independence when land reforms were meant to provide ownership rights to small and marginal farmers on equity considerations. Though the pressure of population has led to sub-division and fragmentation of land holdings, thereby considerably weakening the case for further lowering of land ceilings, the need for effective implementation of the existing land ceiling laws cannot be over-emphasised.

Ninth Plan had laid strong emphasis on agrarian restructuring to make agriculture more efficient leading to increased »output and employment«. However, progress on different components of the land reforms package during the Plan has been extremely limited. At the end of the Eighth Plan, 7.49 million acres was declared as ceiling surplus and 5.33 million acres was distributed among 5.5 million beneficiaries. By the end of the Ninth Plan, the position was virtually the same. There has been no progress in the detection of concealed land and its distribution to the landless rural poor.

Case of tenancy reforms is equally unsatisfactory. Tenancy laws in the states follow different patterns, as land is a state subject. Several states, including Uttar Pradesh, Bihar and Orissa have either banned tenancy completely or have imposed such restrictive conditions that land leases are virtually impossible. Studies by the Lal Bahadur Shastri National Academy of Administration indicate that this has only resulted in concealed tenancy. It is estimated that over 34 per cent of land is operated under concealed tenancy in Bihar. Ban on tenancy, which was meant to protect tenants, has only ended up hurting the economic interests of the tenants as they are not even recognised as tenants. As a result, they are denied the benefit of laws that provide security of tenure and regulate rent. The progress on the consolidation of land holdings has also been slow.

Consolidation has to be a continuing process, but most states have stopped consolidation proceedings. As on 31<sup>st</sup> March, 2002, consolidation of holdings has taken place only in an

area of 66.10 million hectares against a total cultivable area of 142 million hectares (Planning Commission, 2002). Alienation of tribals from their land is a major issue in tribal areas. States have passed legislation to restore alienated land to the tribal landholders. Progress in this regard, however, has been limited. Restoration proceedings have been challenged in courts, thwarting the restoration of land to tribals. During the Ninth Plan period, 1.63 lakh cases were decided by the courts in favour of the tribals and 175, 286 hectares (ha) was restored as a result of the governmental action.

However, as on 31<sup>st</sup> March 2002, 57,521 cases were still pending in courts with 58,260 ha being under dispute in these cases (Planning Commission,2002). Land record management systems are a pre-condition for an effective land reform programme. In 1987-1988, a centrally-sponsored scheme for Strengthening of Revenue Administration and Updating of Land Records (SRA & ULR) was introduced in Orissa and Bihar. The scheme was extended to other states in 1989-1990. Survey and re-settlement operations, pre-service and in-service training to revenue and settlement staff, facilities for modernisation of survey and settlement operations and strengthening of revenue machinery at the village level are funded under the scheme. During the Eighth Plan, Rs. 8.23 crore was released to the states under the scheme, while Rs. 92.60 crore was allocated during the Ninth Plan under the Programme of SRA & ULR against which Rs. 85.74 crore were released to states/Union Territories (Planning Commission of India, 2002).

In addition to SRA&ULR, centrally sponsored schemes of Computerisation of Land Records (CLR) provide assistance to states for modernisation of record keeping operations. Activities funded under the programme include the processing of agricultural land holdings records for the purpose of consolidation of holdings and preparation of consolidated revenue settlement and installation of computer networks at the headquarters of states/Union Territories for revenue administration. During the Eighth Plan period, Rs. 9.42 crore was released to the state governments for covering 238 districts. In the Ninth Plan, 333 more districts were brought under the scheme, thus taking the total districts covered under CLR to 571 districts. A total of 2705 talukas/tehsils/blocks were taken up for computerisation. Against a total allocation of Rs. 178 crore, a sum of Rs. 167.52 crore was released (Planning Commission of India, 2002). Resources provided under SRA & ULR and CLR programmes meet a small part of the total resources required for the modernisation of revenue administration. States have to undertake modernisation of the land records management system on a much larger scale.

### **3.4 High illiteracy**

Illiteracy in India is characterized by wide gaps between the urban and rural populations. Rural population depends mainly on agriculture and the rate of illiteracy is high, while the urban population is more of the 'employee class' and also more educated. Even amongst the male and female population, there is a wide disparity in literacy. Male literacy rate is 75.96% and female literacy rate is 54.28% (Census of India, 2001). Social system in India promotes education for the male gender while the female population, especially in the deep interiors of the country, is kept away from schools.

Several efforts have been made on part of the government to deal with illiteracy. National Policy of Education - 1986, declared that the whole nation must pledge itself to the work of eradicating illiteracy, particularly in the 15-35 age group. National Literacy Mission came

into being in 1988 and started striving to involve all sections of the community in the literacy endeavour.

India is developing but at a slow rate and there is a large number of poor population in the country. Lack of education is one of the most important reasons of poverty. Literacy enables a person to think rationally, to be understanding, to be more responsible and to make his/her own decisions. A literate person is aware of all his fundamental rights and duties. Literacy is the ultimate solution to fight problems like communalism, terrorism and under development. Our government is of the people, for the people and by the people, but what is the use if people cannot even make the right choice?

Illiteracy can bring down even the most powerful nations down, so if we are to become a developed nation, the government should first remove the problem of illiteracy by introducing effective programs with proper implementation and budget. It is ironical that even today, our leaders and people's representatives give literacy a very low priority, pitting poverty alleviation, food, clothing, shelter, work, health etc. above it. They fail to perceive literacy as part of the development process, as an endeavour to improve the quality of life, as the process of building awareness among the weaker sections, as part of democratisation of political power, as the arrangement to give their due, to bridge the gap between the rich and the poor. They are unable to appreciate the relevance of literacy in matters like infant mortality, immunisation, and children's participation in primary schools, population growth, family planning, women's emancipation, and social evils like child marriage, dowry, and bride burning and so on. Neglecting the issue of illiteracy can hurt the development of India very badly.

### **3.5 Casteism and economic factors**

Majority population of India is Hindus, which is a caste based society. Caste system in India breeds discrimination between the humans. One is superior by dint of his so called high caste and the other is inferior, by his unfortunate birth in low caste. Traditional professions are based on caste only and as a result one who took birth in the so called low caste is doomed to perform scavenging work and bear the social deprivation and untouchability throughout his life and also his successive generations.

Casteism is rampant in the rural areas. In most of the villages, the lower caste colonies are distinctly recognized, as most of the houses are of mud and thatched roofs. They have been living in stark poverty for generations and not much change has been brought in their lives, by development schemes run by the state/central government. They earn their livelihood by daily wages and find it difficult to arrange two meals on the day, when not lucky to have work. In the other words, they survive on day to day basis. In most of the semi urban areas, the manual scavenging is prevalent. Lower caste sweepers clean the houses of the so called upper castes and carry the night soil on their heads. This is shameful, but reality.

Almost 90% of the scheduled castes still live in rural areas and economic exploitation remains their most acute problem. They are overwhelmingly marginal farmers or landless labourers. Large numbers migrate to cities or labour-scarce rural areas such as Punjab. Many are in debt and are obliged to work off their debts through debt-bonded labour despite the fact that this practice was abolished by law in 1976. In these cases a labourer takes a loan from a landlord or moneylender and in return agrees to work for that person until the debt is repaid. In practice it is difficult to repay the debt as interest payments are

high and cumulative, and poverty forces the labourer deeper into debt. Debt can be passed onto the next generation and thus it is impossible to escape the cycle. In some areas many high-caste landlords pay their scheduled caste labourers minimum wages in cash or food, or nothing at all, and any resistance is frequently met by violence, sometimes resulting in the death or injury of the victim. Sexual harassment against scheduled caste women is frequent. Mob violence against scheduled caste communities is frequently reported, sometimes led by landlords or community leaders, and has been especially noticeable in situations where scheduled caste workers have joined labour unions or made progress in gaining education and economic mobility.

Many scheduled caste families have left rural areas and come to live in slums and on the pavements in the rapidly growing cities. Here also they tend to do the worst jobs for the lowest wages. However in some cities, traditional occupations such as sweepers have been organized in municipal unions and have the advantage of regular work and wages. Most scheduled caste workers are casual day labourers, in small factories, quarries and brick kilns or on construction sites, or work as cycle rickshaw drivers or in petty trade. Women and children as well as men work in such jobs but at lower wages. In the large textile mills of Mumbai, scheduled caste workers have been generally confined to less skilled and less well-paid work. There are, however, growing numbers of scheduled castes in relatively secure areas such as the public service, banking and railways and sometimes in private industry. Those resident in the cities have greater access to secondary and higher education and a growing middle class has evolved within the scheduled caste community. Discrimination is less evident in the urban areas but residential patterns, particularly in poorer areas, are often on a caste basis.

As a result of the official policy of »positive discrimination« in favour of the scheduled castes in the civil service there have been growing numbers of scheduled caste public servants. To date there has been some improvement in the levels of scheduled caste recruitment in the central civil service. From 1949 to 1979 this rose from 0.71% to 4.5% in Class I posts, from 2.01% to 7.3% in Class II posts, and from 7.03% to 12.35% in Class III posts (World Directory of Minorities, 2010). There has been a similar slow process in public-sector and nationalized industry posts, where positive discrimination did not begin until the 1970s. In private business and industry, however, there are no positive discrimination provisions and, therefore, progress has been limited. Members of the scheduled castes, however, are frequently over-represented in the lower Class IV posts and occupy almost all lower posts (i.e. sweepers - a traditional »Untouchable« occupation).

There has also been positive discrimination in education, but the poverty of many scheduled caste families often prevents utilization of education facilities. In 1977-1978 only 75% of scheduled caste children in the age group six to eleven attended school, compared to 88% for other children, and the disparity becomes greater at older ages with the respective figures for the 11 to 14 age group as 26% to 42% (World Directory of Minorities, 2010). Places for scheduled castes in higher education, and especially for post-graduate posts, are sometimes not filled, either because of lack of qualified candidates or prejudice against qualified candidates. In 1981 there were riots in the state of Gujarat by high-caste students protesting against the system of reservation in education institutions, in which 42 people died.

However, despite the overwhelming odds against them, former »Untouchables« are gaining increasing access to education and their expectations and aspirations are rising.

Increasingly they are refusing to accept their former degraded and subservient position and, if they are able to organize across barriers of language and sub-caste, should present a formidable challenge to government.

### **3.6 Protectionist policies pursued till 1991 that prevented foreign direct investment (FDI) etc.**

Indian economic policy after independence was influenced by the colonial experience (which was seen by Indian leaders as exploitative in nature) and by those leaders' exposure to Fabian socialism. Policy tended towards protectionism (collectivists view) with a strong emphasis on import substitution, industrialization, state intervention in labour and financial markets, a large public sector, business regulation, and central planning. Five Year Plans of India resembled central planning in the Soviet Union. Steel, mining, machine tools, water, telecommunications, insurance, and electrical plants, among other industries, were effectively nationalized in the mid-1950s. Elaborate licences, regulations and the accompanying red tape, commonly referred to as Licence Raj, were required to set up business in India between 1947 and 1990.

India adopted mixed economy concept for its development. India's first prime minister, Pt. Jawahar Lal Nehru along with the statistician Prasanta Chandra Mahalanobis, formulated and oversaw economic policy. They expected favourable outcomes from this strategy, because it involved both public and private sectors and was based on direct and indirect state intervention, rather than the more extreme Soviet-style central command system. Policy of concentrating simultaneously on capital - and technology-intensive heavy industry and subsidizing manual, low-skill cottage industries was criticized by economist Milton Friedman, who thought it would waste capital and labour, and retard the development of small manufacturers. Rate from 1947-1980 was derisively referred to as the Hindu rate of growth, because of the unfavourable comparison with growth rates in other Asian countries. In line with the spirit of state control, the banks were nationalised in 1969 and 1980. Protectionists policies adopted during this period prevented free flow of business and the country remained isolated from the business world.

## **4 LIBERALISATION OF ECONOMY (SINCE 1991)**

As stated in above para, the government pursued the protectionists policies up to 1990 but it was realized that the for the economic growth of the country libearalisation of the economy was a must. In the late eighties, the government led by Rajiv Gandhi eased restrictions on capacity expansion for industries, removed price controls and reduced corporate taxes. While this increased the rate of growth, it also led to high fiscal deficits and a worsening current account. Collapse of the Soviet Union, which was India's major trading partner, and the first Gulf War, which caused a spike in oil prices, caused a major balance-of-payments crisis for India, which found itself facing the prospect of defaulting on its loans. India asked for a \$1.8 billion bailout loan from IMF, which in return demanded reforms.

In response, the government of India headed by Narasimha Rao decided to usher in several reforms that are collectively termed as liberalisation in the Indian media. Narasimha Rao appointed Manmohan Singh as a special economical advisor to implement liberalisation or it may be termed as elimination of administrative barriers for opening up the economy to

foreign investment, reforming capital markets, deregulating domestic business, and reforming the trade regime.

Liberalisation has done away with the Licence Raj (investment, industrial and import licensing) and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors. Rao government's goals were reducing the fiscal deficit, privatization of the public sector, and increasing investment in infrastructure. Trade reforms and changes in the regulation of foreign direct investment were introduced to open India to foreign trade while stabilizing external loans. Rao's the then finance minister, and now the prime minister of India, Dr. Manmohan Singh, an acclaimed economist, played a central role in implementing these reforms. New research suggests that the scope and pattern of these reforms in India's foreign investment and external trade sectors followed the Chinese experience with external economic reforms.

#### **4.1 Macro-economic approach for poverty alleviation (Trickle-down theory)**

It is realised that poverty, that current poverty cannot be eliminated by the top down approach since a substantial portion of it is hard-core poverty. Identification of such households, choosing an effective interventional mix for moving them out of poverty trap and enabling them to take part in mainstream development are better done through decentralized and bottom-up plan process. Furthermore, the poor are heavily concentrated in backward and eco-fragile regions, and are being increasingly exposed to market and non-market risks. Most of the poor are casual workers in the unorganized sector and small and less productive land/asset owners. Extension of social safety nets for risk minimisation and access to resources (quality credit, technical guidance, quality inputs) for making their self-employment endeavours viable are some of the needed immediate external interventions. It also implies that certain institutional arrangements have to be made to guide the poor in their decision making related to economic pursuits. Among the various deprivations, food and nutrition, gainful employment and access to quality social services are the pre-dominant ones largely experienced by most of the poor; and these deserve top priority.

Poverty elimination, taking multi-dimensional view of poverty, has to be planned in a time bound manner since these deprivations are mutually reinforcing in nature. And, if unattended to, these together may make the poverty alleviation efforts less fruitful. Better understanding of the profiles of the poor, the composite and structural factors for the prevalence and perpetuation of the poverty and the effectiveness of the existing institutions are pre-requisites for planning and execution of programmes for sustainable poverty reduction.

Recent shifts in development paradigms viz., liberalization, privatization and globalization, human development and decentralization offer certain tangible opportunities as well as challenges for poverty eradication.

To take full advantage of opportunities and to minimize the risks, vibrancy of the institutions is necessary. Accordingly, the initiatives for institutional building and organizational effectiveness are to be planned and executed. SHG movement and the proposed restructuring of the formal credit and other delivery agencies, the state policies to

empower the socially and economically disadvantaged etc., need to be built into the framework for poverty elimination. Given the spatial concentration of poverty and the institutional networks with varying levels of efficiency, region specific poverty alleviation models have to be evolved. Since huge databases on deprivations at household level are available through the base line surveys for identification of the poor, the planning for freeing the poor from different deprivations should be based on these databases with the involvement of the local institutions like PRIs, SHGs and NGOs.

Achieving this daunting task of poverty elimination in a short period demands mission mode and (poor) people-centred approaches with total involvement of all the stakeholders. Such arrangements alone can ensure proper targeting and convergence of the safety nets/programmes as a package to maximize the impact and enabling the poor to manage themselves the schemes for their own welfare and development. As a part of such approaches, the formation and strengthening of organisations of the poor is necessary in an iniquitous society to counter the feudal elements and market forces. Further, the capacity building of the formal and non-formal institutions for inters-institutional collaborations and co-ordination as an integral part of the »change management« becomes necessary.

**Reforms, agriculture and rural poor** - Agriculture is one of the worst affected sectors as a result of liberalization and economic reforms and as a consequence small-marginal farmers, agricultural labourers and other rural labourers are subjected to severe distress. In the name of fiscal constraint and in the false hope of higher agricultural commodity prices and higher farm profits from liberalized external trade in agriculture, public expenditure in agriculture was severely curtailed. Public sector GCF in agriculture as a share of total public sector GCF declined from 16% in 1980-1981 to about 7% in 1990-1991 and to about 5% in 1999-2000. Fertilizer subsidy, which amounted to 3.2% of GDP and 6% of the Union revenue expenditure in 1990-1991, was reduced to 2.5 and 5 per cent respectively by 1997-1998 and further to 0.69 per cent of GDP by 2003-2004.

Most of the States drastically reduced staff and expenditure on agricultural extension services, leaving the farmers to the mercy of fertilizer-pesticide dealers who doubled as dubious advisors to farmers. Many state seed corporations, supported by publicly funded R&D through Universities, did yeomen service to the farming community through monopoly supply of HYV seeds during 1970s and 1980s, but privatization of seed industry as a part of liberalization rendered the public seed corporations almost defunct, opening the fast growing seed market entirely to the private sector. Result has been a steep rise in seed prices along with other input prices. Depressed demand conditions in rural areas are partly responsible for hardly any growth in rural non-farm sector. Much expected market linkages to rural products with external demand are not yet in evidence.

It is evident that the high rate of growth without much impact on the magnitude of poverty is no longer a puzzle. Macroeconomic policies of the past decade have comprehensively affected the livelihoods of the rural poor. Mid-term Appraisal of the Tenth Plan admits that a large part of the rural distress seen in the last few years was an outcome of failure of the growth strategy followed since the mid-1990s. Appraisal also admits the crisis in agriculture. To overcome the crisis, there is a need for an increased investment in priority sectors along with equally important investment in improving the capacities of delivery institutions at the grass roots level. Several new schemes have recently been introduced to improve the resource flow of agriculture.



## 4.2 Critical review of liberalisation process in India

Critical review of liberalisation process in India is:

- a) Mix of Libertarian and Neo - Liberal view - As stated in above paras, India adopted concept of mixed economy for its development, but in the initial years, it was tilted more towards socialist kind of policies i.e. protectionist policies. From 1991 onwards, India moved towards the »Libertarian View« by adopting the policies of laissez-faire, but treaded cautiously while privatization of the public sector companies. Criterion adopted for privatization of public sector companies was, 'sick companies' or 'doing well companies'. Companies which were categorized as sick units were only privatized.

State continues to safeguard the interest of its citizens, as believed by »Neo-Liberals« that market outcomes may be unjust because not everyone has the same opportunity to earn one's livelihood through flair, initiative and hard work.

- b) Positive rights-One's rights to state assistance are matched with responsibilities for self sufficiency. The state's role is to enable people and families to look after themselves, rather than being the first port of call in times of need. Keeping this aspect in view the government of India has initiated many programmes, where the people are provided some training for employment, thereby reducing poverty.
- c) Positive discrimination-As mentioned in above paras, the casteism is one of the reason of poverty, therefore, to bring the members of these castes in the main stream and take them above poverty line, the government has introduced reservation in services as well as educational institutes for them.
- d) Rolling back the frontiers of the State (Say's law).

Keynesian theory believed in demand side policy, which could not contain unemployment through the macroeconomic policies. Hence, a shift in this approach was advocated, called Say's Law, emphasizing on supply side policy. The main elements of which are:

- Transferring the activity to the private sector wherever possible,
- Question if there is a need for activities which cannot be privatized,
- Market testing through the creation of:
  - external markets (contracting out and contracting in),
  - internal markets; and
  - relation of agencies (quangos).

India in its process of liberalization adopted the principles of privatization, wherever necessary and opened its economy for FDI as well leading to a healthy economic growth Liberalization process in India is also based on principles of 4 Es i.e. efficiency, equity, economy and effectiveness.

## **5 POVERTY ALLEVIATION STRATEGIES AND PROGRAMMES OF GOVERNMENT**

Logical conclusion is drawn that the economic growth i.e. growth in GDP will take care of eradication of poverty, by way of »Trickle Down Effect«. It should be applicable for all the countries in the world including India, but it is realized here in India that poverty alleviation cannot be left to the operation of Trickle Down theory alone in the process of economic growth. Therefore, many specific programmes are being implemented by the Government of India for eradication of poverty in India. Programmes initiated are a shift from macro-economic policy to micro-economic policy.

### **5.1 Strategies for poverty alleviation**

UNDP Human Development Report (1997) recognizes that strategies would differ from country to country. Nevertheless, it proposed the following six priorities for global action on poverty alleviation,

- a) start with empowering women and men to participate in decisions that affect their lives and that enable them to build their strength and assets;
- b) gender equality is essential for empowering women and for minimizing poverty;
- c) sustained poverty reduction requires pro-poor growth in all countries;
- d) globalization offers great opportunities, but only if it is managed more carefully and with more concern for global equity;
- e) state must provide an enabling environment for broad-based political support and alliances for pro-poor policies and markets;
- f) special international support is needed for special situations, such as to open agricultural markets for the exports from poor countries.

### **5.2 Strategies for poverty alleviation in India**

Government has been adopting several poverty alleviation strategies over the last five decades. These could be classified into four broad groups: Institutional Reforms, Empowerment of the poor, Development of Resource Deficient Areas, Special Employment Programmes and Safety Nets. Non-government organizations (NGOs) have also been evolving several different innovative schemes with the participation of the poor to address some of the specific disadvantages/ deprivations of the poor. Some of the projects undertaken under the public - public and public - private partnerships hold promise for scaling up and replication. It is well recognized that SHGs are appropriate grass-root level institutions for attacking multiple deprivation. Number of SHGs which is about 4 million - is increasing at an encouraging pace drawing support from the central and state governments, NABARD, banks and NGOs. Groups can be supported for taking up income generating activities.

A series of confidence building measures should precede their integration with the markets. There should be regular and steady training in banking and marketing. Promotion of federations around industrial/commodity clusters is a promising approach for involving the SHGs in productive income generating activities.

## 5.3 Poverty alleviation programmes

### 5.3.1 National rural health mission

Recognizing the importance of Health in the process of economic and social development and improving the quality of life of our citizens, the Government of India has resolved to launch the National Rural Health Mission to carry out necessary architectural correction in the basic health care delivery system. Mission adopts a synergistic approach by relating health to determinants of good health viz. segments of nutrition, sanitation, hygiene and safe drinking water. It also aims at mainstreaming the Indian systems of medicine to facilitate health care. Plan of Action includes increasing public expenditure on health, reducing regional imbalance in health infrastructure, pooling resources, integration of organizational structures, optimization of health manpower, decentralization and district management of health programmes, community participation and ownership of assets, induction of management and financial personnel into district health system, and operationalizing community health centers into functional hospitals meeting Indian Public Health Standards in each block of the country. Goal of the Mission is to improve the availability of and access to quality health care by people, especially for those residing in rural areas, the poor, women and children.

**State of public health** - Public health expenditure in India has declined from 1.3% of GDP in 1990 to 0.9% of GDP in 1999. Union Budgetary allocation for health is 1.3% while the State's budgetary allocation is 5.5%. Union government contribution to public health expenditure is 15% while States' contribution about 85% (Ministry of Health and Family Welfare, India, 2006). Vertical Health and Family Welfare Programme has limited synergisation at operational levels. Lack of community ownership of public health programmes impacts levels of efficiency, accountability and effectiveness. There are striking regional inequalities. Population Stabilization is still a challenge, especially in States with weak demographic indicators. Only 10% Indians have some form of health insurance, mostly inadequate hospitalized Indians spend on an average 58% of their total annual expenditure. Over 40% of hospitalized Indians borrow heavily or sell assets to cover expenses. Over 25% of hospitalized Indians fall below poverty line because of hospital expenses (Ministry of Health and Family Welfare, India, 2006).

Vision:

- National Rural Health Mission (2005-2012) seeks to provide effective healthcare to rural population throughout the country with special focus on 18 states, which have weak public health indicators and/or weak infrastructure.
- These 18 States are Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Jammu & Kashmir, Manipur, Mizoram, Meghalaya, Madhya Pradesh, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Uttaranchal and Uttar Pradesh.
- Mission is an articulation of the commitment of the government to raise public spending on Health from 0.9% of GDP to 2-3% of GDP.
- It aims to undertake architectural correction of the health system to enable it to effectively handle increased allocations as promised under the National Common Minimum Programme and promote policies that strengthen public health management and service delivery in the country.
- It seeks to revitalize local health traditions and mainstream AYUSH into the public health system.

- It aims at effective integration of health concerns with determinants of health like sanitation & hygiene, nutrition, and safe drinking water through a District Plan for Health.
- It shall define time-bound goals and report publicly on their progress.
- It seeks to improve access of rural people, especially poor women and children, to equitable, affordable, accountable and effective primary healthcare.

With the above, it is hoped to provide proper health care facilities to the poor people and raise their quality of life.

### **5.3.2 Women empowerment: Gender budgeting scheme**

**Background** - Achievement of human development is heavily dependent on the development and empowerment of the 496 million women and girls who, according to the 2001 census, account for 48 per cent of the total population of the country. Women face disparities in access to and control over services and resources. Bulk of the public expenditure and policy concerns are in »gender neutral sectors« Implications on women in the above sectors are not recognised or identified. Therefore one of the tools that can be used to promote women's equality and empowerment is gender-responsive budgeting or gender budgeting as is commonly known in India.

#### **Objectives:**

- to initiate an integrated approach and guide the Gender Budgeting Cells (GBCs) set up by different Central Ministries/Departments by disseminating the concept, tools and strategy of GB.
- to coordinate and monitor gender budgeting exercises of GBCs and facilitate gender budgeting analysis.
- to organize workshops to facilitate capacity building and training for various stakeholders including officials of Central and State Governments, PSUs, corporate sector, PRIs and NGOs, etc.
- to provide assistance to develop training modules/packages, training material and information booklets and manuals for gender budgeting for all stakeholders.
- to encourage State Governments and PRIs in evolving plans and strategies for undertaking gender budgeting by providing assistance, support and consultancy services for organizing Workshops, Seminars, Training Programmes, etc.
- to provide assistance to support research studies, surveys, etc. to Research Institutes, NGOs, etc. for gender budgeting.
- to pilot action on gender sensitive review of national policies such as fiscal, monetary, environment, trade etc.
- to pilot action on gender review and gender audit of important legislations.
- conduct gender based impact analysis, beneficiary needs assessment and beneficiary incidence analysis.
- collate and promote best practices on gender budgeting.

### **5.3.3 Swadhar - A scheme for women in difficult circumstances**

**Introduction** - Although Indian family as a social institution is well known for the emotional and physical support that it provides to its extended members, but many times , it fails to respond to the needs of women, specially or women in difficult circumstance like widows, destitute and deserted women, women ex-prisoners, victims of sexual abuse and crimes, including those trafficked and rescued from brothels, migrant or refuge women who have been rendered homeless due to natural calamities like flood, cyclone, earthquake, mentally challenged women, women victims of terrorist violence etc. Often the support of immediate or extended family are not available due to reasons ranging from economic instability of the family to provide such support to the breakdown of joint family system to the social bias against the marginalized women as also the attitude and value attached to such women.

**Objectives** - Sometimes society itself drives such women out of the system to lead lives of sub human existence. More often vulnerable women in distress end up as beggars or prostitutes for their own survival and at times for survivals and maintenance of their dependent children. Very limited State intervention available through old age home, short stay home, Nari Niketan etc., cover only a fringe of the problems of such women. Therefore a scheme known as ‘Swadhar’ has been designed with a more flexible and innovative approach to cater to the requirement of various types of women in distress in diverse situations under different conditions. Swadhar Scheme purports to address the specific vulnerability of each of group of women in difficult circumstances through a home-based holistic and integrated approach.

Following are the target group/ beneficiaries of the scheme:

- a) widows deserted by their families and relatives and left uncared near religious places where they are victims of exploitation;
- b) women prisoners released from jail and without family support;
- c) women survivors of natural disaster who have been rendered homeless and are without any social and economic support;
- d) trafficked women/girls rescued or runaway from brothels or other places or women/girl victims of sexual crimes who are disowned by family or who do not want to go back to respective family for various reasons;
- e) women victims of terrorist/extremist violence who are without any family support and without any economic means for survival;
- f) mentally challenged women (except for the psychotic categories who require care in specialized environment in mental hospitals) who are without any support of family or relatives;
- g) women with HIV/AIDS deserted by their family or women who have lost their husband due to HIV/AIDS and are without social/economic support; or
- h) similarly placed women in difficult circumstances.

### **5.3.4 National rural employment guarantee, Act (NREGA)**

NREGS was launched on 2<sup>nd</sup> February 2006 and the first full year of operation was 2006-2007 covering 200 districts (Ministry of Rural Development, India, 2007). Programme was expanded to 330 districts in 2007-2008 and covers the whole country from 1<sup>st</sup> April 2008. Primary objective of the scheme is to provide guaranteed work for 100 days for any

household wishing to have such employment. Although all households are eligible, the expectation is that only the poorer sections, i.e., landless labour and marginal farmers would actually seek work. Secondary objective is to ensure that employment generated is from works that raise land productivity.

### **5.3.5 Swaranjayanti gram swarozgar yojana (Golden jubilee rural self employment scheme)**

SGSY is a major on-going scheme for the self-employment of the rural poor. Basic objective of the scheme is to bring the assisted poor families (swarozgaris) above the poverty line by providing them income generating assets through a mix of bank credit and government subsidy. Credit is the critical component of the scheme whereas the subsidy is an enabling element. Scheme involves organisation of the poor into Self Help Groups (SHGs) build their capacities through a process of social mobilization, their training, selection of key activities, planning of activity clusters, creation of infrastructure, provision of technology and marketing support, etc. Under the scheme focus is on the group approach. However, individual Swarozgaris are also assisted. SGSY is being implemented by the District Rural Development Agencies (DRDAs) with the active involvement of Panchayati Raj Institutions (PRIs), banks; line departments and the non-government organisations.

Credit mobilization under SGSY has been abysmally low. Further, a large number of SHGs are formed but fizzle out midway after availing the revolving fund. To make the scheme more effective it is being re-structured with a sharper focus on poorest of the poor people. A suitable mechanism will be put in place for higher social mobilization, capacity building and institution building among the target population

### **5.3.6 Indira awaas yojana (Indira housing scheme)**

IAY is being implemented as an independent scheme since 1996. Indira Awaas Yojana is a centrally sponsored scheme funded on cost-sharing basis between the government of India and the state governments in the ratio of 75:25. It aims to provide assistance for construction/up gradation of dwelling units to the below poverty line rural households, with special emphasis on scheduled castes and scheduled tribes and freed bonded labour categories. A maximum assistance of Rs. 35,000 per unit is provided for construction in plain areas and Rs. 38,500 per unit for hilly/difficult areas. Rs. 15,000 are given for up gradation of a dwelling unit for all areas. Funding of IAY is shared between the centre and state in the ratio of 75:25 (100% in the case of union territories).

**Target Group:** Target groups for houses under the IAY are below poverty line households living in the rural areas, belonging to scheduled castes/scheduled tribes, freed bonded labourers, minorities in the BPL category and non-SC/ST BPL rural households, widows and next-of-kin to defence personnel retired members of paramilitary forces.

### **5.3.7 National social assistance programme**

National Social Assistance Programme (NSAP) was launched with the aim to provide social assistance benefit to poor households in the case of old age, death of primary breadwinner and maternity. Programme supplements the efforts of the state governments

with the objective of ensuring minimum national levels of well being and the central assistance is an addition to the benefit that the States are already providing on social protection schemes. With a view to ensure better linkage with nutrition and national population control programmes, the maternity benefit component of the NSAP was transferred to the Department of Family Welfare, Ministry of Health and Family Welfare with effect from 2001-2002. Schemes of NSAP and Annapurna have been transferred to the State Plan with effect from 2002-2003 with a view to provide requisite flexibility to the State/UT in the choice and implementation of the schemes (Ministry of Health and Family Welfare, India, 2003).

### **5.3.8 Integrated watershed management programme**

During the Eleventh Plan, the three area development programmes, namely, Integrated Wasteland Development Programme, Drought Prone Area Programme and Desert Development Programme have been integrated and consolidated into a single programme called Integrated Watershed Management Programme (IWMP). This consolidation is for optimum use of resources, sustainable outcomes of an integrated planning. Common guidelines for the Watershed Development Programme have been formulated and are effective from 1<sup>st</sup> April 2008. An amount of Rs. 1,825 crore has been allocated for IWMP during 2008-2009. Ongoing projects sanctioned prior to 1<sup>st</sup> April 2008 under DADP, DDP, and IWDP would be continued to be implemented as per old guidelines.

Modified IWMP would adopt a three tier approach in which the upper reaches which are mainly forested and hilly would be treated with the support of Forest Department. For land situated intermediate slopes above the agriculture lands, the IWMP would address all the necessary issues of land treatment by adopting best possible options including cropping pattern, horticulture and agro-forestry etc. In the lower tier, which are plains and mainly agricultural lands, the IWMP would be dovetailed with the employment generating programme such as National Rural Employment Guarantee Scheme (NREGS) and would fill the critical gaps of NREGS and vice versa.

Under the new programme, a cluster approach would be followed with a broader vision of natural hydro-geographical unit of average size of 4,000 to 10,000 ha comprising of clusters of micro-watershed to be selected as project area. Programme would be implemented by dedicated institutional agencies at state and central level. Professional support (in the form of multidisciplinary expert team) would be provided to support these institutions with proper fund allocation. Core GIS facility with spatial and non-spatial data augmented with satellite imagery data would be set up for giving controlled access/distribution for local project planning.

Project period is proposed in the range of five to seven years in three distinct phases, i.e. Preparatory, Watershed works and Consolidation phase. Consolidation phase will include livelihood activities, marketing, and processing and value addition activities.

### **5.3.9 National land records modernisation programme**

National Land Records Modernization Programme (NLRMP) has been conceptualized as a major system and reform initiative that is concerned not merely with computerization, updating and maintenance of land records and validation of titles, but also as a programme

that will add value and provide a comprehensive database for planning developmental, regulatory and disaster management activities by providing location-specific information, while providing citizen services based on land records data.

Under the NLRMP, the following three layers of data will be integrated on a geographic information system (GIS) platform: Spatial data from satellite imagery/aerial photography, Survey of India and Forest Survey of India maps, and Revenue records: cadastral maps and RoR details. All cadastral maps will be digitized, and data included with plot numbers and unique id for each land parcel. Administrative unit boundaries from village level upwards (including panchayat, block, tehsil, circle, sub-division, district, division, State and national boundaries), forest, water bodies and other physical attributes of land and land use details will be overlaid, and other developmental layers (e.g., watersheds, road networks, etc.) added to the core GIS.

Activities to be supported under the Programme, inter alia, include survey/resurvey using modern technology including aerial photogrammetry, updating of land records including mutation records, completion of computerization of the records of rights (RoRs), computerization of registration, automatic generation of mutation notices, digitization of maps, integration of the entire system digitization of maps and training and capacity building of the concerned officials and functionaries. Connectivity amongst the land records and registration offices and land records management centres at tehsil/taluk/circle/block level would be supported. Access to land records data would be provided to Cooperative and other financial institutions for facilitating credit operations.

Major focus of the Programme will be on citizen services, such as providing RoRs with maps; other land-based certificates such as caste certificates, income certificates (particularly in rural areas), domicile certificates; information for eligibility for development programmes; land passbooks, etc.

In addition, the programme will be of immense usefulness to the governments - both central and state governments - in modernizing and bringing efficiency to the land revenue administration as well as offering a comprehensive tool for planning various land-based developmental, regulatory and disaster management activities needing location-specific information. Even the private sector will be able to benefit from this comprehensive tool for planning business and economic activities.

As indicated above, the NLRMP has been approved by the Cabinet in its meeting held on 21<sup>st</sup> August 2008. Budget provision for the scheme during the year (2008-2009) was Rs. 473.00 crore (Ministry of Rural Development, India, 2009).

Accordingly, it is proposed to implement the NLRMP across the country and to make it fully operational over the next five to eight year period. Components of the scheme will become integrated with the Revenue Administration of the States/UTs and will continue as such on an ongoing basis.

#### **5.3.10 Pradhan mantri adarsh gram yojana (Prime minister's model village scheme)**

Government of India have approved implementation of a new Centrally-sponsored Pilot Scheme called Pradhan Mantri Adarsh Gram Yojana (PMAGY) from the financial year, 2009-2010, for integrated development of 1,000 villages in the country, each with more



than 50% Scheduled Castes (SC) population. PMAGY, in its pilot phase is being taken up in five States i.e. Uttar Pradesh, Bihar, Rajasthan, Tamil Nadu (225 villages in each state) and Assam (100 villages). State government will select the specified no. of villages - preferably from one district; else, from a maximum of 2-3 contiguous districts. PMAGY aims to achieve all-round, integrated development of selected villages:

- a) primarily, through convergent implementation of all relevant Central and State schemes in them, and
- b) By meeting needs which cannot be met through, (a) above, through provision of »gap-filling« funds for which central assistance will be provided @ Rs.1.0 million per village, where State Government is also expected to make a suitable, preferably matching, contribution.

### **5.3.11 Special central assistance to scheduled castes (Sub Plan)**

Special Central Assistance (SCA) to Scheduled Castes Sub Plan (SCSP) is a central scheme under which 100% grant is given to the States/UTs as an additive to their SCSP.

**Objective of the Scheme** - Main objective is to give a thrust to family oriented schemes of economic development of scheduled castes (SCs) below the poverty line, by providing resources for filling the critical gaps and for providing missing vital inputs so that the schemes can be more meaningful. Since the schemes/programmes for SCs may be depending upon the local occupational pattern and the economic activities available, the states/union territories (UTs) have been given full flexibility in utilizing SCA with the only condition that it should be utilized in conjunction with SCP and other resources available from other sources like various corporations, financial institution etc. State governments have been given flexibility in choice of schemes to be implemented out of special central assistance, within the overall frame work of the scheme.

### **5.3.12 Self employment scheme for rehabilitation of scavengers**

Government of India introduced a 'Self Employment Scheme for Rehabilitation of Manual Scavengers' (SRMS) from January 2007, with the objective to rehabilitate remaining Manual Scavengers and their dependents in time-bound money.

Identified manual scavengers and their dependents are provided capital subsidy up to Rs. 20,000 and concessional loan for undertaking self employment ventures. Beneficiaries are also provided training for skill development for a period up to one year, during which a stipend of Rs. 1,000 per month is also provided.

Table 4: Funds provided under the SRMS(2006-07 to 2009-10).

<b>Rs. in crore; One crore = 10 million</b>			
<b>Year</b>	<b>Budget Estimates</b>	<b>Revised Estimates</b>	<b>Expenditure (as on 31.12.2009)</b>
2006-2007	1.00	56.00	56.00
2007-2008	50.00	50.00	25.00
2008-2009	100.00	100.00	100.00
2009-2010	100.00	100.00	50.00

Source: Ministry of Social Justice and Empowerment, India, Annual Report (2009-2010), 2010.

### 5.3.13 Matric scholarship for the children of those engaged in unclean occupations

Objective of this scheme is to provide financial assistance to enable the children of scavengers of dry latrines, tanners, flayers and sweepers who have traditional links with scavenging to pursue pre-matric education. Under the scheme, Central assistance is provided to the state governments on a 50:50 basis and 100% to UT Administrations, both over and above their respective committed liabilities to be met by them from their own state/UT budget. Scheme covers over 6 lakh students every year. There is a budget provision of Rs. 160 million during 2004-2005.

### 5.4 Universal education

Literacy in India - It is key for socio-economic progress, and the Indian literacy rate grew to 66% in 2007 from 12% at the end of British rule in 1947. Although this was a greater than fivefold improvement, the level is well below the world average literacy rate of 84%, and India currently has the largest illiterate population of any nation on earth. Despite government programs, India's literacy rate increased only »sluggishly«. 2001 census, however, indicated a 1991-2001 decadal literacy growth of 12.63%, which is the fastest-ever on record.

Table 5: Literacy position in India (year 2001)

		<b>Persons</b>	<b>Males</b>	<b>Females</b>
Total	No of literates	560,687,797	336,533,716	224,154,081
	Literacy rate	64.8%	75.3%	53.7%
Rural	No of literates	361,870,817	223,551,641	138,319,176
	Literacy rate	58.7%	70.7%	46.1%
Urban	No of literates	198,816,980	112,982,075	85,834,905
	Literacy rate	79.9%	86.3%	72.9%

Source: Office of the Registrar General and Census Commissioner, India (2001 census).

There is a wide gender disparity in the literacy rate in India: adult (15+ years) literacy rates in 2009 were 76.9% for men and 54.5% for women. Low female literacy rate has had a dramatically negative impact on family planning and population stabilization efforts in India. 2001 census provided a positive indication that growth in female literacy rates (14.38%) was substantially faster than in male literacy rates (11.13%) in the 1991-2001 decadal period, which means the gender gap appears to be narrowing.

**Comparative literacy statistics** - About 35% of world's illiterate population is Indian and, based on historic patterns of literacy growth across the world, India may account for a majority of the world's illiterates by 2020. Table below shows the adult and youth literacy rates for India and some neighbouring countries in 2002. Adult literacy rate is based on the 15+ year's age group; while Youth literacy rate is for the 15-24 years age group (i.e. youth is a subset of adults).

*Table 6: Adult and youth literacy rates in India and some other countries*

Country	Adult Literacy Rate	Youth Literacy Rate
China	93.3% (2007)	98.9% (2004)
Sri Lanka	90.8 (2007)	98.0
Burma	89.9% (2007)	94.4% (2004)
Iran	82.4% (2007)	95% (2002)
World Average	84% (1998)	88% (2001)
<b>India</b>	<b>66.0% (2007)</b>	<b>82% (2001)</b>
Nepal	56.5 (2007)	62.7
Pakistan	54.2 (2007)	53.9
Bangladesh	53.5 (2007)	49.7

*Source: Ministry of Finance, India, Economic Survey 2004-2005, quoting UNDP, Human Development Report 2004.*

## **Growth of literacy**

**British period** - During the British period, progress of education was rather tardy. Between 1881-1882 and 1946-1947, the number of primary schools grew from 82,916 to 134,866 and the number of students grew from 2,061,541 to 10,525,943. Literacy rates in British India rose from 3.2 per cent in 1881 to 7.2 per cent in 1931 and 12.2 per cent in 1947 (Nayaka & Nurullah, 1974). In 2000-2001, there were 60,840 pre-primary and pre-basic schools, and 664,041 primary and junior basic schools. Total enrolment at the primary level has increased from 19,200,000 in 1950-1951 to 109,800,000 in 2001-2002.

In 1944, the Government of British India presented a plan, called the Sergeant Scheme for the educational reconstruction of India, with a goal of producing 100% literacy in the country within 40 years, i.e. by 1984. Although the 40 year time-frame was derided at the time by leaders of the Indian independence movement as being too long a period to achieve universal literacy, India had only just crossed the 64% level by the 2001 census.

**Post Independence** - Provision of universal and compulsory education for all children in the age group of 6-14 was a cherished national ideal and had been given overriding priority by incorporation as a Directive Policy in Article 45 of the Constitution, but it is still to be achieved more than half a century since the Constitution was adopted in 1949. Parliament

has passed the Constitution 86<sup>th</sup> Amendment Act, 2002, to make elementary education a Fundamental Right for children in the age group of 6-14 years. In order to provide more funds for education, an education cess of 2 per cent has been imposed on all direct and indirect central taxes through the Finance (No. 2) Act, 2004.

Since independence, the literacy rate grew from 18.33 per cent in 1951, to 28.30 per cent in 1961, 34.45 per cent in 1971, 43.57 per cent in 1981, 52.21 per cent in 1991, and 64.84 per cent in 2001. During the same period, the population grew from 361 million to 1,028 million (Ministry of Finance, India, 2001).

#### **5.4.1 Right of children to free and compulsory education Act, 2009.**

In the above scenario, the Government of India took decision to provide free and compulsory education to school going children in the country by promulgating »The Right of Children to Free and Compulsory Education Act, 2009« which was passed by the Indian parliament on 4<sup>th</sup> August 2009, describes the modalities of the provision of free and compulsory education for children between 6 and 14 in India under Article 21A of the Indian constitution. India became one of 135 countries to make education a fundamental right of every child when the act came into force on 1<sup>st</sup> April 2010. Act makes education a fundamental right of every child between the ages of 6 to 14 and specifies minimum norms in government schools. It requires the reservation of 25% of places in private schools for children from poor families, prohibits unrecognized schools from practice, and makes provisions for no donation or capitation fees and no interview of the child or parent for admission.

Act also provides that no child shall be held back, expelled, or required to pass a board examination until the completion of elementary education. There is also a provision for special training of school drop-outs to bring them up to par with students of the same age. Right to Education of persons with disabilities until 18 years of age has also been made a fundamental right. Act provides for the establishment of the National Commission for Protection of Child Rights, and State Commissions for supervising proper implementation of the act, looking after complaints and protection of child rights. Other provisions regarding improvement of school infrastructure, teacher-student ratio and faculty are made in the Act.

Chronic hunger can lead to malnutrition. Chronic hunger also delays or stops the physical and mental growth of children. Poor or insufficient nutrition over time means that children are too small for their age, and susceptible to diseases like measles or dysentery, which can kill malnourished children. Malnutrition adversely affects universalization of elementary education. Even if a malnourished child does attend school, she finds it difficult to concentrate on and participate in the teaching learning activities in school. Committee set up to study the funds requirement and funding estimated that Rs. 1.71 trillion (US\$38.2 billion) would be required in the next five years to implement the Act, and the government agreed to sharing the funding for implementing the law in the ratio of 65 to 35 between the central government and the states, and a ratio of 90 to 10 for the north-eastern states (Ministry of Human Resources Development, India, 2009).

### **5.4.2 Mid day meal**

Mid day meal in schools has had a long history in India. In 1925, a mid-day programme was introduced for disadvantaged children in municipal corporation of Madras. By the mid 1980s three states viz. Gujarat, Kerala and Tamil Nadu and the UT of Pondicherry had universalized a cooked mid day meal programme with their own resources for children studying at the primary stage. Mid day meal was also being provided to children in tribal areas in some states like Madhya Pradesh and Orissa. By 1990-1991 the number of states implementing the mid day meal programme with their own resources on a universal or a large scale had increased to twelve, namely, Goa, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Mizoram, Nagaland, Sikkim, Tamil Nadu, Tripura and Uttar Pradesh.

In another three states, namely Karnataka, Orissa and West Bengal, the programme was being implemented with state resources in combination with international assistance. Another two states, namely Andhra Pradesh and Rajasthan were implementing the programme entirely with international assistance. It is an incontrovertible fact that school meal programmes exert a positive influence on enrolment and attendance in schools. Hungry child is less likely to attend school regularly.

There is also evidence to suggest that apart from enhancing school attendance and child nutrition, mid day meals have an important social value and foster equality. As children learn to sit together and share a common meal, one can expect some erosion of caste prejudices and class inequality. Moreover, cultural traditions and social structures often mean that girls are much more affected by hunger than boys.

Thus the mid day meal programme can also reduce the gender gap in education, since it enhances female school attendance. With a view to enhancing enrollment, retention and attendance and simultaneously improving nutritional levels among children, the National Programme of Nutritional Support to Primary Education (NP-NSPE) was launched as a centrally sponsored scheme on 15<sup>th</sup> August 1995, initially in 2,408 blocks in the country. By the year 1997-1998 the NP-NSPE was introduced in all blocks of the country. It was further extended in 2002 to cover not only children in classes I-V of government, government aided and local body schools, but also children studying in centres run under the Education Guarantee Scheme (EGS) and Alternative and innovative Education (AIE) Scheme.

### **5.4.3 Adult education**

Government is conscious of the fact that a large number of population could not even make to school education. With a view to bring them at least at a literacy level, the government of India launched »Adult Education« programme for persons above 35 years of age. With a view to bring such people at literacy level, the following initiatives have been taken by the government.

## **1. Campaigns and Operation Restoration**

**Objectives:** Encompasses the programmes of Total Literacy Campaign (TLC) and Post Literacy Programme (PLP). Literacy campaign is the principal strategy of the National Literacy Mission for eradication of illiteracy. Programme carries out literacy campaigns which are area specific, time bound, volunteer-based, cost-effective, and out-come oriented. Objective of Post Literacy Programmes is remediation, retention and consolidation of literacy skills through guided learning and to help the neo-literates to continue learning through self directed processes. Emphasis is also laid on integration of skill development programme with PL programme. PLP is regarded as the preparatory stage for continuing education.

Campaigns, which have stagnated for various reasons, are helped in their restoration. Additionality of 40 to 50% of the original project cost is admissible for such restoration.

## **2. Continuing Education**

**Objectives:**

- To provide life-long learning opportunity to all beyond basic literacy and primary education.
- Linking learning to target-specific functional programmes covering economic, vocational and socially useful activities.
- Imparting literacy skills to residual non-literates.
- Providing opportunities to learners for higher levels of competency.

## **3. Support to NGOs in the field of adult education**

**Objectives:** Programme aims at securing extensive involvement of NGOs in National Literacy Mission and they (NGOs) are given grants for the following,

- for taking responsibility for eradication of illiteracy in well defined areas;
- organization of vocational and technical education or neo-literates;
- to undertake resource development activities and establishment of Resource Centres;
- innovative, experimentation, learner evaluation and action research for improvement of functional literacy and adult education programme, and
- activities as may be appropriate for achievement of NLM objectives.

## **4. Jan Shikshan sansthan (Institute of peoples' education)**

**Objectives:** Jan Shikshan Sansthan (JSS) is an institutional framework for offering vocational training programme to disadvantaged groups of adults such as neo-literates, less-educated slum dwellers, SC and ST and women etc. to raise their efficiency and increase their productive ability. It also provides academic and technical source support to Zilla Saksharata Samitis (District literacy committees). Programme is implemented through the NGOs.

## **5.5 Clean drinking water for rural India: Rajiv Gandhi national drinking water mission**

Under this mission a programme, covering the whole country, named Bharat Nirman: Rural Drinking Water was launched by the government of India, to build rural infrastructure to ensure clean drinking water to the rural population, in 2005. Phase I of the programme was implemented in the period 2005-2006 to 2008-2009. Phase II is being implemented from 2009-2010 to 2011-2012. Rural drinking water is one of the six components of Bharat Nirman. During the Bharat Nirman Phase - I period, 55,067 uncovered and about 3.31 lakh slipped back habitations were to be covered with provisions of drinking water facilities and 2.17 lakh quality affected habitations were to be addressed for water quality problem (Ministry of Rural Development, India, 2009).

While prioritizing the addressal of the water quality problem, arsenic and fluoride affected habitations have been accorded priority followed by iron, salinity, nitrate and other contaminants. To ensure that habitations once provided with drinking water supply infrastructure do not slip back and face drinking water problem, sustainability of drinking water sources and systems has been accorded high priority. To achieve drinking water security at village/habitation level, conjunctive use of water i.e. judicious use of rain water, surface water and ground water is promoted. To enable the rural community to shoulder responsibility in management, operation and maintenance of water supply systems at village level, decentralized, demand driven, and community managed approach has been adopted.

To further strengthen community participation in the drinking water sector for sustainability, National Rural Drinking Water Quality Monitoring & Surveillance programme was launched in February 2006 under which five persons in each Gram Panchayat are to be trained to carry out regular surveillance of drinking water sources for which 100% financial assistance including water testing kits, are provided, as detailed below:

- a) Uncovered habitations: Against 55,067 uncovered habitations to be covered during the Bharat Nirman period, 54,440 habitations have been covered during Phase-I. During 2009-2010, 253 habitations out of 586 targeted habitations were covered. The strategy adopted under the National Rural Drinking Water Programme (NRDWP) to cover uncovered habitations, which include both Not Covered and Partially Covered habitations, to ensure that the rural population gets at least 40 lpcd of safe water from sources lying within the village or nearby.
- b) Quality affected habitations: In respect of rural water supply programme, 85% of the sources are ground water based. The contamination which is found in groundwater based water supply sources is mainly of a chemical nature arising out of mostly geogenic causes.

Under the NRDWP, chemical contaminants which are sought to be tackled are excess arsenic, fluoride, iron, salinity and nitrate. Except for nitrate, all others occur naturally. Nitrate occurs in drinking water due to leaching of chemical fertilizers and sewerage. The strategy of the Department is to prioritize addressing the problems of arsenic and fluoride in drinking water through alternative surface water sources.

Treatment technologies that are available for removal of excess arsenic and fluoride are still not foolproof in respect of reject management issues. Though a target of 2.17 lakh quality affected habitations was identified at the beginning of Bharat Nirman, the States submitted an action plan for covering only 195,813 such habitations. Thus on 1<sup>st</sup> April 2006, there were 7,067 habitations reported to be afflicted with arsenic and 29,030 habitations with fluoride contamination. Priority has been given to address the problems in these affected habitations. It must be admitted however, that due to expansion of testing, more areas are identified as having problems of quality.

At the beginning of Bharat Nirman period on 1<sup>st</sup> April 2006, there were 104,477 rural habitations affected with excess iron in drinking water sources. The focus of the Department is to tackle excess iron problem through aeration based technology or low-cost terra-cotta based filtration technique. States such as Karnataka and Orissa have already taken up the challenge of tackling this contamination through low-cost terracotta based filtration technology. In respect of salinity, 12,425 habitations were having a problem at the beginning of Bharat Nirman period. Although there are a number of technologies like distillation, ion exchange, R.O., Electro-dialysis etc., these being expensive solutions the focus of the department is to tackle this problem through dilution of groundwater through artificial recharge of ground water.

Strategy of the department to tackle excess nitrate is by improving sanitary conditions. At the beginning of Bharat Nirman period, 19,387 habitations were afflicted with excess nitrate. As reported by the States, 50,168 habitations have been fully covered with completed projects to provide safe water supply during Phase-I. Projects to cover 259,772 habitations have been given technical and administrative approvals during the period. During 2009-2010, 32,129 habitations have been covered. Thus, 82,297 habitations have been fully covered. Goal of the department is to cover all water quality affected habitations with safe drinking water by the end of phase.

**Action Plan 2009-2010 to 2011-2012.** For the remaining years of the 11<sup>th</sup> Plan, the plan is as follows:

- a) Against 55,067 uncovered habitations to be covered during the Bharat Nirman period, 54,440 habitations have been covered during Phase I. During 2009-2010 253 uncovered habitations have been covered and the remaining is to be covered by the end of 2010-2011.
- b) Of the quality affected habitations, 50,168 habitations are supplied safe water through completed projects during Phase I. At the beginning of 2009-2010, 1.8 lakh quality affected habitations are reported. Of these, 32,129 habitations are reported as covered during 2009-2010. It is proposed to cover the remaining quality affected habitations by the end of the 11<sup>th</sup> Plan period.

## **5.6 Food Security: Public Distribution System (PDS)**

Public Distribution System (PDS) evolved as a system of management of scarcity and for distribution of food grains at affordable prices. Over the years, PDS has become an important part of government's policy for management of food economy in the country. PDS is supplemental in nature and is not intended to make available the entire



requirement of any of the commodities distributed under it to a household or a section of the society.

PDS is operated under the joint responsibility of the central and the state governments. Central government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the state governments. Operational responsibility including allocation within state, identification of families below the poverty line, issue of Ration Cards and supervision of the functioning of FPS, rest with the state governments. Under the PDS, presently the commodities namely wheat, rice, sugar and kerosene, are being allocated to the states/union territories for distribution. Some states/union territories also distribute additional items of mass consumption through the PDS outlets such as cloth, exercise books, pulses, salt and tea, etc.

**Evolution of Public Distribution System** - Public Distribution of essential commodities had been in existence in India during the inter-war period. PDS, with its focus on distribution of food grains in urban scarcity areas, had emanated from the critical food shortages of 1960. PDS had substantially contributed to the containment of rise in food grains prices and ensured access of food to urban consumers.

As the national agricultural production had grown in the aftermath of Green Revolution, the outreach of PDS was extended to tribal blocks and areas of high incidence of poverty in the 1970s and 1980s. PDS, till 1992, was a general entitlement scheme for all consumers without any specific target. Revamped Public Distribution System (RPDS) was launched in June 1992 in 1775 blocks throughout the country. Targeted Public Distribution System (TPDS) was introduced with effect from June 1997 (Ministry of CA, Food & PD, 2010).

**Revamped Public Distribution System (RPDS)** - Revamped Public Distribution System (RPDS) was launched in June, 1992 with a view to strengthen and streamline the PDS as well as to improve its reach in the far-flung, hilly, remote and inaccessible areas where a substantial section of the poor live. It covered 1,775 blocks wherein area specific programmes such as the Drought Prone Area Programme (DPAP), Integrated Tribal Development Projects (ITDP), Desert Development Programme (DDP) and certain Designated Hill Areas (DHA) identified in consultation with State Governments for special focus, with respect to improvement of the PDS infrastructure. Food grains for distribution in RPDS areas were issued to the states at 50 paise below the Central Issue Price. Scale of issue was up to 20 kg per card.

RPDS included area approach for ensuring effective reach of the PDS commodities, their delivery by state governments at the doorstep of FPSs in the identified areas, additional ration cards to the left out families, infrastructure requirements like additional Fair Price Shops, storage capacity, etc. and additional commodities such as tea, salt, pulses, soap, etc. for distribution through PDS outlets.

**Targeted Public Distribution System (TPDS)** - In June 1997, the Government of India launched the Targeted Public Distribution System (TPDS) with focus on the poor. Under the TPDS, States are required to formulate and implement foolproof arrangements for identification of the poor for delivery of food grains and for its distribution in a transparent and accountable manner at the FPS level.

Scheme, when introduced, was intended to benefit about 6 crore poor families for whom a quantity of about 72 lakh tonnes of food grains was earmarked annually. The identification of the poor under the scheme is done by the States as per State-wise poverty estimates of the Planning Commission for 1993-1994 based on the methodology of the »Expert Group on estimation of proportion and number of poor« chaired by Late Prof Lakdawala. The allocation of food grains to the States/UTs was made on the basis of average consumption in the past i.e. average annual off-take of food grains under the PDS during the past ten years at the time of introduction of TPDS.

Quantum of food grains in excess of the requirement of BPL families was provided to the State as 'transitory allocation' for which a quantum of 103 lakh tonnes of food grains was earmarked annually. Over and above the TPDS allocation, additional allocation to States was also given. The transitory allocation was intended for continuation of benefit of subsidized food grains to the population Above the Poverty Line (APL) as any sudden withdrawal of benefits existing under PDS from them was not considered desirable. The transitory allocation was issued at prices, which were subsidized but were higher than the prices for the BPL quota of food grains.

Keeping in view the consensus on increasing the allocation of food grains to BPL families, and to better target the food subsidy, government of India increased the allocation to BPL families from 10 kg to 20 kg of food grains per family per month at 50% of the economic cost and allocation to APL families at economic cost w.e.f. 1<sup>st</sup> April 2000. Allocation of APL families was retained at the same level as at the time of introduction of TPDS but the Central Issue Prices (CIP) for APL were fixed at 100% of economic cost from that date so that the entire consumer subsidy could be directed to the benefit of the BPL population. However, the CIPs fixed in July and December 2000 for BPL & AAY respectively and in July 2002 for APL, have not been revised since then even though procurement costs have gone up considerably.

Number of BPL families has been increased w.e.f. 1<sup>st</sup> December 2000 by shifting the base to the population projections of the Registrar General as on 1<sup>st</sup> March 2000 instead of the earlier population projections of 1995. With this increase the total number of BPL families is 652.03 lakh as against 596.23 lakh families originally estimated when TPDS was introduced in June 1997.

**Antyodaya Anna Yojana (Poorest people's food scheme).** AAY is a step in the direction of making TPDS aim at reducing hunger among the poorest segments of the BPL population. National Sample Survey Exercise points towards the fact that about 5% of the total population in the country sleeps without two square meals a day. This section of the population can be called as »hungry«. In order to make TPDS more focused and targeted towards this category of population, the »Antyodaya Anna Yojana« (AAY) was launched in December, 2000 for one crore poorest of the poor families. AAY contemplates identification of one crore poorest of the poor families from amongst the number of BPL families covered under TPDS within the States and providing them food grains at a highly subsidized rate of Rs. 2/per kg, for wheat and Rs. 3/per kg for rice. States/UTs are required to bear the distribution cost, including margin to dealers and retailers as well as the transportation cost. Thus the entire food subsidy is being passed on to the consumers under the scheme.

Despite the above schemes, the fact remains that many a poor especially in rural areas face hunger in some states of the country, not because of unavailability of food grains but due to lack of purchasing power. It is ironical that at one hand the food grains are rotting in open due to lack of adequate storage facility with the Food Corporation of India (the public sector undertaking of government of India) and on the other hand a large number of rural population suffer hunger and malnutrition. This shows the apathy of the government towards the poor and needy.

Recently, due to media coverage of rotting food grains in the open yards of FCI, the Supreme Court of India took suo moto cognisance of the issue and took a serious note of the state of affairs and passed order to the union government to distribute the surplus food grains free of cost to the people living below poverty line. Government is devising the mechanism to do the needful.

## **6 ROLE OF FINANCIAL, DEVELOPMENT ORGANISATIONS AND NGOs IN ERADICATION OF POVERTY**

### **6.1 World Bank**

World Bank is one of the world's largest sources of funding and knowledge for developing countries. India is one of the oldest members, having joined the institution at its inception in 1944. In India, the World Bank works in close partnership with the central and state governments. It also works with other development partners: bilateral and multilateral donor organizations, nongovernmental organizations (NGOs), the private sector, and the general public, including academics, scientists, economists, journalists, teachers, and local people involved in development projects.

**World Bank's Plan of Action in India** - World Bank's work plan in India's spelt out in its Country Strategy. Country strategy for India is closely aligned with India's own development priorities and describes what kind of support and how much can be provided to the country over a period of around four years.

**Country Strategy for India for 2009-2012** - It is aligned with the government's eleventh Five Year Plan. It focuses on helping the country to fast-track the development of much-needed infrastructure, support the seven poorest states, and respond to the financial crisis. The strategy was arrived at after a series of consultations with a broad range of stakeholders, including members of the government and civil society. Strategy envisages total proposed lending of US\$14 billion for 2009-2012. As private financing dries up in the wake of the global financial crisis, the Bank has agreed to provide an additional US\$3 billion as part of the total financing envelope of US\$14 billion (World Bank, 2009). Strategy is implemented through lending, dialogue, analytical work, engagement with the private sector, and capacity building exercises.

### **6.2 Asian Development Bank (ADB)**

Work of the Asian Development Bank (ADB) is aimed at improving the welfare of the people in Asia and the Pacific, particularly the 1.9 billion who live on less than \$2 a day. Despite many success stories, Asia and the Pacific remains home to two thirds of the world's poor. Bank was conceived with the vision of creating a financial institution that

would be »Asian in character« to foster growth and cooperation in a region that that was one of the world's poorest. ADB raises funds through bond issues on the world's capital markets, while also utilizing its members' contributions and earnings from lending. These sources account for almost three quarters of its lending operations.

Although recent economic growth in many member countries have led to a change in emphasis to some degree, throughout most of its history the bank has operated on a project basis, specifically in the areas of infrastructure investment, agricultural development and loans to basic industries in member countries. Although by definition the bank is a lender to governments and government entities, it also provides direct assistance to private enterprises and has also participated as a liquidity enhancer and best practice enabler in the private sectors of regional member countries. It is conceivable that once all of Asia-Pacific reaches a certain level of living standard the bank will be wound down or reconfigured to operate as a commercial enterprise.

## **6.3 Development Agencies**

### **6.3.1 United Nations Development Programme (UNDP)**

UNDP advocates for the Millennium Development Goals (MDGs), the concept of human development and the need to empower women. Its series of global, regional and country-focused Human Development Reports are a powerful advocacy tool with a focus on people-centered, inclusive, equitable and sustainable growth. Under the overarching goal of poverty eradication UNDP focuses on five inter-connected thematic areas: poverty reduction, democratic governance, crisis prevention and recovery, environment and energy, and HIV/AIDS.

**UNDP in India** - UNDP is committed to help India achieve the global Millennium Development Goals (MDGs) as well as the national objectives articulated in consecutive Five Year Plans. Goal of the organization is to help improve the lives of the poorest women and men, the marginalized and the disadvantaged in India. UNDP works in the following areas: Democratic Governance, Poverty Reduction, Crisis Prevention and Recovery, Environment and Energy, and HIV and Development.

UNDP in India works closely with the government of India through its designated nodal department, the department of economic affairs (DEA) in the Ministry of finance. All activities falling within the Country Programme Action Plan are nationally owned. Implementation of the programme activities are being carried out by Implementing Partners, i.e. government ministries, state governments, district authorities, civil society organisation, NGOs, and UN agencies including UNDP as appropriate, under the overall oversight by DEA.

**Current country programme (2008-2012)** - Present country programme document for India (2008-2012) was formulated in partnership with the department of economic affairs of the Ministry of finance, building on the United Nations Development Assistance Framework (UNDAF) 2008-2012. Programme is in harmony with the eleventh Five Year Plan of the Government of India and has benefited from wide ranging stakeholder consultations, including within the United Nations system, and a comprehensive review of lessons from past cooperation. Main focus of UNDP is on poverty reduction, democratic governance, crisis recovery, environment and HIV and development.

UNDP inter alia works to improve the effectiveness of national poverty reduction and livelihood promotion programmes in partnership with central and state governments with a focus on disadvantaged groups and regions. It promotes the design and use of poverty reduction strategies that involve the poor, women and men from the scheduled caste and scheduled tribes groups, migrants, minorities and the displaced. UNDP fosters partnerships including the private sector to enable disadvantaged households to improve their skills, diversify to non-farm activities and increase access to credit, financial services and markets. It assists organizations of the poor to develop livelihood plans in areas such as agriculture, forestry, fisheries, land resource development, rural tourism and handicrafts. Furthermore UNDP also advocates for increased participation of the poor in design and implementation of poverty reduction programmes and policies.

UNDP has supported more than 100,000 poor women to organise themselves into self-help groups, federations, cooperatives or producer companies to setup and manage a range of micro-enterprises. It has provided technical support to municipal governments in 13 cities to design and implement poverty reduction strategies focusing especially on vulnerable groups. Similar support at the state level, for example to the Rajasthan Mission on Livelihoods, has successfully demonstrated the impact of improved design and delivery of livelihood promotion services on the lives of poor under the ongoing government programmes and schemes. UNDP's support to the formulation of a comprehensive national strategy for urban poverty reduction and capacity building of national research and training institutions has helped to bring urban poverty into the national and local development agenda and underscore the rural-urban linkages.

### **6.3.2 United Nations International Children Education Fund (UNICEF)**

In India, children's vulnerabilities and exposure to violations of their protection rights remain spread and multiple in nature. The manifestations of these violations are various, ranging from child labour, child trafficking, to commercial sexual exploitation and many other forms of violence and abuse. With an estimated 12.6 million children engaged in hazardous occupations, India has the largest number of child labourers under the age of 14 in the world (Census of India, 2001). Although poverty is often cited as the cause underlying child labour, other factors such as discrimination, social exclusion, as well as the lack of quality education or existing parents' attitudes and perceptions about child labour and the role and value of education need also to be considered. In states like Bihar, Mizoram, Rajasthan and Uttar Pradesh, 60 per cent or more girls dropped out before completing their five years primary education.

Trafficking of children also continues to be a serious problem in India. The nature and scope of trafficking range from industrial and domestic labour, to forced early marriages and commercial sexual exploitation. Existing studies show that over 40 per cent of women sex workers enter into prostitution before the age of 18 years. Moreover, for children who have been trafficked and rescued, opportunities for rehabilitation remains scarce and reintegration process arduous.

While systematic data and information on child protection issues are still not always available, evidence suggests that children in need of special protection belong to communities suffering disadvantage and social exclusion such as scheduled castes and tribes, and the poor. Lack of available services, as well as the gaps persisting in law enforcement and in rehabilitation schemes also constitute a major cause of concern.

Basically the UNICEF is involved in the following programmes in India:

- a) nutrition-UNICEF supports the Government in its objective to reduce and to improve the development of the children less than three years, especially those in marginalized groups.
- b) water, environment and sanitation - UNICEF supports the national and state governments in developing and implementing a range of replicable models for sanitation, hygiene and water supply.
- c) HIV/AIDS - As apart of the joint UN response, the UNICEF collaborates with the government of India in four key programmes, which are called four Ps:
  - preventing mother-to-child transmission of HIV;
  - providing paediatric treatment;
  - preventing infection among adolescents and young people;
  - protecting and supporting children affected by HIV and AIDS.
- d) education - Number of children who are not in school remains high and gender disparities persist despite a major improvement in literacy rates during 1990s.
- e) child protection - UNICEF India's programmatic approach to child protection aims to build a protective environment in which children can live and develop in the full respect of their fundamental rights.

### **6.3.3 International Labour Organisation (ILO)**

International Labour Organization (ILO) is devoted to advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Its main aims are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues. In promoting social justice and internationally recognized human and labour rights, the organization continues to pursue its founding mission that labour peace is essential to prosperity. Today, the ILO helps advance the creation of decent jobs and the kinds of economic and working conditions that give working people and business people a stake in lasting peace, prosperity and progress.

**Decent Work** - Concept of Decent Work is being propagated by the ILO. It encompasses four strategic objectives:

1. Promotion of Rights at Work - It calls for renewed attention to ILO's standards, as well as a fresh look at complimentary means and instruments for achieving this goal.
2. Employment - Creation of greater employment and income opportunities for women and men as a means to reduce poverty and inequality.
3. Social Protection - This section emphasises expansion of social security schemes.
4. Social Dialogue - This emphasises examining ways of strengthening the institutional capacity of ILO constituents as well as their contribution to the process of dialogue.

**Concept of Decent Work** emphasises that the quantity of employment should not be divorced from quality of work and stresses that a social and economic system should be

evolved to ensure basic security and employment without compromising workers' rights and social standards in a highly competitive world.

Although India agrees that the four strategic objectives are necessary for decent work, this has no meaning unless we can provide an opportunity to work. Therefore, employment generation should be the focus of the all ILO programmes and activities. Basic requirement of Decent Work should be to first ensure work to any potential worker and then all other elements of the decent work concept will automatically follow. This stand of India was appreciated by other nations as well. India also made it clear in the meetings of the ILO that the concept of decent work has to be fixed keeping in mind the conditions of work in the social, economic and cultural context of each country. It cannot be made applicable uniformly to every country.

### **6.3.4 Food and Agriculture Organisation (FAO)**

FAO acts as a neutral forum where all nations meet as equals to negotiate agreements and debate policy. FAO is also a source of knowledge and information, and helps developing countries and countries in transition modernise and improve agriculture, forestry and fisheries practices, ensuring good nutrition and food security for all. Its Latin motto, *fiat pans*, translates into English as »let there be bread«. As of 8<sup>th</sup> August 2008, FAO has 191 member states along with the European Union and the Faroe Islands, which are associate members. Main programmes of FAO are:

**FAO response to food crisis** - In December 2007, FAO launched its Initiative on Soaring Food Prices to help small producers raise their output and earn more. Under the initiative, FAO contributed to the work of the UN High-Level Task Force on the Global Food Crisis, which produced the Comprehensive Framework for Action. FAO has carried out projects in over 25 countries and inter-agency missions in nearly 60, scaled up its monitoring through the Global Information and Early Warning System on Food and Agriculture, provided policy advice to governments while supporting their efforts to increase food production, and advocated for more investment in agriculture. It has also worked hand-in-hand with the European Union. One example of its work is a \$10.2 million scheme to distribute and multiply quality seeds in Haiti which has significantly increased food production, thereby providing cheaper food and boosting farmers' incomes.

**Food security programmes** - Special Programme for Food Security is FAO's flagship initiative for reaching the goal of halving the number of hungry in the world by 2015 (currently estimated at close to 1 billion people), as part of its commitment to the Millennium Development Goals. Through projects in over 100 countries worldwide, the programme promotes effective, tangible solutions to the elimination of hunger, undernourishment and poverty. Currently 102 countries are engaged in the programme and of these approximately 30 have begun shifting from pilot to national programmes. To maximize the impact of its work, FAO strongly promotes national ownership and local empowerment in the countries in which it operates.

**Emergency response** - FAO helps countries prevent, mitigate, prepare for and respond to emergencies. FAO focuses on strengthening capacity for disaster preparedness and ability to mitigate impact of emergencies on food security, by forecasting and providing early warning of adverse conditions, assessing needs and devising programmes which promote the transition from relief to reconstruction and development, improving analysis of

underlying causes of crises, and strengthening local capacities to cope with risks. An example of its work was a recent report outlining poor crop prospects in eastern Africa.

**Early warning of food emergencies** - FAO's Global Information and Early Warning and Information System (GIEWS) monitors world food supply/demand and provides the international community with prompt information on crop prospects and the food security situation on global, regional and country-by-country basis. In case of impending food emergencies, the system dispatches rapid crop and food supply assessment missions, often jointly with the World Food Programme, and sometimes as a precursor to further intervention and assistance.

**Right to food** – FAO's Strategic Framework 2000-2015 stipulates that the organization is expected to take into full account »progress made in further developing a rights-based approach to food security« in carrying out its mission »helping to build a food-secure world for present and future generations.« When the Council adopted the Voluntary Guidelines in November 2004, it also called for adequate follow up to the Guidelines through »mainstreaming« and the preparation of information, communication and training material.

**International alliance against hunger** - In June 2002, during the World Food Summit, world leaders reviewed progress made towards meeting the 1996 Summit goal of halving the number of the world's hungry by 2015; their final declaration called for the creation of an International Alliance against Hunger (IAAH) to join forces in efforts to eradicate hunger. Launched on World Food Day, 16<sup>th</sup> October 2003, the IAAH works to generate political will and concrete actions through partnerships between intergovernmental and non-governmental organizations and national alliances. IAAH is a voluntary association of international organisations, national alliances against hunger, civil society organisations, social and religious organisations and the private sector. Global activities of the IAAH focus on four major themes: advocacy, accountability, resource mobilization and coordination. International Alliance is made up of the Rome-based UN food organisations - FAO, the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP) - and representatives of other intergovernmental and non-governmental organisations. Individuals cannot directly join the IAAH, though they can work with national alliances against hunger. In less than two years, 36 countries have established national alliances, some of them already very active like those in Brazil, Burkina Faso, France, India and the United States.

**Tele-Food** - Raising awareness about the problem of hunger mobilizes energy to find a solution. In 1997, FAO launched Tele-Food, a campaign of concerts, sporting events and other activities to harness the power of media, celebrities and concerned citizens to help fight hunger. Since its start, the campaign has generated close to \$28 million in donations. Money raised through Tele-Food pays for small, sustainable projects that help small-scale farmers produce more food for their families and communities. Projects provide tangible resources, such as fishing equipment, seeds and agricultural implements. They vary enormously, from helping families raise pigs in Venezuela, through creating school gardens in Cape Verde and Mauritania or providing school lunches in Uganda and teaching children to grow food, to raising fish in a leper community in India.

**FAO in India** - FAO plays a catalytic role in India in five thematic areas: technical assistance and capacity building; piloting innovative approaches in critical areas;



multilateral collaborations on trans-boundary problems; harnessing Indian expertise for other developing countries; and, as a policy advocate and a neutral adviser and broker. Cross-cutting issues such as gender and climate change are also addressed. Based on these strengths and appreciating the needs of India, cooperation and partnership between FAO and the Government of India is focused on three major components:

**Component 1:** Facilitating multi-lateral cooperation to reduce the risk to food security and economic growth through greater participation by India in multi-lateral technical programmes. FAO supports India in accessing global public goods related to crucial areas such as trans-boundary crop, livestock and fish diseases and pests, fishery management, food safety and climate change. Moreover, FAO assists India, when necessary, to contribute to the development of these global public goods. Advocacy for food and nutrition security and the role of FAO as a neutral advisor on contentious issues also forms part of this component. FAO also supports other countries to access centres of excellence within India.

**Component 2:** Supporting government of India to strengthen the implementation of national missions and specific programmes aimed at reducing poverty and achieving food and nutrition security. FAO provides high quality technical assistance and capacity building from national and international sources to transfer best practices, to learn from success stories from other countries and to build the capacity of government officers to design and deliver programmes.

**Component 3:** Piloting innovative approaches with government, NGO and private sector partners in agricultural and rural development. Successes in ground water and irrigation management are being expanded to include the development of value chains involving small-scale farmers and fishers and other areas where new approaches are identified.

## **6.4 Role of NGOs in poverty alleviation in India**

Non-governmental organization (NGO) is a legally constituted organization created by natural or legal persons that operates independently from any government. In the cases in which NGOs are funded totally or partially by governments, the NGO maintains its non-governmental status by excluding government representatives from membership in the organization. This term is usually applied only to organizations that pursue some wider social aim that has political aspects, but that are not overtly political organizations such as political parties. Unlike the term »intergovernmental organization«, the term »non-governmental organization« has no generally agreed legal definition. In many jurisdictions, these types of organization are called »civil society organizations« or referred to by other names.

Number of internationally operating NGOs is estimated at 40,000. National numbers are even higher (Anheier, Glasius & Kaldor, 2001): Russia has 277,000 NGOs; India is estimated to have around 2 million NGOs.

**Role of non-governmental organisations-** Voluntary organisation is not a new phenomenon in our country. Voluntary effort has always been an important part of our culture and social tradition. Need for organizing people into accredited associations and their involvement and participation in rural development have now been fully recognized. In recent years, they have increased in considerable number, acquired greater importance

and significance and put up many new experiments in the field of rural development. Voluntary organisation can play a crucial role in rural development by supplementing government efforts as they are close to the minds and hearts of the rural people. They have their roots in the people and can respond to the needs and aspirations of the community very effectively. They can experiment new approaches to rural development.

Success of the rural development depends upon the active participation and willing co-operation of the rural people through Self-Help organizations and voluntary agencies. In recent years, the voluntary agencies have acquired greater importance and significance than before because the administration has not been able to reach the people, especially the poor and weaker sections. They have been able to make their presence felt from the local to the national level and now at the international level also. Many of them have pioneered works in areas, which were ignored by the process of national development planning

**Origin of non-governmental organisations** - Non-government organizations (NGOs) and voluntary action have been part of the historical legacy. In early 20th century, several voluntary efforts were started in the fields of education, health etc. NGOs became prominent after independence, especially after 1970s. Development practitioners, government officials and foreign donors consider that non-governmental organizations by the virtue of being small scale, flexible, innovative and participatory, are more successful in reaching the poor and in poverty alleviating. This consideration has resulted in the rapid growth of NGOs involved in initiating and implementing rural development programmes.

According to the estimates of the working groups of NGOs, there are about 2 million NGOs in India. A rapid growth took place in the 1980s and the early 1990s. With the SHG linkages programme introduced in 1989, the NGO sector has been recognized as a crucial partner, recognizing the strengths of the NGOs in organizing the community and the potential in saving and credit programmes (both under the linkage programme and other credit delivery innovations (Kulshrestha, 2002). Concept of NGOs and social welfare are not new. India has a glorious tradition of Voluntary organisations. In the pre-Independence days, Rabindranath Tagore in his Santiniketan experiments showed how rural development could be brought about by integration of education and culture. Gandhiji in his Wardha experiment showed how village industries could bring about the development of the poorest sections of the people in this country. After independence too, there was a lot of talk about the role of NGOs and people's participation when we started our planning process in the early 50s. British government in India spent minimum resources on social welfare programmes and so voluntary agencies played an important role in developing programmes for the poor, the destitutes, women and children.

**Emphasis on the role of NGOs in five-years plans** - After Independence, India was declared as a welfare state and relevant provisions were included in the constitution of India. Social welfare was included as part of the five-year plans. Major responsibility of organizing social welfare services continued with the voluntary organizations. Hence, even today it is the voluntary organizations that are taking care of welfare activities. VII<sup>th</sup> plan documents had anticipated that voluntary efforts would be forthcoming in a massive way for better implementation of anti-poverty and minimum needs programmes Also in the VII<sup>th</sup> plan (1992-1997), a greater emphasis has been laid on the role of voluntary organizations in rural development. Plan document states: »A nation-wide network of NGOs will be created. In order to facilitate working of this network, three schemes relating

to the creation/replication/multiplication and consultancy development have been worked out by the planning commission.

**Panchayat Raj Institutions and NGOs** - Recently, the revival and strengthening of Panchayati Raj Institutions - consequent upon the Constitution (73<sup>rd</sup> Amendment) Act, 1992 - the NGO's role has become more significant. In order to promote holistic and integrated development with the range of development schemes and programmes, the role of NGOs' services and their involvement in the development process will be all the more in demand.

**Various roles and functions of NGOs** - Voluntary action stimulated and promoted by voluntary agencies engaged in development play a significant role at the grass roots level in the Indian social milieu; the success of rural development depends upon the active participation of the people through Self Help Organizations. Various roles of NGOs are catalyze rural population, build models and experiment, supplement government efforts, organizing rural poor, educate the rural people, provide training and ensure peoples' participation etc.

Widespread belief that NGOs are more successful in reaching the poor in poverty reduction also resulted in rapid growth of funding for NGOs by government and external donors. As far as the government funding is concerned, there are over 200 government schemes initiated by the central and state governments through which NGOs can have direct access to resources for rural development.

**Role of NGOs in social mobilization** - In recent times, many non-governmental organisations have been concentrating social mobilization on contemporary issues of importance such as women empowerment, human rights, and implementation of various central and state government development programmes. NGOs in India have contributed handsomely towards social mobilization and social activism through their intensive campaigns, people's mobilization programmes and effective networks. NGO as a social force facilitates collective action and people mobilization for the purpose of achieving the desired objectives. NGOs are deploying various people-oriented as well as people-centred strategies, and these organizations build rapport with the people and mobilize them. NGOs play in making the people environmentally aware and sensitive to take part in the development programmes.

## **7 ROLE OF COOPERATIVES AND FINANCIAL INSTITUTIONS IN REDUCTION OF POVERTY**

Small cooperative societies etc. play an important role in meeting out the financial requirements of farmers and other rural poor. They provide the much needed help to them (rural poor) without asking for any collateral security, which they, are not in a position to provide.

### **7.1 Small cooperative societies**

**Background** - Even before formal cooperative structures came into being through the passing of a law, the practice of the concept of cooperation and cooperative activities were prevalent in several parts of India. Village communities collectively creating permanent

assets like village tanks or village forests called Devarai or Vanarai was fairly common. Similarly, instances of pooling of resources by groups, like food grains after harvest to lend to needy members of the group before the next harvest, or collecting small contributions in cash at regular intervals to lend to members of the group viz., Chit Funds, in the erstwhile Madras Presidency, »Kuries« in Travancore, »Bhishies« in Kolhapur etc. were to be found. »Phads« of Kolhapur where farmers impounded water by putting up bunds and agreed to ensure equitable distribution of water, as well as harvesting and transporting of produce of members to the market, and the »Lanas« which were yearly partnerships of peasants to cultivate jointly, and distribute the harvested produce in proportion to the labour and bullock power contributed by their partners, were similar instances of cooperation.

Origins of the cooperative banking movement in India can be traced to the close of nineteenth century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany, such societies were set up in India. Cooperative banks are an important constituent of the Indian financial system. They are the primary financiers of agricultural activities, some small-scale industries and self-employed workers. Anyonya Co-operative Bank in India is considered to have been the first cooperative bank in Asia.

Proposal for agricultural banks was first mooted in 1858 and again in 1881 by Mr. William Wedderburn the District Judge of Ahmednagar, in consultation with Justice M.G. Ranade, but was not accepted. In March 1892, Mr. Frederick Nicholson was placed by the Governor of Madras Presidency (for enquiring into the possibility) of introducing in this Presidency, a system of agricultural or other land banks and submitted his report in two volumes in 1895 and 1897 (Ministry of Agriculture, India,2010).

**Co-operative banks and credit unions** - Co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts...). Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance. In most countries, they are supervised and controlled by banking authorities and have to respect prudential banking regulations, which put them at a level playing field with stockholder banks. Depending on countries, this control and supervision can be implemented directly by state entities or delegated to a co-operative federation or central body. Even if their organizational rules can vary according to their respective national legislations, co-operative banks share common features:

Customer-owned entities: in a co-operative bank, the needs of the customers meet the needs of the owners, as co-operative bank members are both. As a consequence, the first aim of a co-operative bank is not to maximise profit but to provide the best possible products and services to its members. Some co-operative banks only operate with their members but most of them also admit non-member clients to benefit from their banking and financial services.

Democratic member control: co-operative banks are owned and controlled by their members, who democratically elect the board of directors. Members usually have equal voting rights, according to the co-operative principle of »one person, one vote«.

**Profit allocation** - In a co-operative bank, a significant part of the yearly profit, benefits or surplus is usually allocated to constitute reserves. A part of this profit can also be distributed to the co-operative members, with legal or statutory limitations in most cases. Profit is usually allocated to members either through a patronage dividend, which is related to the use of the co-operatives' products and services by each member, or through an interest or a dividend, which is related to the number of shares subscribed by each member.

**Credit union** - Credit unions have the purpose of promoting thrift, providing credit at reasonable rates, and providing other financial services to its members. Credit union members are usually required to share a common bond, such as locality, employer, religion or profession. Credit unions are usually funded entirely by member deposits, and avoid outside borrowing. They are typically (though not exclusively) the smaller form of cooperative banking institution. In some countries they are restricted to providing only unsecured personal loans, whereas in others, they can provide business loans to farmers, and mortgages.

Larger institutions are often called **cooperative banks**. Some of these banks are tightly integrated federations of credit unions, though those member credit unions may not subscribe to all nine of the strict principles of the World Council of Credit Unions (WOCCU).

Like credit unions, cooperative banks are owned by their customers and follow the cooperative principle of one person, one vote. Unlike credit unions, however, cooperative banks are often regulated under both banking and cooperative legislation. They provide services such as savings and loans to non-members as well as to members and some participate in the wholesale markets for bonds, money and even equities. Many cooperative banks are traded on public stock markets, with the result that they are partly owned by non-members. Member control is diluted by these outside stakes, so they may be regarded as semi-cooperative.

## **7.2 National Bank for Agriculture and Rural Development (NABARD) and other banks**

National Bank for Agriculture and Rural Development (NABARD) is an apex development bank in India. It has been accredited with »matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India«.

NABARD was established on the recommendations of Shivaraman Committee, by an act of Parliament on 12<sup>th</sup> July 1982 to implement the **National Bank for Agriculture and Rural Development Act 1981**. It replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC). It is one of the premiere agencies to provide credit in rural areas. It plays the following roles.

**Role:**

- a) serves as an apex financing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas;
- b) takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.;
- c) co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level and maintains liaison with government of India, state governments, Reserve Bank of India (RBI) and other national level institutions concerned with policy formulation;
- d) undertakes monitoring and evaluation of projects refinanced by it.

**Rural innovation** - NABARD's role in rural development in India is phenomenon. National Bank for Agriculture & Rural Development (NABARD) is set up as an apex development bank by the government of India with a mandate for facilitating credit flow for promotion and development of agriculture, cottage and village industries. Credit flow to agriculture activities sanctioned by NABARD reached Rs. 1,574,800 million in 2005-2006 (NABARD, 2006). Overall GDP is estimated to grow at 8.4 per cent. Indian economy as a whole is poised for higher growth in the coming years. Role of NABARD in overall development of India in general and rural & agricultural in specific is highly pivotal.

Through assistance of Swiss Agency for Development and Cooperation, NABARD set up the Rural Infrastructure Development Fund. Under the RIDF scheme Rs. 512,830 million have been sanctioned for 2,44,651 projects covering irrigation, rural roads and bridges, health and education, soil conservation, water schemes etc. Rural Innovation Fund is a fund designed to support innovative, risk friendly, unconventional experiments in these sectors that would have the potential to promote livelihood opportunities and employment in rural areas. Assistance is extended to Individuals, NGOs, Cooperatives, Self Help Group, and Panchayati Raj Institutions who have the expertise and willingness to implement innovative ideas for improving the quality of life in rural areas. Through member base of 250 million, 600,000 cooperatives are working in India at grass root level in almost every sector of economy. There is linkage between SHG and other type institutes with that of cooperatives.

Very purpose of RIDF is to promote innovation in rural & agricultural sector through viable means. Effectiveness of the program depends upon many factors, but the type of organization to which the assistance is extended is crucial one in generating, executing ideas in optimum commercial way. Cooperative is member driven formal organization for socio-economic purpose, while SHG is informal one. NGO have more of social color while that of PRI is political one. Does the legal status of an institute influences effectiveness of the program? How & to what an extent? Cooperative type of organization is better (Financial efficiency & effectiveness) in functioning (agriculture & rural sector) compared to NGO, SHG & PRIs.

### **7.3 Micro credit a new tool for social empowerment**

I think micro credit will prove to be a boon for the poor especially rural ones, for rising above the poverty line. Micro credit is the extension of very small loans to the poor people, who are desirous of running/start an enterprise. These individuals have lack of collateral,

steady employment and verifiable credit history and therefore cannot meet even the most minimal eligibility to gain access to traditional credit. Micro credit is a part of micro finance, which is the provision of a wider range of financial services to the very poor.

Micro credit is a financial innovation that is generally credited to have originated from the Grameen Bank in Bangladesh, which was founded by Prof. Mohammad Yunus, who was awarded Nobel Prize for the same in 2006. In Bangladesh, it has successfully enabled extremely impoverished people to engage in self employment projects that allow them to generate an income to sustain their families and in many cases, begin to build wealth and exit poverty.

Due to the overwhelming success of micro credit, many in the traditional banking industry have begun to realise that these micro credit borrowers should more correctly be categorised as pre- bankable; thus, micro credit is increasingly gaining credit in the main stream finance industry and many traditional large finance organisations are contemplating micro credit projects as a source of future growth, even though almost everyone in larger development organisations discounted the likelihood of success of micro credit, when it was begun. Recognising the importance of micro credit and the effect it has made in the lives of the poverty stricken people, the United Nations declared 2005 as the International Year of Micro Credit.

**Principles of micro credit** - It is based on a separate set of principles, which are distinguished from general financing or credit. Micro credit emphasises building capacity of a micro entrepreneur, employment generation, trust building and help to the micro entrepreneur on ignition and during difficult times. It is a tool for »Socio-economic development«.

**Micro credit in the developed world** - Micro credit is not only provided in the poor countries but also in one of the World's richest countries, the United States of America, where 37 million people (12.6%) live below poverty line (Ledgerwood, 98). Among other organisations that provide micro loans in the USA, Grameen Bank, Bangladesh also started their operation in New York in April, 2008. However, it is stated that micro loans have less appeal in the USA, because people think it too difficult to escape poverty through private enterprise.

Other developed countries in which the micro loan model is in fact gaining impetus include Israel, Russia, the Ukraine and more, where micro loans given to small business entrepreneurs are also used to overcome cultural barriers in the main stream business society. As we have discussed above, it is mainly for the poor people who have no other sources of loans to start the small business. In the developing countries, say in India, the small farmers and others from the poor strata of the society depend on the borrowings from private money lenders, for fulfilment of their financial needs for purchasing seeds and other agricultural implements.

Money lenders charge a hefty rate of interest, which does not allow the borrowers to come out of the debt throughout their life. There is a famous saying in the Indian society that the Indian farmer takes birth in debt, lives in debt and dies in debt. Therefore, the micro credit has come as a saviour for them. Now let us discuss, how does micro credit work?

Institutions offering micro credit are usually non-governmental organisations (NGOs) but can also be credit unions, specialised banks or even commercial banks. Lending method may vary from country to country, institution to institution, but the general framework is same which comprises a collateral free lending model with reasonable rates of interest. Although the loans are made out individually, they are handed out to small group of persons known as »peer groups«, and if one person fails to repay, the entire group is penalised. This »social collateral« frees the borrower from complicated legal procedures but at the same time ensures repayment which is very high, about 95%. Loan cycle is also very shorter; rarely exceeding one year and repayment is done in a weekly or fortnightly cycle so that the borrower is not burdened with large dues. Borrower utilises this loan to set up or to boost already existing independent small scale units, which could be as simple as road side shop. In some cases, micro credit is also given for housing purposes. Not burdened with high interest rates and due to the friendly repayment terms, almost all borrowers are able to repay their loans on time and at the same time prosper in their enterprise. Once a loan cycle is over, a person can take further loans.

**Who gains the most?** Poor people especially women in poor families gain the most. Micro credit facilitates greater wealth and asset creation, lifting poor people above poverty to a higher standard of living and access to better health and education facilities. It has been noticed that women in particular gain a lot from micro finance because it gives them an independent means of generating wealth and becoming self reliant in a society that does not offer them much scope for entrepreneurship. And since it is women who run the household, a higher standard of living for women ensures better governance and a healthier and more prosperous future for the children and a better future for the nation.

Developing countries in the world are fighting with the menace of poverty even starvation, especially in African world, the micro credit can be an effective tool for eradication of poverty and hunger from the society. As of now the concept has not reached to the desired volume, as it is mainly taken up by some NGOs and handful of financial institutions, it needs to be taken up at higher level that is only possible if the government of the day adopt the concept as agenda. By doing so, the governments would be doing the best possible for the poor, who will generate self employment and thus would not be without employment and thus would arrange both ends meal and would not go hungry.

It would also bridge the gap, to an extent between the haves and have nots, as in India, where 10% of the population cover the 90% wealth of the country and the 90% of the population cover the remaining 10% resources of the country. Once, it is adopted as an agenda, poverty will be wiped out and as said by the founder of the micro credit in the modern times, Md Yunus Nobel Laureate, the poverty will be a thing for museums for the future generations to see.

**Micro-credit in India: The early years** - Micro-credit is not a new idea in India. Research conducted in India by the National Bank for Agriculture and Rural Development (NABARD) during the early-'80s showed that despite a wide network of rural bank branches which implemented specific poverty alleviation programmes that sought creation of self-employment opportunities through bank credit for almost two decades, a very large number of the poor continued to remain outside the fold of the formal banking system.

NABARD had been set up in 1982 under an Act of Parliament as a development bank to provide and regulate credit and other facilities for the promotion and development of



agriculture, cottage and village industries, handicrafts and other allied economic activities in rural areas with a view to »promoting integrated rural development.

Rural development, special schemes and rural banking could not tackle the widespread poverty in rural areas. Research indicated that existing banking policies and procedures were perhaps not suited to the immediate needs of the very poor. What they really needed was better access to these services and products, rather than cheap, subsidized credit. The priority of the rural poor appeared to be consumption credit, savings, production credit and insurance. Consumption needs included credit for short periods for emergent needs, which were usually met by informal sources at exploitative interest rates, as poor borrowers were unable to offer banks any security for small consumption loans. Banks in turn faced constraints due to the high transaction costs involved in processing small amounts to borrowers scattered in rural areas, as well as concerns related to loan recovery.

Against this background, a need was felt for alternative policies, systems and procedures, savings and loan products, complementary services, and new delivery mechanisms which would fulfil the requirements of the poorest, especially of the women members of such households. Grameen Bank in neighbouring Bangladesh had already proved a successful model of micro lending in South Asia. Self-help group model, pioneered by the Grameen Bank, emerged as a viable strategy to tackle these issues - both for borrowers as well as banks.

**Scale of micro-credit in India** - There are several micro-finance implementing organisations in the government as well as non-government sectors. Leading national financial institutions like the Small Industries Development Bank of India (SIDBI) the National Bank for Agriculture and Rural Development (NABARD) and the Rashtriya Mahila Kosh (RMK) have played a significant role in promoting micro-credit. Small Industries Development Bank of India (SIDBI), an apex financial institution for the promotion, financing and development of small-scale industries in India, has launched a major project christened SIDBI Foundation for Micro Credit (SFMC) as a proactive step to facilitating accelerated and orderly growth of the micro-finance sector in India. SFMC is expected to emerge as the apex wholesaler for micro-finance in India, providing a complete range of financial and non-financial services such as loan funds, grant support, equity and institution-building support to retailing Micro Finance Institutions (MFIs) so as to facilitate their development into financially sustainable entities, besides developing a network of service providers for the sector.

In order not to equate micro-finance with credit for micro enterprises but also include savings, consumption loans, housing loans and insurance services, the task force on micro-finance set up by NABARD came up with a definition which has become the definitive one. »Micro-finance is provision of thrift, credit, and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas, for enabling them to raise their income levels and improve living standards.«

With over 11 million poor households accessing banking services including micro-credit through their 700,000 Self-Help Groups (SHGs), the SHG-bank linkage programme led by NABARD in India claims to be »the largest and fastest-growing micro-finance programme of the world«. Today, over 2,800 NGOs and 30,000 branches of 500 banks are associated with the programme.

Size and types of implementing non-government organisations (NGOs) range from very small to moderately big organisations involved in savings and/or credit activities for individuals and groups. These NGOs adopt a variety of approaches, and tend to operate within a limited geographical range. A few like PRADAN, ICECD, MYRADA (SEWA) operate on a larger scale and have been successful in replicating their experiences in other parts of the country; they also act as resource organisations. While a few lending organisations do lend directly to borrowers, most rely on self-help groups (SHGs) to provide the linkage with borrowers.

In the absence of accurate data to assess the size of the market, players in the micro-credit sector have resorted to rough estimations. Given that there are 75 million poor households in India, of which 60 million are in rural areas and 15 million in urban, estimates of the size of the market vary from setting an average financing requirement of Rs. 2,000 per poor household to Rs. 6,000 in rural and Rs. 9,000 per urban household. This works out to a MF demand of around Rs. 50,000 crore. And this does not include housing which can be estimated at another Rs. 1,000 crore annually.

**Growth and activity of MF agencies and NGOs** - which are usually the medium of finance dispensation and administration - should be viewed against the backdrop of this huge market potential. By current estimates there are more than 2,000 NGOs involved in helping banks identify self-help groups to lend to under NABARD's Self-Help Groups-Bank linkage programme alone. According to published figures, the bank loans disbursed under this programme in fiscal 2002 were Rs. 545.4 crore to around 240,000 SHGs. Average loan size per Self-Help Group was Rs. 22,240.

Other agencies, like the Swayamsidha Project launched in 2001 under the Department of Women and Child Development are garbed in the language of 'women's empowerment' rather than in economic terms. Swayamsidha, or the Integrated Women's Empowerment Programme (IWEP), no more than a recast Indira Mahila Yojana and Mahila Samridhi Yojana, has the lofty aim of »holistic empowerment of women through awareness generation, economic empowerment and convergence of various schemes« through the formation of SHGs. Scheme, which aims to benefit almost 10 lakh women through 53,000 SHGs, has an outlay of Rs. 116.30 crore, funded by the World Bank (Ministry of Women and Child Development, India, 2009).

With micro-credit becoming financially viable, even commercial banks like ICICI and international banks like Citibank and Rabobank have entered the field. The benefits to the borrower in purely commercial set-ups need further evaluation.

**Micro-credit, poverty reduction and empowerment** - Main benefits of micro-credit appear to be: reduced vulnerability of the poor to adverse circumstances, increased consumption in the same group, and empowerment of women.

Major spin-off of the micro-credit movement at the grass root level has been the fact that women have used this system to come out and join a mainstream activity in the village. In many areas, particularly where there has been support from NGOs or strong SHGs, women have gained a voice and been able to use this space to come out of their traditional roles into a more 'proactive' male space. In many instances, gender and caste subordination has been questioned. Women have been able to mobilise capital, and in the process have acquired skills that have enhanced their economic, social and political power. This positive

growth has usually been where SHGs are linked with NGOs that have facilitated training and capacity-building with additional inputs.

However, despite the spread of micro-credit programmes and their growing popularity with policymakers, hard data is somewhat lacking. There is little standardisation across studies as to how to define critical processes and measures of success. Definition of 'poverty', and especially 'reduction in poverty', tends to vary from study to study. 'Women's empowerment' is another very nebulous term. Many terms and processes are redefined on an ad hoc basis each time a new study is conducted. Much of the literature on the subject of micro-credit appears to be at the stage of observation and anecdotal evidence.

**Inability to reach the poorest of the poor.** One of the important drawbacks of the micro-credit programmes is that they don't reach the poorest members of society. Poorest have a number of constraints - fewer income sources, worse health and education - which prevent them from investing the loan in high-return activity. It has also been found that the poorest need tiny loans which are not cost-effective even for micro-credit programmes. This section also places the greatest demands on micro-credit training programmes, which makes the cost of lending even higher. As researcher Linda Mayoux notes, as micro-credit programmes are pressured to become more self-sufficient, the incentive to lend to such desperately poor borrowers evaporates.

In the year 1999, the United Nations was blunt in a report by Secretary General Kofi Annan to the General Assembly. »A certain sense of proportion regarding micro-credit would seem to be in order,« the report said. It added that lending to the poor had to be accompanied by training, information and access to land, among other things. »In some of the lowest-income countries, lack of access to land is the most critical single cause of rural poverty,« the United Nations said (Crossette, 2003).

## **8 HOW AND WHERE HAS INDIA FAILED?**

Between 1950 and the mid-1970s, despite decent economic growth there was no consistent drop in poverty. The reason was that all government efforts went into building up heavy industry and public enterprises rather than micro industry where the bulk of the poor are employed. In the 1990s, the same mistake was made: MNCs promised growth and employment opportunities, and this is implicitly believed by almost everyone. Yet they achieve profits by downsizing the labour force in a country with a large labour force that requires employment and profits are taken out of India for distribution to the MNCs' shareholders abroad.

Green Revolution did not benefit the poor because abundance did not imply equitable or even half-decent distribution. Orissa's poor in Kalahandi and Bolangir suffer from chronic starvation as floods one season followed by drought the next leave them helpless. Bhubaneshwar might have overflowing go downs of wheat but the poor in Orissa starve all the same. We have centres of excellence comparable to the best in the world, but not primary education for all. Kerala, despite slow economic growth, has achieved poverty reduction by education for all and by political activism that curbed rampant exploitation.

In my view, poverty reduction is dependent on several other criteria, such as effective public policy interventions, redistribution of assets, equitable expansion of physical and social infrastructure, an even and rapid spread of health, education and employment

opportunities and people's participation in the labour market. There are a number of unexplained controversies in the positions of the pro-reform groups. Since Amartya Sen won the Nobel Prize, no one dares differ from his view that investments in social sectors - health, education and combating malnutrition - are necessary for the well-being of any society.

These, concede the economists, are investments in society that will pay off economically in the future. However, there are inherent contradictions. With the liberalisation package came conditions that adversely affect the little benefits the poor had, which trickled down to them because our Constitution declared India a welfare state in the Nehruvian socialist mode. So, while economists of all hues nod sagely that investing in the poor is a good long-term bet because the poor equal a labour force, and a healthy labour force will ensure good dividends later, we continue to obey IMF diktats that decree all subsidies must go. The basic ration rice that helped ward off malnutrition thus becomes more expensive and decreases in quantity, leading to the poorest of the poor eating less, even while ice-cream bars in Bangalore and Mumbai increase obesity problems for rich city kids. There are enormous gaps between the rhetoric and ground reality.

Gaps were always there. Till the last decade, however, in planning circles, there at least appeared to be an attempt to bridge the gaps - a concern for the poor. Now, that is left to 'market forces'. Starting with the five-year plans, to the regular slogans of 'Garibi Hatao' (Remove poverty) and 20-Point Programmes, the concern was articulated and spelt out in translatable plans of action because it would have been unthinkable not to do so. That was considered the business of government. Now, poverty reduction appears passé, something each government has to talk about in passing before moving on to the real business of the day, which is attracting foreign investment.

In spite of sensational growth figures, the economic boom in India has not filtered down. Government is running so many poverty alleviation schemes, but the benefit of these schemes is not reaching the target group. Rajiv Gandhi, the late prime minister of India was candid in admitting that only 17 paise, out of one rupee was reaching to the real beneficiaries. Remaining amount was eaten away by the middle men, leaving the poor to fend for themselves. Scourge of corruption is eating away the vitals of Indian society and proving to be the stumbling block in the path of development of the country.

## **8.1 Way forward**

We are preoccupied with the symptoms of poverty while the causes continue to be largely ignored. This is because we measure and understand poverty in economic and not human and social or political terms. To accept that pure economic growth through market reform will reduce poverty is to accept that the State has no role to play; that the economic process supersedes a political process and that the market is superior to State sovereignty. Perhaps the time has come to recognise once again what history has proved - that true and lasting change, even an economic one, is brought about through a political process and not the other way around.

From the time of Independence, it was recognised that land reform was necessary if real economic and social change was to take place. However, with the exception of Kerala and West Bengal, few states bothered to implement land reforms. This exacerbates complex social problems linked to economic ones. For example, it is difficult to break the

stranglehold of bonded labour and the shackles of caste because the people in bondage work under feudal conditions for landlords who are their only potential employers. Where land distribution has taken place, social reforms too have occurred.

## **9 SUGGESTIONS**

Poverty is a global phenomenon. Therefore, the national governments of the respective countries should adopt certain general public policies, for alleviation of poverty. Some of the policies for alleviation of poverty could be as under.

### **9.1 Policies for poverty reduction**

To design policies that have a chance of effectively helping the rural poor, the focus of policy should be on four major groups:

- small landowners who cultivate their land,
- landless tenants who cultivate other people's land,
- landless labourers who depend on casual or long-term employment in the farm or non-farm sectors,
- women, who could also be part of any of the three preceding groups; and
- scheduled castes and scheduled tribes.

All of these groups will benefit from good macroeconomic management - which helps keep inflation in check and maintains unsubsidized prices - because it facilitates sustained economic growth through private investment and competitive markets. Needless to say, unfair laws or poor enforcement of existing laws, exclusion of the poor from decision making and pervasive corruption in the public sector are no less detrimental to the well-being of the poor than they are to the country's overall economic growth.

Achieving agricultural growth by applying new technologies is one of the most important ways to reduce rural poverty. The impact of such efforts on the rural poor, however, depends on initial conditions, the structure of relevant institutions, and incentives. Research shows that agricultural stagnation has harmed the rural poor in sub-Saharan Africa by creating food shortages and higher prices that have reduced their ability to buy food and find work. Conversely, experience with the Green Revolution showed that rapid agricultural progress made a big difference in reducing rural poverty in parts of South Asia. Researchers have found that higher crop yields reduce both the number of rural poor and the severity of rural poverty.

### **9.2 Key policy components needed to reduce rural poverty**

So, what are the key elements when crafting a policy to reduce rural poverty? Competitive markets, macroeconomic stability, and public investment in the physical and social infrastructure are widely recognized as important requirements for sustained economic growth and reduced poverty. In addition, the first requirement of a strategy to reduce rural poverty is to provide the enabling environment and resources for those in the rural sector who are engaged in the agricultural production and distribution system. Other policy

components for national strategies - involving the government, the private (for-profit) sector, and civil society - to reduce rural poverty can include:

- **Information gathering.** Rural poor face many different problems and are not a homogeneous group. Therefore, a sustained effort must be made to gather information about the particular problems they face so that they can be adequately addressed.
- **Focus on building assets.** Government should assess what assets the poor need most to help them earn more. This could be agricultural land or other resources, access to credit, or improvements in health and education. Dependence on raw labour, without a focus on building other assets, is the single most important source of persistent poverty.
- **Right to adequate land and water.** A broad-based land reform program - including land titling, land redistribution, and fair and enforceable tenancy contracts - is critical for reducing rural poverty. It can make small (marginal) landowners and tenants more efficient producers and raise their standards of living.
- **Basic health care and literacy.** Rural poor need to build and strengthen their human capital so they can get out of poverty and contribute more to the economy and society. Basic health care (immunization, provision of clean water, and family planning) and education (literacy, schooling, and technical training) - particularly for women and children - are essential building blocks and should be accessible at reasonable cost.
- **Local involvement.** Infrastructure and services associated with health and education can be funded and maintained best if the target groups are involved in making decisions about the design, implementation, monitoring, and accountability.
- **Targeted credit.** Informal and formal sources of credit often are too costly for, or unavailable to, the rural poor. Targeted public sector rural credit programs, especially if they are subsidized, benefit the non-poor far more than the poor. The poor want credit that is available on acceptable terms and when they need it. Recent experiments with community-based credit programs, in which the poor actively participate in the making of lending decisions that are subject to peer accountability, have been successful in reaching target groups at reasonable cost.
- **Decentralized food programs.** Some of the rural poor, both individuals and households, suffer from inadequate nutrition most of the time. They need different kinds of support, depending on their circumstances. These may include food supplement programs; food assistance provided through schools, health care clinics, and community centres; and cash transfers.
- **Providing infrastructure.** Rural poor cannot make the best use of their resources, including human capital, if either the quantity or the quality of some of the key parts of the country's physical infrastructure (irrigation, transport, and communications) and support services (research and extension) is inadequate. Social and physical infrastructure and services can be funded and maintained best - that is, they will be cost-effective and of reasonable quality - if the target groups are involved in designing, implementing, and monitoring them, as well as in ensuring accountability of the government officials responsible for them.

### 9.3 Suggestions for rural poverty alleviation programmes in India

One lesson which comes out clearly from the long experience of Indian planning processes in dealing with the concerns of the poor and alleviating poverty is that people-centric approach has been more effective than programme based top-down approaches. People-centric approaches rely on social mobilisation and placing the poor at the centre of

delivery and implementation processes. The approaches also imply addressing specific deprivations of the poor identified as an individual and not just as a category.

This has become a possibility now with the viability of institutionalising the computer based data system generated from the BPL survey. It also implies identifying relatively more deprived communities and regions and addressing their specific deprivations. People-centric approaches have been experimented successfully in some parts of the country but have not yet become universally successful because of institutional weaknesses of the delivery systems. Since poverty elimination is the core of development, sanctioning of funds for the schemes should be guided by the likely impact of the scheme on the living conditions of the poor. What follows is a set of recommendations consistent with this approach.

### **9.3.1 Comprehensive data base for the poor**

Comprehensive database for the poor based on BPL survey needs to be institutionalised. This database shall be used for the identification of the poor and categorisation of the poor into hardcore and other poor. A profile of the poor based on a number of deprivations should be built up on the basis of the database. Database should be computerized and also made dynamic by periodical revision of the status of the deprivation. This database should be built up on the basis of already available BPL survey. It is understood that the BPL survey is to be conducted with a periodicity of five years. There should be a validation system of the database through sample check. Database should be used for the elimination of multiple deprivations with particular emphasis on food security, employment, health, education etc. Food security and employment guarantee should get the highest priority.

There should be separate list for scheduled caste, scheduled tribe, female-headed and disabled households. List of all the BPL persons along with deprivation characteristics should be prominently displayed (preferably painted on a wall or board) at the village level. Programme based support to the poor should flow to the poorest and most deprived first proceeding in that order. There should not be any discretion in the selection of the poor for programme benefits. Selection of beneficiaries should be based strictly on their ranking starting from the poorest. Pro-active involvement of the poor in all the programmes relevant to them should be ensured.

This database should be used for all the programmes meant for the poor undertaken by all the departments/ministries/agencies. This database could also be used for issuing of BPL cards and ultimately leading to issue of smart cards. Annual revision in the data base should be the basis for detailed monitoring of the progress in poverty elimination. Monitoring should be in terms of villages and households as units with a clear focus on disadvantaged groups like SCs, STs, minorities, women and children, female-headed households and senior citizens.

### **9.3.2 Special institutional arrangement**

During the last one decade poverty level has declined at 0.64 percentage point per annum and the rate of poverty alleviation thus has been very slow as compared to the earlier decade. At this rate it will take more than six decades to bring even 50% of the BPL families above poverty. Moreover, poverty is getting concentrated in fewer states like

Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Chattisgarh, Orissa and Assam, and in fewer social groups such as Scheduled Castes and Scheduled Tribes. The reasons for such sub-optimal performance are:

- Lack of understanding and appreciation of complexity of livelihood issues and inadequate handling of micro-level issues affecting livelihoods of the poor such as marketing, skill development, technology etc.
- Lack of commitment and leadership for implementing this complex programme is largely responsible for the extremely slow pace of poverty reduction.
- Inadequate capacity, reach and effectiveness of delivery systems.
- Ad-hocism in planning and implementation processes.
- Lack of comprehensive and effective monitoring.

These conditions warrant special institutional arrangements.

### **9.3.3 Livelihood and rural poverty alleviation mission**

Since livelihood generation is a complex activity, requiring multiple skills and expertise along with commitment and passion, the challenge at hand is too huge and the delivery system through DRDAs is not competent, suited and tuned to this job, there is an urgent need to create special alternative institutional arrangement supported by adequate financial and manpower resources to implement this programme in mission-mode.

The following steps need to be taken for this purpose:

- There should be Livelihood and Rural Poverty Alleviation Mission (LRPAM) at the National, State and District levels headed by prime minister, chief minister and district collector respectively. Each Mission should be supported by a Livelihood Support Centre (LSC) having professional expertise and manpower to organise the poor, identify economic opportunities for the poor, and create projects and systems in coordination with different players at different levels.
- Mission at National and State levels should monitor and synchronise the different sectoral policies from the perspective of poverty alleviation.
- Mission should be supported by meaningful and result-oriented organisational structures having capacity and resources to handle all requirements. Sufficient numbers of community resource persons have to be provided at the village level to mobilise poor and build capacities of SHGs.
- SHGs should be federated at the Village, Block, District, State and National levels to provide depth, strength and power to the SHG movement. However, in the States where poverty is concentrated and also the SHG movement is weak, the National Mission should play a more proactive role.
- For effective operation of the mission mode, a transparent web-based monitoring and governance system should be developed. The community based monitoring mechanisms should be in place so that effective feedback and corrective action could be ensured. Such initiatives are desirable for the emergence of people centred governance.
- SHGs and their federations should be able to relate with other local institutions/ agencies of the programmes like NREGS, ICDS, PDS, PHCs and PRIs.



- Mission should help evolve appropriate mechanisms to interact with banking system to provide credit to federation of the SHGs at the district and block/mandal level.

### **9.3.4 Social audit**

Social Audit could be one of the important mechanisms for participatory monitoring and evaluation of schemes. Rajasthan and Andhra Pradesh have pioneered the use of Social Audit Process as an effective tool for achieving accountability through peoples' participation. In Rajasthan, social audit process has been pioneered and anchored by an NGO, which interfaces and enables the people to validate the achievements under a Scheme. In Andhra Pradesh, the department of rural development has anchored and supported the implementation of social audit, along the lines of Rajasthan. Social audit has been conducted in respect of NREGA in Andhra Pradesh. Resource structure includes provision of separate budget under the NREGA-AP, for capacity building of state, district and NGO agencies so as to train and build capacity in peoples institutions to conduct social audit. Government of Andhra Pradesh is also in the process of framing social audit rules so as to provide teeth to the social audit process and to assign accountability to government functionaries. Andhra and Rajasthan experiences clearly show significant value of social audit in empowering people and in promoting transparency/accountability.

There is a need, therefore, to ensure social audit as a mandatory mechanism in all the schemes/programmes of the government and to build upon extant experiences to evolve replicable and scalable mechanisms. State/National Mission shall ensure that social audit is undertaken and reports are monitored. Media should play a proactive role in disseminating the processes to be adopted for 'social audit' and also in publicising the outcomes of social audit in successful villages/gram panchayats.

Provisions of Right to Information Act should be communicated to the poor in a simple and easily understandable language. These together enable the poor not only to take part in the development process as stakeholders but also make the delivery agents accountable to the community and as a result decision making becomes more transparent.

### **9.3.5 Demand based skill development, marketing and technology for the poor**

Lacks of marketable skills, markets for the products of the rural poor producers and availability of pro-poor technologies to improve their productivity have been a major cause for the poverty of people in the rural areas. These are macro-level issues and need to be tackled at national, state and district levels keeping in view the demand-supply position and constraints-opportunities at domestic and international levels. Following steps need to be taken to tackle these issues:

- Since demand-based skill development is a major instrument to bring poor families above the poverty line in a very cost-effective and sustainable way, a special emphasis need to be given under SGSY to identify the skills in demand in different sectors, and then train people so that they can be placed in sustainable employment.
- In order to create markets and exploit national and international economic opportunities for the poor, a National Rural Products Marketing Agency be created under the Ministry of Rural Development.

- There should be appropriate initiatives for the purpose of creating markets for rural products and skills through Public-Private partnership models.
- A Technology Fund for the Rural Poor be created within SGSY to finance development of technologies for the poor. Legal provisions should be made in the contracts for penalising the violators of contractual obligations.

### **9.3.6 Cluster of activities**

Growth of allied agricultural and rural non-farm activities is essential for long-term poverty alleviation. This has been the process of transition towards an industrial economy in many east and south-east Asian countries which experienced significant reduction in poverty. Moreover, small enterprise clusters have emerged as hubs of economic activities in those economies. It is necessary to learn about the role of the state, local institutions and industrial organisations in the formation of some successful clusters in India such as Tiruppur Knitwear Cluster. With necessary policy and infrastructure support, they can emerge as engines of industrial growth in peripheral economies.

In the recommended model of effective poverty alleviation, social mobilization and empowerment of poor is the first basic step. This has been very successfully done through the formation of Self-Help Groups, particularly those of the poor women. It has been abundantly demonstrated that coming together in SHGs and their federations at Village Level (Village Organisations), Mandal Level (Mandal Samakhyas) and even at district level (Zilla Samakhyas), these poor women have gained confidence, developed capacities, and apart from organizing and handling micro-credit for the members' economic activities and other essential needs, have even addressed some of the most neglected deprivations and disabilities of the poor in the area of health security for all the member households and skill formation for the disabled.

They have also been able to contribute in eradicating child labour, spreading awareness about AIDS, campaigning against drinking habit etc. The earlier assumption about poverty alleviation that the poor could be assisted to enable them to raise their income which in turn would address all the multiple deprivations at one go is proving to be wrong. Income rise and its sustenance is a slow process. In the meanwhile other deprivations of the poor need also to be addressed directly.

Concerted effort need to be made in the direction of rural industrialization in such a way that the rural poor, their groups (SHGs, VOs, MS, and ZS etc.) are streamed in a rural and their federations industrial environment (like what is already happening in Gujarat). Poor groups are hesitant to get into activities where the outcomes entirely depend on the vagaries of the market (i.e., high risk) and where the infrastructural and skill and knowledge support is weak. Therefore, it is recommended that efforts should be made to develop a cluster of activities in a district/mandal or region. Type of activities to be encouraged in that area needs to be carefully identified, depending preferably on local resources. Then infrastructure relevant for that activity (like milk collection chain, chilling plant, milk processing plant etc. for milk production system) should be developed.

### 9.3.7 Focus on scheduled tribes

Subsistence agriculture, gathering of non-timber forest produce and wage labour are the main sources of livelihood among tribal people. They are concentrated in the least developed, rain-fed, undulating and often in remote hilly regions of the country, largely untouched by 'green revolution'. Thus, while landlessness is relatively low among tribal people compared to other poor communities, agriculture productivity is low and other farm-based avenues, such as dairy and horticulture are also poorly developed, leading to widespread food insecurity.

Over the years, with increasing focus on conservation of forests, tribal people's traditional access to forests has come under increasing strain, taking away from them a significant source of income and economic buffer. There is widespread indebtedness among tribal people. Lack of access to institutional credit drives them to borrow from traditional moneylenders who are also their traditional trading link with the outside world. Indebtedness leads to land alienation, further reducing food security and increasing indebtedness. Education and skill levels are low among tribal people and they remain isolated from the mainstream.

As a result they are unable to access fair markets and remain poorly served by various government policies and programmes and are prone to widespread exploitation. Among the Scheduled Tribes, the Primitive Tribal Groups are particularly vulnerable.

Removing poverty among tribal people calls for empathetic and long-term engagement. A community based rather than household based, area-based rather than sectoral and focused rather than fragmented approach is required for removing poverty among tribal people. Generally, creating food security, enhancing productivity of farming systems and building community based mechanisms for fair access to markets are among promising strategies for removing poverty from among tribal people.

For over all development of tribal people, following measures should be taken:

- There should be a sub-mission for schedule tribes as a part of the livelihood mission.
- The allocation of funds for the sub-mission of schedule tribes at the national and state level should be in proportion to their share in the number poor at national and state level.
- The rights of the tribals to the land and their access to the forest produce should be restored, protected and institutionalised. There should be representation of social activity working with and for tribals. In the context of development projects displacing tribals, the relief and rehabilitation packages have to be worked out in consultation with the tribal communities and social activities of the local area and implemented in a consultative process.
- Tribals are the most deprived of the poor and suffer from multiple deprivation particularly respect of drinking water, health, nutrition, education and employment. The mission mode must pay special attention in ameliorating the tribals from these deprivations on time bound basis.

### 9.3.8 Focus on scheduled castes

Incidence of poverty is found to be very high among the schedule caste population as most of them are landless agricultural labourers. Although some schedule caste households are owning/operating land, they are essentially marginal farmers. In case of the surplus land distributed to the schedule caste households, it is also found that some of the households could not take the position of the land distributed to them due to the opposition from the land owning classes. It was also noticed by SC and ST commission that the schedule caste people still suffer from social discrimination and physical segregation. They are discriminated against in extending the benefits of governmental developmental programmes in village India.

Many of the atrocities committed against SCs are related to land and minimum wage issues. District level vigilance and enforcement committees on minimum wages should have representation from the poor. Further, states should revise minimum wages regularly and the wage hike should be linked to cost of living index of agricultural workers/ urban manual workers for the interim period. Treating agriculture labour and skilled work benefits several poor. Schedule caste farmers being mostly marginal farmers, and tenants without owned land and security, their access to credit is also very limited and as a result their agricultural productivity levels are low.

Sometimes due to lack of required financial resources and also due to the fact that the land allotted to them is of poor quality, they are unable to cultivate the allotted land. Where ever feasible, consolidation of land holdings of SCs and STs be developed with help of state machinery.

Illiteracy rates also found to be higher among schedule caste population and a result and their skill levels are also low. Work participation rate among the schedule caste population is slightly higher than the work participation rates among general population, but the rate of earnings are lower as they essentially remained to be agricultural labourers. Due to lack of adequate employment opportunities in rural India they were also compelled to migrate from one place to another, which is also having negative effects on their health and family welfare.

This clearly indicates that although a significant economic growth rate has taken place in post-independence period, its benefits did not percolate down to the desired extent to the poorer sections such as schedule caste as socio-economic structure remains to be iniquitous particularly in rural India. Therefore the growth policy should be an inclusive policy rather than exclusive one so that the lowest stratum has also equal access to the benefits of the growth.

- There should be a separate sub-mission exclusively for scheduled castes at national and state levels.
- Allocations of resources meant for poverty alleviation of SCs should be made in proportion to their share in number of poor at national and state levels.
- Government should take measures to redistribute the surplus and waste lands among schedule caste households and provide required financial and technical assistance to enable them to cultivate their land and raise its productivity. Measures also to be taken to provide security of tenure by recording tenancy.

- Efforts also should be made to improve access to land by the landless SCs through specific credit facilities as in the case of A.P SERP model. A part of credit be treated as a subsidy. The loan component and subsidy may be routed through the SHG federations, which shall also be the agency for identification of beneficiaries.
- Emphasis should be placed on allocating adequate resources for their educational and skill/training in order to enable them to move from low paid occupations to skill oriented better-paid occupations.

### **9.3.9 Fragile regions**

Poor are heavily concentrated in the eco-fragile regions such as deserts, areas prone to floods, droughts and cyclones. Poor in these regions are vulnerable to weather induced risks, besides market aberrations and institutional biases. Most of these regions are characterised by environmental degradation, seasonal migration, heavy indebtedness of households, weak institutional networks, food insecurity/hunger and malnutrition, low and fluctuating productivity levels, etc.

Comprehensive and long term development plan of resources (human, natural resources and institutional) has to be evolved for addressing the poverty squarely and to contain regional imbalances as well, by way of following.

- To minimise the external risks, an early warning system (e.g. moisture stress levels) should be evolved with community participation. Appropriate action plans have to be designed with the community involvement in the light of disaster signals. PRIs, CBOs and NGOs have to be trained in the areas of disaster preparedness and disaster mitigation for effective management of crisis. The information from satellite imagery may be utilised to track the changes in the resource base including quality aspects be analysed for decision making. The data on moisture, rainfall precipitation (weekly and cumulatively), temperatures etc., be collected and analysed with a view to develop early warning signals of disasters and also for planning disaster mitigation measures. Data on prices of essential commodities have to be regularly collected and analysed since inflation effects the poor the most. This also helps in scaling up some of the relief measures.
- Blending of indigenous/ traditional knowledge of communities with the modern technology may generate the most effective early warning systems.
- Agricultural households need to be encouraged and guided for adoption of integrated farming systems, with crop (including tree crops) and animal husbandry as sub-systems which acts as a natural safety net.
- In the event of disasters, employment guarantee schemes have to be implemented to ensure food and livelihood security while developing infrastructure for disaster mitigation.
- Decentralised and community based PDS will focus on local staples have to be promoted to supplement the traditional PDS to ensure food and nutrition security.
- Priority in the allocation of funds for R and D for dry land crops and allied activities so as to evolve low cost, drought and flood resistant, labour intensive seed varieties in a consultative process. Such intervention becomes an effective alternative to the crop insurance scheme which most of the farmers are unable to avail of due to non-affordability.

- Watershed programme are the core of the development strategy for soil development and moisture conservation and livelihood security. Democratic functioning of watershed committees and GIS based watershed planning could be the thrust of future strategy. Link between watershed programme and NREGS may address the concerns of resource poor in the dry land areas.

### **9.3.10 Shift from macro-economic policy to micro economic policy**

While growth can lead to significant reduction in poverty, such trickle down may not reach all groups and sections. Safety nets to protect the groups that are excluded or are marginalized by the growth process are needed. There is, however, need to go beyond the establishment of safety nets; focus directly on providing employment and raising the incomes of the poor through explicit policy interventions. Experience, by and large, is that countries, which are the most successful in reducing poverty, are the ones which have combined rapid growth with equity promoting growth.

In such a strategy public policies influence both the distribution of income and the process of income generation. Poverty reduction in rural areas has been less impressive in the 1990s. Reasons include:

- a) poor performance of agriculture, which is a major source of livelihood for the poor,
- b) slow down in the expansion of rural employment,
- c) skewed and asymmetric pattern of growth - less growth in areas in which more of the poor are located, that is, Bihar, Orissa, Uttar Pradesh and Madhya Pradesh,
- d) constraints on the state governments' expenditures on rural infrastructure, power, water supply, health and education experienced in the last decade due to their fiscal crises,
- e) decline in the pace of credit flow to rural areas.

There is a need for a comprehensive mid-term course correction of macro-policies. Hence:

- need to increase public expenditure on rural health and education facilities, especially in remote areas. Special efforts should be made to reach the hard core poor;
- public investment in agriculture and rural infrastructure should be increased substantially;
- targeted and priority institutional credit to agriculture and rural-non-farm sector should be substantially increased;
- access to land to rural poor has a vital role in livelihood improvement and land reforms including tenancy reforms need special attention. Provision of access to waste lands to rural poor households and groups of the poor, with adequate financial support should be part of the poverty elimination strategy;
- employment policies including the EGS should be integrated with land and water and sustainable development programmes, and
- government must implement policies of a strategic nature (tariff, price support and technology) to support crops such as oilseeds and cotton which are closely associated with livelihoods of the poor in dry land areas.

To conclude with it may be stated that the outcome of the programmes may be measured by the parameters of 4 Es.

- **Economy** - Programmes for poverty alleviation being implemented by the government should be reviewed and see whether these are cost effective in the sense that adequate thrust is being given to the policies/programmes.
- **Equity** - Whether the benefits of the programmes are being equitably distributed i.e. deserving getting the benefits.
- **Efficiency** - How efficiently the programmes are being implemented?
- **Effectiveness** - To see how effective are the programmes being implemented by the government. Effectiveness can be judged by way of percentage of people brought above the poverty line.

## **10 POVERTY ALLEVIATION IN THE POST LIBERALISATION PERIOD AS MILLENNIUM DEVELOPMENT GOALS IN INDIA**

Shri G. K. Vasan, Minister of State (independent charge), Ministry of Statistics and Programme Implementation, released the first Millennium Development Goals - India Country Report for the year 2005 on 13<sup>th</sup> February 2006 in a simple function at Delhi. Millennium Declaration adopted by the General Assembly of the United Nations in September 2000 reaffirmed its commitment to the right to development, peace, security and gender equality, to the eradication of many dimensions of poverty and to overall sustainable development.

These are intended for the member countries to take efforts in the fight against poverty, illiteracy, hunger, lack of education, gender inequality, infant and maternal mortality, disease and environmental degradation. Millennium Declaration adopted 8 development goals, 18 time-bound targets and 48 indicators. MDGs are elaborated as under:

- a) eradicate extreme poverty and hunger - To achieve the Goal of eradicating extreme poverty and hunger, India must reduce by 2015 the proportion of people below poverty line from nearly 37.5% in 1990 to about 18.75%. As on 1999-2000, the poverty headcount ratio is 26.1% with poverty gap ratio of 5.2%, share of poorest quintile in national consumption is 10.1% for rural sector and 7.9% for urban sector and prevalence of underweight children is of the order of 47%. National Rural Employment Act is a positive step to reduce the poverty ratio further.
- b) achieve universal primary education - To achieve universal primary education India should increase the primary school enrolment rate to 100% and wipe out the drop-outs by 2015 against 41.96% in 1991-1992. The drop-out rate for primary education during 2002-2003 is 34.89%. The gross enrolment ratio in primary education has tended to remain near 100% for boys and recorded an increase of nearly 20 percentage points in the ten years period from 1992-1993 to 2002-2003 for girls (93%). Literacy rate (7 years and above) has also increased from 52.2% in 1992-1993 to 65.4% in 2000-2001.
- c) promote gender equality and empower women - To ensure gender parity in education levels in Goal-3, India will have to promote female participation at all levels to reach a female male proportion of equal level by 2015. The female male proportion in respect of primary education was 71:100 in 1990-1991 which has increased to 78:100 in 2000-

2001. During the same period, the proportion has increased from 49:100 to 63:100 in case of secondary education.

- d) reduce child mortality- It aims at reducing under five mortality rate (U5MR) from 125 deaths per thousand live births in 1988-1992 to 42 in 2015. The U5MR has decreased during the period 1998-2002 to 98 per thousand live births. The infant mortality rate (IMR) has also come down from 80 per thousand live births in 1990 to 60 per thousand in 2003 and the proportion of one year old children immunised against measles has increased from 42.2% in 1992-1993 to 58.5 per cent in 2002-2003.
- e) improve maternal health - To achieve this goal, India has to reduce maternal mortality rate (MMR) from 437 deaths per 100,000 live births in 1991 to 109 by 2015. Value of MMR for 1998 is 407. Proportion of births attended by skilled health personnel has been continuously increasing (from 25.5% in 1992-1993 to 39.8% in 2002-2003) thereby reducing the chances of occurrence of maternal deaths.
- f) combat HIV/AIDS, malaria and other diseases - Though India has a low prevalence of HIV among pregnant women as compared to other developing countries, yet the prevalence rate has increased from 0.74 per thousand pregnant women in 2002 to 0.86 in 2003. This increasing trend needs to be reversed to achieve MDG 6. Prevalence and death rates associated with malaria are consistently coming down. Death rate associated with TB has come down from 67 deaths per 100,000 population in 1990 to 33 per 100,000 population in 2003. Proportion of TB patients successfully treated has also risen from 81% in 1996 to 86% in 2003.
- g) ensuring environmental sustainability - As per assessment made in 2003, total land area covered under different forests has been 20.64% due to government's persistent efforts to preserve the natural resources. Reserved and protected forests together account for 19% of the total land area to maintain biological diversity. Energy use has declined consistently from about 36 kilogram oil equivalent in 1991-1992 to about 32 kilogram oil equivalent in 2003-2004 to produce GDP worth Rs. 1,000. Proportion of population without sustainable access to safe drinking water and sanitation is to be halved by 2015 and India is on track to achieve this target, and
- h) developing global partnership for development - It is basically meant for the developed countries to provide development assistance to developing countries.

**Present status of MDGs in India** - Government of India has recently come out with its assessment on the progress made on the millennium development goals and had brought out a document 'Millennium Development Goals: India Country Report 2009'. Let me quote some of the conclusions reached by this document to help us in locating where the country stands today.

Country Report broadly divides the 12 targets into five groups and predicts their achievability based on their current status. It states that India is moderately or almost nearly on track, considering all indicators of achieving the targets:

- a) reducing the population below national poverty line to half,
- b) eliminating gender disparity in primary and secondary education and
- c) halting and reversing the spread of HIV/AIDS.



Three more targets, according to the Report, considering all indicators, are on fast track. They are:

- a) ensuring that all children (boys and girls) complete full course of primary education,
- b) integrating the policies of sustainable development and reversing the loss of environmental resources,
- c) making available the benefits of new technologies in cooperation with private sector.

The country is low or off-track by some indicators but fast by other indicators in respect of three targets:

- a) reducing the under-five mortality rate by two-thirds,
- b) reducing maternal mortality rate by three quarters and
- c) halt and reverse the incidence of malaria and other major diseases.

Report states that India is »on track or fast by one main indicator but slow by another main indicator« in respect of halving the number of people without sustainable access to safe drinking water and basic sanitation.

Report agrees that the country is »slow or almost off track considering all indicators« with respect to halving the proportion of people who are suffering from hunger and that the pattern of change is not clear due to lack of sufficient data« on achieving significant improvement in the lives of at least 100 million slum dwellers.

To better understand the conclusions drawn in the report, let us look at some official statistics (Ministry of Statistics and Programme Implementation, India, 2005):

- Number of people living below poverty line in 1990 was 37.2 per cent. This is supposed to be brought down to 18.5 per cent by 2015 but is expected to come down to 22 per cent. Present number of poor varies from 27 to 37 per cent depending on the various government appointed official committees. According to another estimate, nearly 77 per cent of the people are living on an income of less than \$2 per day.
- There were 53.5 per cent of underweight children below three years age in the country in 1990 and this is required to be reduced to 26.8 per cent by 2015. This is expected to come down to about 40 per cent only.
- Under-five child mortality rate was 125 per thousand in 1990 and it has to be reduced to 42 per thousand live births by 2015. But it is expected that it would only reach 70 by that year.
- In 1990, infant mortality rate was 80 per thousand live births and this is to be reduced to 26.7 per thousand live births by 2015. This is expected to reach only 46.
- In 1990, maternal mortality rate was 437 per 100,000 live births and it is to be brought down to 109 per 100,000 live births by 2015. This is expected to reach only 135 per 100,000 live births by 2015.
- Only 51 per cent of the population are covered by sanitation facilities in the country at present and this is to be brought down to 38 per cent and the government states this goal cannot be achieved.

In view of the above, it may be stated that India has to go a long way to achieve these targets.

## CONCLUSION

After independence from the foreign rule in 1947, India chose the path of development planning through five-year plans, for overall progress of the country. In the initial plans, thrust was towards setting up big industries and creating public sector enterprises. Small scale industries, in which the sizable number of population, especially rural one, was employed, were not promoted adequately, resulting in mass unemployment. Agriculture, the main source of employment in the country, ceased to be remunerative, as with the rapid growth of population, the land holdings became smaller and smaller. The farmer could hardly sustain his family with the meagre income.

With a view to provide opportunities to the people to earn their livelihood, the government launched many employment programmes from time to time. These programmes helped the people temporarily but could not generate permanent and long term job opportunities for them. Majority of the rural population was uneducated, as there were a few schools in the villages. Due to lack of proper hospitals and health care centres, especially in rural India, child and maternal mortality rate was very high.

Government took measures to provide education and health facilities to the people by way of setting up schools and health care centers in the village, but due to lack of resources, these proved to be inadequate. Hence, a larger population, especially women still remained uneducated and illiterate.

In the above scenario, the government launched many programmes for providing education, health care facilities and employment opportunities, especially to the marginalised and poor, to bring them above poverty line. However, despite many policies/programmes implemented by the central as well as state governments for alleviation of poverty in India, about 35% of the population in India is still below the poverty line. This is perturbing the policy makers and forces them to think as to what ails our programmes, which have not been able to bring our poor population above poverty line. Previously, we could perhaps take refuge in the fact that due to low growth rate, that ranged between 3% to 3.5% (the so called Hindu rate of growth) during seventies and eighties, we were poor, but now we are moving with 8% to 8.5% but still a larger population, especially scheduled castes and scheduled tribes, remain poor. Maybe the Trickle Down theory alone is not proving fully effective. Hence, there is need to tilt towards micro economic policies as well, thus launching specific programmes, with more thrust, for development of the people so as to bring them above poverty index.

Further, it appears, the benefits of the policies/programmes of the government are not reaching the target group and the money allocated for them is being siphoned off mid way, by corrupt means, meaning thereby that corruption is proving to be a stumbling block in achieving the goals of the programmes. In fact, corruption is eating away the vitals of our society. This view is corroborated by the fact that in 1947, the average annual income in India was \$439, compared with \$619 for China, \$770 for South Korea and \$936 for Taiwan. By 1999, the numbers were \$1,818; \$ 3,259; \$13,317; and \$15,720. (Numbers are in 1990 international Madison dollars.)

In other words, the average income in India was not much different from South Korea in 1947, but South Korea became a developed country by 2000s, but India was left as one of the world's poorer countries. Countries like China have succeeded in reducing poverty to a

great extent. But performance of many developing countries including India has left ample scope for improvement; so far removal of poverty is concerned. As regards China, they have been able to block the entry of fresh numbers in the poverty line but in the case of India, it has not been possible and every year fresh number of people is added to the poverty

In view thereof, we have to review the existing programmes with a view to make them more intensive and targets oriented and bring utmost transparency in their implementation, by way of social audit etc. The long term objectives of the programmes should be making the beneficiaries self reliant in the long run, by way of generating self employment etc., as doling out the easy money to them is not going to help for longer times. High growth necessarily does not mean growth in every Indian's income. It is not true reflection of the position of the whole population of the country.

Therefore, India has to take a holistic view and reinvigorate its efforts to eradicate the poverty and bring all strata of the society, especially marginalized sections, in the ambit of development by way of taking measures, possibly as per the suggestions given above, which will pave way for inclusive growth.

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## **APPENDIX**

### **Appendix 1: List of Abbreviations**

ACD - Agriculture Credit department  
BPL - Below Poverty Line  
CCR - Computerisation of Land Records  
DEA - Department of Economic Affairs  
ECOSOC - Economic and Social Council  
FDI - Foreign Direct Investment  
GBC - Gender Budgeting Cell  
GDP - Gross Domestic Product  
GIEWS - Global Information and Early Warning System  
GNI - Gross National Income  
GNP - Gross National Product  
HDI - Human Development Index  
HIES - Household Income and Expenditure Survey  
HYV - High Yield Variety  
IIAH - International Alliance against Hunger  
IWMP - Integrated Water Management Programme  
LDCs - Least Developed Countries  
MDGs - Millennium Development Goals  
MMR - Maternal Mortality Rate  
MNC - Multi National Corporation  
NGO - Non- Governmental Organisation  
NRDWP - National Rural Drinking Water Programme  
NREGS - National Rural Employment Scheme  
NSS - National Sample Survey  
OECD - Organisation for Economic Cooperation and Development  
PDS - Public Distribution System  
PMAGY - Prime minister's Adarsh Gram Yojana  
PPP - Purchasing Power Parity  
PRI - Panchayati Raj Institutions  
R&D - Research and Development  
RoRs - Records of Rights  
RPDS - Revamped Public Distribution System  
SC - Scheduled Caste  
SCSP - Scheduled Caste Sub- Plan  
SGSY - Swarnajayanti Gram Swarozgar Yojana  
SHG - Self Help Group  
SRA - Strengthening of Revenue Administration  
ST - Scheduled Tribe  
TPDS - Targeted Public Distribution System  
ULR - Updating of Land Records  
UN - United Nations  
UNDAF - United Nations Development Assistance Framework  
USD - US Dollar  
UT - Union Territory  
WFP - World Food Programme  
WTO - World Trade Organisation