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Administration of Anti Poverty Schemes in India

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Abstract: This paper critically evaluates the design of India's Anti-poverty programmes. In recent years, successive Indian Governments have sought to improve the performance of these programmes by decentralizing their administration, vesting village governments with greater responsibility for their monitoring and oversight. An academic literature hypothesizes that socioeconomic divisions within villages and the weak political strength of the poor reduces the effectiveness of decentralized programmes since, under these conditions, elites are able to 'capture' funds intended for the poor. This paper argues that the effect of administrative decentralization of poverty programmes and local public goods on the magnitude of benefits to the poor depends not just on their political strength but also on the incentives the non-poor have to improve the welfare of the poor. The design of policy pays insufficient attention to such incentive issues. Empirical analysis provides support for this belief. The regression analysis of the paper reveals that welfare receipts affect the labour supply decisions of the poor and that the implementation of welfare programmes under control of village governments takes these effects into account.

Introduction: One of the ironies of our rapidly developing and increasingly progressive world is that poverty continues to remain widespread and rampant, and the vulnerable population seems to have grown ever more vulnerable. RagnerNurske considers that those who are poor remain poor simply because at the mental and physical level they suffer from the pangs of poverty, which he calls secondary poverty. The recent studies done by Thomas Picketty and Lucas in their essay from British Raj to Billionaire Raj, they argue that the gap between the rich and poor in 2013-2014 was the most glaring one as it had been in 1921-1922. [1] In India, despite several efforts by the government to lift the poor out of the poverty drag, still there are millions who don't have access to the basic amenities of life. The intensity of poor and the downtrodden in India is a matter of serious concerns for both policy makers and academia. [2] It is because of its widespread implications. In absolute numbers, India accounts for largest number of poor persons amounting to nearly 300 million persons with a huge percentage of them being forced to live in abject poverty due to socioeconomic vulnerabilities. [3] While measuring their plight on the basis of Sencoefficient and multi-dimensional index, it appears that majority of people living urban and rural areas still struggle to eke out their living. While defining poverty, economists rely upon subsistence level data which is axiomatic and widely accepted across the world.

Indian Poverty Measures: A Chronology Poverty lines as determined during the British Raj were flawed an initio simply because most of such lines were dependent upon a contextual sense of adequacy. In 1979, subsistence needs were systematically linked to nutritional needs and household spending patterns. Calorie norms of 2,400 per capita per day for rural India and 2,100 for urban India were adopted, and the expenditure equivalents of these norms were identified through the empirical distribution of consumer expenditure from the NSS survey of 1973–1974. [4] The studies during 1970s conducted my M.S. Ahluwalia, V.N. Gadgil etc. became the new poverty lines for both rural and urban areas in India. Most of these studies assumed that per capita consumption expenditure or household expenses generally a period of one month or one year, was the right statistical choice for calculating poverty in India. Implicitly, subsistence was defined as the bundle consumed by households at these calorie levels. Poverty alleviation has been on the national policy agenda for more than seventy years. During the National movement the Congress was also working hard to spell out a future plan for adopting the strategy of planned development once India got independence. Accordingly, in1938, the Indian National Congress set up a National Planning Committee (NPC) headed by Jawaharlal Nehru, which made a declaration that the social objective of the Indian government should be 'to ensure an adequate standard of living for the general masses, in other words, to get rid of the appalling poverty of the people'. The importance of reduction in poverty and provision of other basic needs has been emphasized in all the five-year plans since independence particularly since the Fifth Five-Year Plan. The government concerned had adopted a two-pronged strategy, one, promoting economic growth and another direct action for alleviating poverty. [5] Until the 1990s, no attempt was made to capture differences in prices or spending patterns across states. Poverty estimates were revised with each quinquennial NSS survey and price indices were used to adjust for price changes over time. In 1993, an expert group set up by the Planning Commission recommended state-specific poverty lines based on regional prices, which captured the cost of living for poor households. For each state, the new price deflators were the consumer price index for agricultural labourers (CPIAL) for rural populations and the consumer price index for industrial workers (CPIIW) for their urban counterparts. The updating of poverty lines was done purely on the basis of these cost estimates. [6]

Over the years, this method lost credibility. The price data were flawed and successive poverty lines failed to preserve the original calorie norms. Dr. Manmohan Singh government decided to further set up an expert committee with Suresh Tendulkar as its head in 2005 and on the basis of whose report a new poverty line was published in 2009. The report was officially adopted by the Planning Commission in 2011. The Tendulkar Committee did not relate poverty lines to calories. However, for the sake of continuity, it anchored the all-India urban head count for 2004–2005 to 25.7 percent, the official estimate under the old procedure. Using this normalization, it then arrived at rural and urban poverty lines for each state using elaborate methods for estimating regional price variations based on the aggregation of 23 price indices for different categories of expenditure. [7] The latest estimates on poverty based on National Sample Survey (NSS) data show that poverty in India in 2011-12 was around 22 per cent. [8] In other words, more than 300 million people are still below poverty line in India. These numbers on poverty indicate that the social objective declared by the NPC headed by Jawaharlal Nehru in 1938 is largely unaccomplished even after nearly sixty years of independence. Poverty has many-sided realities which one calls multi-dimensional (viz., income poverty and non-income poverty). It covers not only levels of income and consumption, but also health and education, vulnerability and risk, and marginalisation and exclusion of the poor from the mainstream of society. As shown by Dreze and Sen (1995), the performance of India in terms of non-income indicators (such as, education and health) has not been satisfactory. This is not to deny that progress has certainly been made in reduction in poverty has been, however, slow as compared to many other countries, particularly those of South-East and East Asia. In the post-reform period, there has been a debate about the impact of reform policies on poverty, inequality, and employment. The objective of this chapter is to put together the evidence on poverty and income distribution in the pre-and postreform periods. An attempt is also made to present the findings of various studies that have identified the components of reforms having impact on these indicators. We concentrate on income poverty in this chapter. Trends in poverty can be examined in two ways. One way is to directly estimate poverty ratios from the NSS consumer expenditure. One can also examine poverty situation indirectly by looking at the trends in employment, unemployment, and real wages of workers. In this chapter, we will concentrate on poverty ratios using NSS consumer expenditure data. Trends in employment and wages will be discussed in the later chapters. The impact of reforms on poverty may differ depending on whether we are considering rural or urban sectors. Are there any differences in the trends in rural and urban poverty? Another issue relates to absolute poverty and income distribution. The market-oriented reforms have different effects on different social and economic groups within an economy. There may be winners and losers even among the poor. In a large continental economy like India, the reforms may have differential impact on different regions of the country. Therefore, we look at poverty by regions and social groups. Before the Planning Commission was disbanded by the Modi government in January 2015, the data on poverty as a percentage of Indian population especially those living below poverty line had been released by the planning commission. In July 2013, accordingly, the planning commission released data which showed that those living below the poverty line in India had been constantly decreasing- in 2004-2005 they constituted 37 percent of the total population, but 2011-2012 their percentage declined to 22 percent. In fact, the above data was culled from the reports of the NSSO released by the Ministry of Statistics Programme Implementation. [9] Ever since Tendulkar Committee which used the methodology for poverty estimate mostly on the basis of consumption expenditure, has since been a source of debate as it leaves out many aspects of poverty such as secondary poverty. However, Tendulkar Committee used the same methodology which had been in practice ever since early 1970s. [10] NSSO report of 2011-2012 suggest that despite the decrease in poverty ratio across the state, there are very big gap in the percentage of poor living below the poverty line in these states. For example, in Bihar the poverty ratio fell from 54.4 percent in 2004-2005 to 33.7 percent in 2011-2012, but in Arunachal Pradesh instead of it falling, it rose by 3.6 percent that is, it rose from 31.1 percent to 34.7 percent. Whereas in Delhi the decrease was only 3.2 percent, whereas in Assam it was only 2.4 percent. The above marked disparity indicates that bureaucratic machinery and political leadership have not been able to bring about any uniform transformation in the reduction of poverty.

Causes of Poverty in India :

1. When the population rises at a whopping rate it leads to poverty in a country like India. This further leads to high level of illiteracy, poor health care facilities and lack of access to financial resources. Moreover, when the population reaches an inflection point which is generally referred to as population explosion, economic growth is broadly affected and as a result the per capita income also declines. [11] It is but natural that population in India would reach, as is the most wild guess and estimation, 1.5 billion by 2026 almost either equal to that of China or more than that.

And, conversely, if India's economy falters behind the estimated line, it would lead to declining income coupled with increasing unemployment. Should this happen, one need to provide jobs to nearly 20 million unemployed every year.In this case there would be a burgeoning population growth with majority of people being pushed to the poverty drag. [12]

2. It is a basic economic sense that if rising demand is not matched by the rising supply in proportion to the demand, the prices of basic commodities would see a rise with the result the poor would further face the plight of poverty. The government of India then had to face the wrath of the people which might cost it dearly in politics. [13]

3. The informalisation of the Indian economy has given rise to unemployment and under-employment whose data is difficult to be collected even by the government agencies. In so far as India's semi urban and rural economy is concerned this incidence is more pronounced. Hence, National Commission on Enterprises in unorganised sector estimates that there are around 80 percent population in India which hardly has access to full time employment and hence, should be counted among the unemployed. This has created a worrisome situation for the policy makers and the analyst as to how to cope with the seasonal unemployment, and that to when the child labour is still being a reality with majority of children being employed in stone cutting, brass making, lock making, slate making industries. Once an economic slum with a brief spell grips such industries, the childhood is lost as an army of unemployed while at the same time being deprived of the opportunities of compulsory education provided at the expense of the state. For any emerging economy as India is, it is necessary that capital formation should take place at regular intervals with the state owning up the responsibility for investment in infrastructural sectors like power, telecommunication, roads, railways etc. which require long gestation period. If this does not happen it would lead to greater unemployment with productive labour force being thrown out of the gear. [14] As a result, the demographic relieve on land has been increasing resulting in unemployment, and disguised unemployment in informal sector and agriculture. Thus has caused low poverty, productivity, and low incomes.

4. Rate of inflation and level of food prices is an important factor that causes poverty. Inflation, especially rise in food prices, raises the cost of minimum consumption expenditure required to meet the basic needs. [15] Therefore, inflation especially makes a dent in the pocket of the poor as a result of the rises in food prices which consequently, pulls down several households further below the poverty line. That is why Public Distribution System has been designed to provide foodgrains and other essential items such as Kerosene oil, standard cloth, pulses at subsidised prices, that is, prices which are lower than the free market prices. However, most of Public Distribution Ration Shops are located in the urban areas. Therefore, the rural poor which constitute 70 per cent of the total poor cannot get much benefit from the food subsidies provided by the Government. [16]

5. Besides above, the unskilled labourers are paid very low wages despite the fact that they do hard work on daily basis. Hence, the problem lies with the structure and style of functioning of unorganised sector which are largely still out of the regulatory framework of the government. The owners of such sectors are by and large exploitative in nature and make full use of the loopholes in the government system. Their primary concern is to minimise cost and prop up more profit. Due to

this fact which is a tailing and sordid saga of labour exploitation, unskilled workers have no other option but to work for less money. The government must explore ways and means to impose minimum wage standards for these workers with owners flouting the guidelines are taken to task.

Urban and Rural Poverty in India:

Initially poverty was only supposed to be limited in rural areas. Although in India people from both rural and urban part are suffering from problem of poverty. This was one of the major grounds because of which Rangaranjan committee considered rural and urban poverty in separate basket rather than in same one as done earlier by Tendulkar committee. Income poverty being subset of poverty can be defined as scarcity of enough money in order to provide food, clothing or shelter. The overall harmful impact of poverty include greater exposure to environmental disease such as, tobacco, malnutrition and alcohol besides it few more severe issues are less parental involvement in school, excessively crowded and noisy living arrangements less cognitive stimulation, instable residential, negative, harsh and uncaring parenting, exposure to aggressive peer pressure, family insecurity and clashes, un-sufficient parental inspection, need of emotional support. [17] In rural areas we need more sophisticated medical facilities; the towns are not concentrated and away from various services and the public transportation are readily available. The academic qualifications of people living in these areas are generally low, most of the time they are not even high school graduate. According to the IMF report [18] in 2014, 63 percent of the world's impoverished live in rural areas, prominent challenges in these areas are Education, health care and sanitation in rural environments. To emerge from it people migrate to cities which results to raise in poverty rate in urban areas. Wages in rural areas are very low and exploiting and because of poor services availability the rural person suffers more than the urban one. Many other parameters are also involved in rural poverty few of them are lack of political stability and high rate of corruption, discrimination on basis of cast and gender, lack of regulated landlord arrangements and old and worthless economic policies often make it tough for the rural person to "emerge from condition of poverty. Also, in urban areas challenges are in different form for example, to get a job one need to have certain skills which generally the migrants from rural areas find tough to gain. This further worsens their conditions. Their dreams fall short and the cruel cycle of poverty sustains. It is difficult for urban people to find adequate housing with a proper safety and sanitation without a proper income. In addition to that a proper health care and education opportunities are very limited, Crime and violence rate are also very high in urban settings than in rural ones, threatening the authority of law enforcement and the peace of mind of city dwellers.

NSSO completed its 71st round of survey where it had demonstrated that the speed of reduction in poverty in rural areas have been less pronounced than it has been in urban areas. This report is supported by and study conducted by International Monetary Fund showing that due to the rapid growth of population in developing countries rural poor flock to urban areas for better economic opportunities. But finally, they end up serving in a pitiable condition in urban areas making their living worse than what it was in a rural areas. Recently, Times of India published an article in which it wrote that a rickshaw puller hardly earns Rs.100 per day, but, if he is fortunate enough to earn between Rs. 150-200 he feels a happier lot. In fact, looking incisively at the rural urban poverty gap one can say that due to the exodus of rural work force to urban areas in search of greener pastures ha created a shortage of work force in rural areas thus enhancing a bargaining power of the rural labour force, while at the same time urban labour force is finding it difficult to indulging bargaining which is visible from their large presence at various labourchowks. [19] As per the Statistics published by the Times of India urban poverty in India is over 25 percent, which means nearly 8 crore people living in urban areas live below poverty line. If we go by the urbanisation trend as per 2011 census which shows that over 30 percent of the Indian population live in urban areas, which means by 2030 India's urban population would stand at 50 percent. Accordingly, the ratio of urban poor is sure to go up by around 17 percent. Solution & Steps Taken to Fight Against Poverty in India India has taken up various programmes and schemes and to provide employment to the poor so they can earn a daily wage since 1980s. However, recent schemes in the past decade to reduce poverty include: National Rural Livelihood Mission:•Ajeevika (2011): The Ministry of rural Development launched this scheme in 2011. It object to provide employment which will make able rural poor for good regular income on a monthly basis. To do so, self-help groups are formed in the villages to help those in need. [20] The Fight Hunger First Initiative (FHFI)• Program (2011): It is often seen that though numerous programs and schemes are started to help those in need, the assets do not reach the people who are in most need of them, be it due to exploitation, lack of awareness, or other reasons. The Fight Hunger First initiative was taken up by the government in 2011 to improve access of communities to the entitlements and rights accrued to them by the government schemes like employment, nutrition of child, basic education and food supplies. The focus of this scheme is on most five backward states of India i.e. Madhya Pradesh, Jharkhand, Orissa, West Bengal and Karnataka. FHFI seeks to support and help the community and grass-root organizations in activating the Indian authorities to provide minimum social support in the sectors mentioned above. [21] Food Security Bill (2013): The Food Security Bill was tabled in the Parliament in 2011 and became an act on 12 September 2013 making it one of the largest food security schemes across the world. Under the provisions of this law, beneficiaries will get 5 kilogram of grains per person per month, including rice at Rs. three per kilogram, wheat at Rs. two per kilogram and coarse grains at Rs. one per kilogram. The bill proposes meal entitlement to specific groups, including pregnant women and lactating mothers, children between six months and fourteen years, malnourished kids, people affected by disaster, and those who are destitute, homeless and starving. The roll out entails covering 75% of the rural population, since they happen to be the most deprived section in the society, and up to 50% of the urban population. [22]

Conclusions:

The pace of poverty reduction is crucially linked to within effect (raising productivity in sectors employing a major share of workforce) and dynamic reallocation effect (shifting workers to sectors where productivity is rising) by creating more job opportunities in different sectors. Given that productivity levels in sectors employing the bulk of the workforce such as agriculture, construction, and unregistered manufacturing in India remain below many other developing economies, there is scope for improvement. However, as previously shown, this is not enough to reduce poverty at an accelerated pace. What is critical is that the high productivity sectors witness a growth in productivity as they absorb the workforce coming into these sectors. Thus, equal attention needs to be given to inducing positive dynamic reallocation effect. This is especially important as the dynamic reallocation effect is positive only for a small proportion of regions.

Policy Recommendations:

First, to spur the within effect, with a major part of the workforce remaining in agriculture in the foreseeable future, there is a need to improve returns to farming which would include adoption of new technologies to raise farm productivity, improvement in water resources (more crop per drop) and irrigation management, facilitation of agricultural diversification to higher-value commodities, improvements in logistics and warehousing, development of new markets, and improvement in access to agricultural credit.

Second, to facilitate positive dynamic reallocation, i.e., to bolster labor productivity in nonfarm sectors and generate job opportunities in these sectors, a multipronged approach with several distinct elements is needed. Foremost, it is vital to bridge the large infrastructure deficit that India faces. Resolving infrastructure bottlenecks in logistics, power, and urban sectors would augment productivity by reducing the cost of production and create productive economic opportunities by generating new jobs.

Reforms aimed at improving ease of doing business through better functioning credit markets, competitive business regulations, and flexible labor regulations would bolster competitiveness and expedite dynamic reallocation. In this context, development of economic corridors comprising three complementary components: a trade and transport corridor, industrial production clusters, and urban centers, which act not only as markets for the goods produced but are also source of labor and knowledge, can help to overcome infrastructure and regulatory bottlenecks, and aid dynamic reallocation.14 Under the ambitious "Make in India" program, the Government of India identified five industrial corridors across India to boost inclusive development by bolstering industrialization and planned urbanization. The Asian Development Bank (ADB) is partnering with the Government of India to develop the Vizag–Chennai Industrial Corridor with a loan of $631 million to (i) improve ease of doing business and strengthen corridor management; (ii) develop corridor infrastructure including internal and external roads, water supply, drainage, logistics, effluent treatment, and power transmission and distribution system; and (iii) build institutional capacity.

Finally, sustainable investments are required in education and skill development for making the present and future workforce productive and employable. Bridging the skills gap would support industrialization and right-skilling would allow the youth mobility to higher productivity sectors. In ADB's sector program, skill development is a strategic pillar for boosting economic competitiveness and job creation to support higher and inclusive growth. Since 2013, ADB has approved loans worth $510 million and provided technical assistance worth $10 million. ADB will continue to support Technical and Vocational Education and Training (TVET) to improve employability and productivity of the growing workforce, by focusing on scaling up TVET infrastructure and capacity along systematic skills paths, uplifting the quality of TVET in line with emerging and future industrial demands, and strengthening the skills ecosystem by reinforcing national priorities and introducing international benchmarking.

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