
Poverty Reduction Essential for Inclusive Growth in India

Dr. Vinita Katiyar

Associate Professor & Head, Department of Economics, Narain College, Shikohabad.

Dr. Shishir Kumar Verma

Associate Professor & Head, Department of Economics, S.R.K. (PG) College,
Firozabad

Economic Growth is a complex issue. For Inclusive Economic Growth balance regional growth and harmonious development of any country is required. There are many causes like Regional disparities, Gender inequality, Environmental degradation, Unemployment, Low human resource development responsible to hindered the goal of Inclusive Economic Growth, but Poverty is most important factor and root cause of almost all other factors. Poverty and non-uniform economic development creates inter-state or intrastate regional disparities. Present paper concentrates on concept of Inclusive Growth, the trends of poverty in India and their inter-relation between environment and Inclusive Economic Growth. For Inclusive Economic Growth and development it is necessary to reduce the poverty. To eliminate the poverty and disparities should be an accelerated development of backward areas of different states and regions.

Key words: Inclusive Growth, Poverty, Sustainable Economic Development, Multidimensional Poverty Index, Global Hunger Index.

India is a developing economy. It has very high potential for economic growth due to young demographic transition but Growth is not uniform across sectors; Several social, political and economic factors like corruption, gender inequality, regional disparities, poverty, low human resource development, low quality employment growth, low agriculture growth, environmental degradation are main obstructers in high rate of growth, as well as to make this growth inclusive. Poverty is the root cause to hinder the goal of Inclusive Economic Growth, so the poverty reduction is necessity for sustainable development and inclusive growth. Poverty reduction bears a stronger correlation with inclusive growth. Employment opportunity is avenue of healthy, prosperous, stable life and also ensures continuity of development. Employment is also main tool for poverty alleviation. Poverty is also reduced by investment in health, nutrition and education which is important to strengthen them to get access to growth, opportunities and empowerment.

Increase in income, improving education and health care also help in reducing fertility rate and population growth rate.

Research Methodology and Data Collection

The present study is entirely based on secondary data and data were obtained from the various reports NSSO, different publications of Government of India, NSS Survey, various Economic Surveys and Internet. The data collected, tabulated was subjected to statistical analysis as per the objectives of the study. Tabular analysis and graphical representation have been used for analysis the data.

Objectives of Study:

This paper is examined that poverty alleviation is an important need for sustainable economic development and Inclusive Growth. This paper widely covers concept of Inclusive Growth, Poverty and present scenario of poverty in India and Poverty alleviation is important for Inclusive Growth of Indian economy. The main objectives of this paper are:

- To study the concept of Inclusive Growth.
- To study the present scenario of poverty in India..
- To study the relation between pace of growth and poverty reduction.
- To display the Inter-relation between poverty and Inclusive Growth.

Concept of Inclusive Growth:

Inclusive growth is the pattern of economic growth which creates equal economic opportunities along with ensuring equal access to all people of the country. Inclusive growth is necessary for sustainable development and removing inter-state and intra-state disparities in manner of income and resources distribution. Achieving inclusive growth is the biggest challenge in India due to high level of poverty. To take the levels of growth to all sections of the society and to all parts of the country is also a biggest challenge in inclusive growth.

K. C. Chakrabarty, Deputy Governor of RBI define inclusive growth as “Inclusive growth as the literal meaning of the two words refers to both the pace and the pattern of the economic growth. The literature on the subject draws fine distinction between direct income redistribution or shared growth and inclusive growth. The inclusive growth approach takes a

longer term perspective as the focus is on productive employment rather than on direct income redistribution, as a means of increasing incomes for excluded groups. Inclusive growth is, therefore, supposed to be inherently sustainable as distinct from income distribution schemes which can in the short run reduce the disparities, between the poorest and the rest, which may have arisen on account of policies intended to jumpstart growth. While income distribution schemes can allow people, to benefit from economic growth in the short run, inclusive growth allows people to “contribute to and benefit from economic growth”ⁱ

Present Poverty Scenario in India:

Poverty is great curse on humanity and it is socio- economic problem of our country. Poverty is the deprivation of common necessities that determine quality of life, it also includes lack to access to opportunities such as education, employment etc. India has a greater share of the poor around the world at present. About thirty years ago, India has one-fifth world’s poor population but now it has one-third of poor people. This means that at present India has more poor in India as compared to thirty years ago. International poverty line stands at \$ 1.25 per day and in 2010, 32.7% of the total population in India was below this line.

Although there is no doubt that poverty in India has declined significantly but the rate of declension is slow, since independence yet even today nearly one third population of India is below the poverty line. Poverty in India predominantly in rural areas, as per the survey conducted in 2011-2012, the percentage of population below the Poverty Line in India has been estimated as 25.7% in rural areas, 13.7% in urban areas and 21.9% of whole India in year 2011-12. The respective poverty ratios for the rural and urban areas were 41.8% and 25.7% and 37.2% for the whole India in 2004-05. And in year1993-94, it was 50.1% in rural areas, 31.8% in urban areas and 45.3% for the whole country in as shown in table-1 and also in figure -1.

Table-1

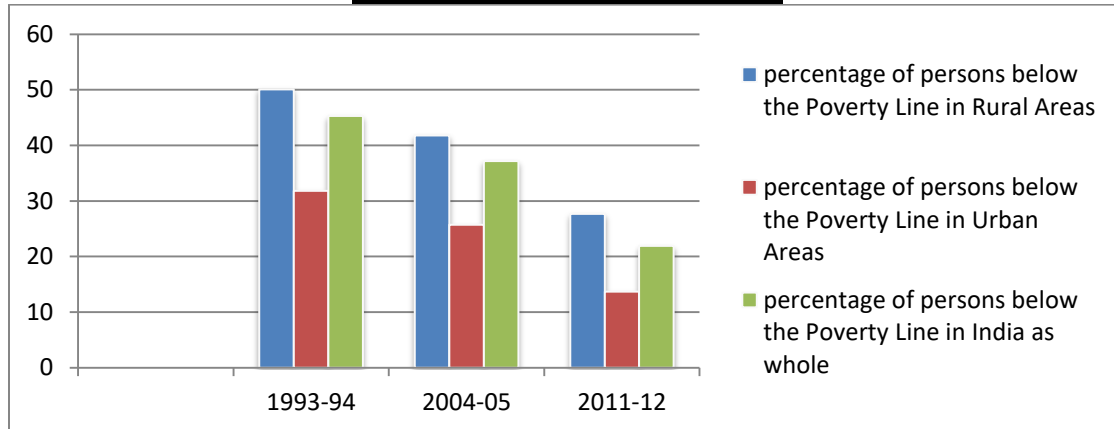
Percentage and number of poor in India

Using Mixed Reference Period (MRP)

Year	Poverty Ratio (%)			Number of Poor (million)		
	Rural Areas	Urban Areas	Total	Rural Areas	Urban Areas	Total
1993-94	50.1	31.8	45.3	328.6	74.5	403.7
2004-05	41.8	25.7	37.2	326.3	80.8	407.1
2011-12	27.7	13.7	21.9	216.5	52.8	269.3

Source: Various Reports of NSSO

Figure-1 Poverty Ratio in India



Source: Based on table -1

In India, there was 270 million persons below the Tendulkar Poverty Line in 2011-12, as compared to 407 million persons in 2004-05; this shows that there is a reduction of 137 million persons below poverty line over the period of seven year.

Other measures such as the semi-economic Multi-dimensional Poverty Index (MPI), which places 33% weight on education and number of schooling years in its definition of poverty, and places 6.25% weight on income and assets owned, suggests there were 650 million people (53.7% of population) living in MPI-poverty in India. Multi-dimensional poverty Index across twenty-eight Indian states, we see that 81 percent of people are multidimensional poor in Bihar - more than any other state. Poverty in Bihar and Jharkhand is most acute, and poor people are underprivileged in 60 percent of the MPI's weighted indicators. Uttar Pradesh is the home of largest number of poor people, about 21 percent of India's poor people live there. West Bengal also has highest level poverty third largest number of poor people live here. Kerala has lowest multidimensional poverty.

There are number of people in India who live below poverty line. Tendulkar methodology has estimated poverty line in terms of per capita income per month of Rs. 816 in rural areas and Rs.1000 in urban areas. The All India poverty line in term of consumption would amount to about Rs. 4080 per month in rural area and about Rs. 5000 per month in urban area. According to Tendulkar Methodology, there is 21.92 percent population below Poverty Line in India, in rural area population below poverty line 25.70 percent, and 13.70 percent urban area in 2011-12.

Table -2

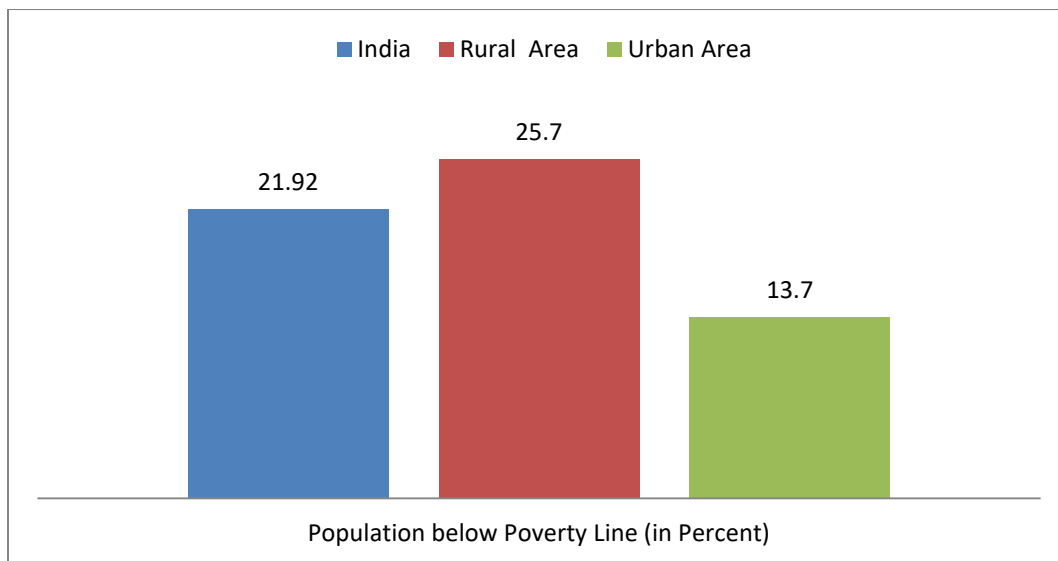
**Number and Percentage of Population below Poverty Line in India Year 2011-12
 (Tendulkar Methodology)**

Population below Poverty Line		Rural Area		Urban Area	
Total Number (Lakhs)	Total India Percentage of Person	Total Number (Lakhs)	Percentage of Person	Total Number (Lakhs)	Percentage of Person
2697.83	21.92	2166.58	25.70	531.25	13.70

Source : NSSO Report

State wise analysis of population shows the highest population below poverty line in Chhattisgarh which is 39.93 percentages and that is followed by Dadar and Nagar Haveli 39.31 percent, with 36.89 percent Manipur is in third position in 2011-12. Area wise analysis shows that population below poverty line in rural areas is highest in Dadar and Nagar Haveli with 62.59 percent and is followed by Chhattisgarh 44.61 percent and Jharkhand 40.48 percent. In urban areas Manipur with 32.59% is highest and is followed by 31.32 percent Bihar and 26.06 percent Utter Pradesh.

Figure -2 Percentage of Population below Poverty Line in India Year 2011-12



Source: Based on Table -2

Pace of Economic Growth and Poverty Reduction:

Here we see inter-relation between economic growth and poverty. The pace of decline in poverty has accelerated continuously in India. India has lifted 137 million people out of poverty line in between 2005 to 2012. Poverty declined by 2.2 percentages per year, as the poverty rate (based on the national poverty line of US\$1.17 (PPP) per person per day) fell sharply from 37.2 percent to 21.9 percent during this period. Compared with 1994-2005, when poverty falls 45.3 percent to 37.2 at a rate of 0.7 percentage points per year, the later period represents a significant increase in the rate of poverty reduction as shown in table -3 and figure -3

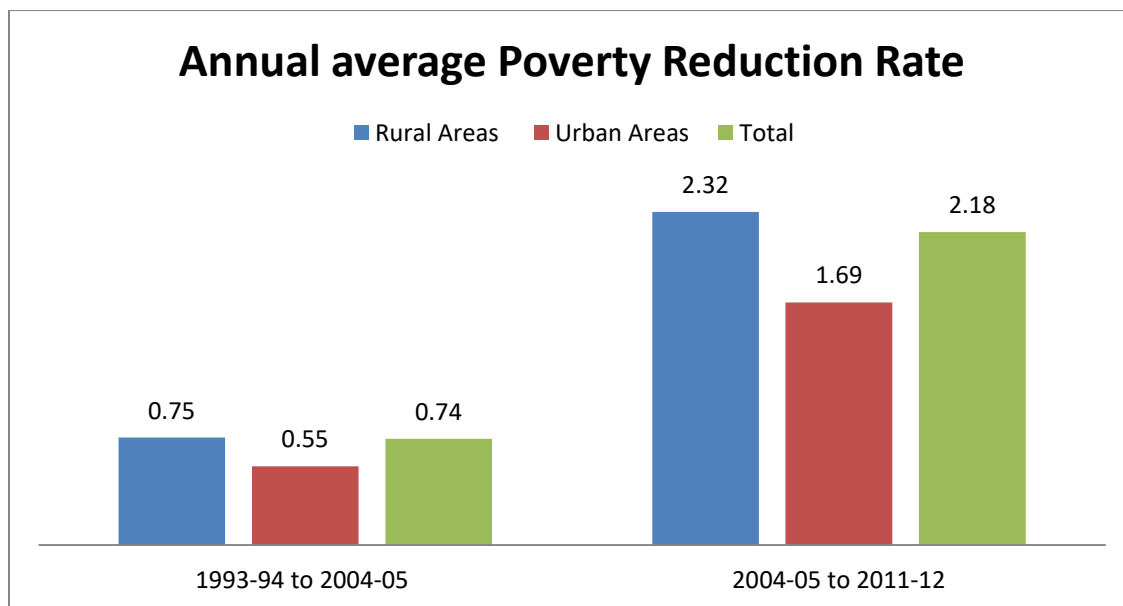
Table -3

Percentage of poverty reduction rate in India

Poverty Reduction	Rural Areas	Urban Areas	Total
Annual Average Decline: 1993-94 to 2004-05 (percentage points per annum)	0.75	0.55	0.74
Annual Average Decline: 2004-05 to 2011-12 (percentage points per annum)	2.32	1.69	2.18

Source: NSSO report of 2011-12

Figure-3 Annual Average Poverty Reduction Rate



Source: Based on Table -3

At this pace, accelerated progress against poverty since economic reforms began robust new trend. Faster growth has a much stronger link between growth and poverty reduction. Poverty decline has been widespread, with both rural and urban poverty rates falling to 27.7 percent and 13.7 percent in 2012. The ability of growth to drive down poverty has increased. Per capita income growth has picked up during the period over which poverty is measured from 4.2 percent GDP growth in the previous decade (1994-2005) to 6.7 percent annually from 2005 to 2012.

Inter-relation between Inclusive Growth and Poverty

Economic growth contributes most to poverty reduction when it expands the employment, productivity and wages of poor people and when public resources are channeled. ...A virtuous cycle of economic growth and human development arises when growth is labour using and employment –generating and when human skills and health improve rapidly. - UNDP, Human Development Report (1997)ⁱⁱ

Many people are eviction from development because of their gender, social class, age, sexual orientation, disability or poverty. The effects of such eviction are stumbling, deepening inequality across the world. Ten percent the richest of people in the world owned 85 percent of all assets, while 50 percent of the poorest people own only one percent asset. Development can be inclusive only if all groups of people contribute to creating opportunities, share the benefits of development and participate in decision-making, and this is only possible by reduce poverty. Inclusive development follows human development. There are many elements for a nation to consider in pursuing inclusive growth and development. A vital one is to create productive and gainful employment and reduce poverty. This should be couple with effective and efficient social safety nets to protect those who cannot work or who earn too little. To reach the Millennium Development Goals (MDGs), to enhance public services for poor people by building schools and hospitals, training teachers and doctors, and providing access to water, sanitation and transportation, all of which requires public spending. Well-designed fiscal policies of government can play a major role in stimulating growth and reducing poverty. So there are three requirements for inclusive growth through poverty reduction, and these include: economic and social inclusion to ensure equal access to socio-economic opportunity especially through social protection and promotion such as conditional transfers to reduce income inequality; production inclusion and generation of opportunities especially high, efficient, and sustained growth to

create productive jobs and economic opportunity; and promotion of competitiveness. These complementary inclusive growth-promoting socio-economic strategies and policies will go a long way in effectively reducing poverty in India.

Conclusion

The persistence of poverty on the scale at which it still exists is main obstructer in inclusive growth and sustainable economic development. In one hand reduction in poverty and an expansion in economic opportunities for all sections of the population are necessary for inclusive growth of country and other hand rapid and inclusive growth of the economy is an essential requirement to poverty reduction; it is an instrument for achieving a steady increase in quantity & quality of employment. Inclusive Growth balanced to quantity & quality of employment by shifting the labour force agriculture to industrial and services sectors where they can provide higher real incomes per head, leads to reduce poverty.

Inclusive growth, environment and Poverty are interconnected; if economic development and Inclusive growth takes place poverty automatically reduces and standard of living goes up. Thus Inclusive growth not only helpful in reduction of poverty but also contributes to healthy civil society, increase democracy and social, economic & ecological sustainability.

ⁱ Inclusive Growth – Role of Financial Sector (Address delivered by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the National Finance Conclave 2010 organised by KIIT University on November 27,2010 at Bhubaneswar)

ⁱⁱUNDP, *Human Development Report (1997)*

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