

Impact of Economic Reforms on Poverty in India

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Abstract

Economic growth in the reform period is not associated with rapid reduction in poverty. It requires deliberate efforts on the part of the Government to expand the flow of economic gains to the relatively poor people. In India where per capita income is very low, income inequality has resulted in a number of evils, of which poverty is certainly the most serious one. In spite of the growth during reform period still more than one fourth population is living below poverty line. Only economic growth is not sufficient for poverty eradication. It requires deliberate efforts to limit the flow of economic gains to the relatively rich and expand the flow of economic gains to the relatively poor. The main objective of this research paper is to review the impact of economic reforms on poverty in India. Accordingly the paper is divided into four parts. In the first part introduction is given. The second part is devoted to the impact of economic reforms on poverty in India. In the third part reasons for slow reduction in poverty in reform period are discussed and the fourth part deals with measures for poverty eradication.

Key words: Economic Reforms, Reforms Period, Measures for Poverty Eradication

I. Introduction:

Poverty involves absolute deprivation in terms of economic resources such as income, wealth and access to public services. It is a social phenomenon in which a section of the society is unable to fulfill even its basic necessities of life. During the planning period Government made an effort to reduce poverty in India. Particularly in reform period employment generation and poverty eradication have given priority. Still large number of population is below poverty line. There are several reasons for slow reduction in poverty is




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spite of considerable growth. For rapid reduction in poverty Government has to adopt such measure which will help to generate employment, control inequality and increase income level of poor in the country.

II. Impact of Economic Reforms on Poverty:

Economic reforms in India were introduced in 1991. The reform process completed its twenty years now. Economic reforms were undertaken to accelerate economic development. One of the important goals of the process of economic development is reduction of population below the poverty line.

During the period of economic reform considerable growth rate has been achieved. During the post-reform period (1990-91 to 2000-01) the annual average growth rate was 5.8 per cent. It was higher than the annual average rate 5.2 per cent during pre-reform period (1980-81 to 1990-91). During the eighth plan (1992-97) the annual average growth rate was 6.68 per cent, while in ninth plan (1997-2002) it was 5.5 per cent. In the tenth plan (2002-07) it was 7.7 per cent. In the eleventh plan (2007-12) the annual average growth rate was 8 per cent. During twelfth five year (2012-17) annual average growth rate of GDP was 8.0 per cent.

To study the effect of Economic Reforms on poverty In India it is necessary to take review of the various estimates of poverty during reform period According to the Planning Commission's estimates in 1993-94 the percentage of total population below poverty line was 36 per cent. While in rural area it was 37.3 per cent and in urban area it was 32.4 per cent. According to its estimation of poverty on the basis of 61st Round of NSS in 2004-05 the total population below poverty line in India was 27.5 per cent. In rural area 28.3 per cent and in urban area 25.7 per cent population was below the poverty line in 2004-05.

The official poverty line is criticized on the ground that it does not capture the cost of basic necessities particularly non-food components such as health and education. S.




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Mahendra Dev and C. Ravi estimated poverty ratios at the all India level and for the states in 2004-05 by including the minimum private expenditure on health and education. According to them total poverty rose from 27.5 to 35.8 per cent an increase of 8.3 percentage points in the year 2004-05.

According to the new World Bank estimates the number of poor In India was 420.5 million in 1981, 435.5 million in 1990 and 455.8 million in 2005. World Bank estimates that the developing world as a whole is likely to achieve the Millennium Development Goal (MDG) of reducing poverty by 2015 to half of what it was in 1990. To achieve the MDG target India have to accelerate the rate of poverty reduction. The new World Bank estimates confirm that the fight of India against poverty slackened during 1990-2005 despite faster growth.

Asian Development Bank's (ADB) estimates shows that the number of poor in India in 2005 was double the Planning Commission's estimates. According to these estimates India had the second highest poverty ratios (54.8 per cent) among all the Asian countries studied next only to Nepal (55.8 per cent) higher than Bangladesh (42.9 per cent), Pakistan (24.9 per cent), Sri lanka (9.9) and Malaysia and Thailand (0 per cent). In India, 21.9% of the population lives below the national poverty line in 2011.

A World Bank and ADB's estimate shows underestimation in the official numbers of poor. It means Indian poverty line underestimates poverty in India. World Bank's estimates confirm that there has been a setback in poverty reduction since the 1990s and the acceleration of growth in the latter half of 1990s has not had any significant impact. Tendulkar and Jain analysed consumption expenditure data of 1993-94 and concluded that poverty levels have not changed significantly in the period 1987-88 to 1993-94.

Choudhari and Gupta in their study about poverty concluded that there is a disparity in terms of poverty within the districts in the country. According to them the district level estimates are essential for a complete understanding of the level of living prevailing in any part of the country.




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Martin Ravallion explained that India's overall rate of poverty reduction is lower than average for the developing world outside China was 38 per cent in 1990 which remain unchanged in 2005.

III. Reasons for Slow reduction in Poverty in Reform Period:

During the period of economic reform the Indian economy experienced satisfactory economic growth compare to pre-reform period. In the beginning the planning process relied on the automatic benefits of growth as a means to remove the poverty. The unsatisfactory results of this approach forced the Government to attack poverty directly through rural development and employment schemes. In spite of all this the progress on the poverty eradication front during economic period is not satisfactory. Reasons for this are as follows.

1. Increasing Population: Increasing population in India is one of the serious obstacles to economic growth and poverty eradication programme. During the two decades of economic reform i.e. from 1991 to 2011 the population increased from 84.4 crore to 121.02 crore . Most of benefits of economic growth is absorbed by increased population. Because of this number of people below poverty line has not been substantially declined. Planners and politicians has not given sufficient attention on population control policy. The proportion of youth in the total population is large. It was beneficial to economy only if the productive employment made available to them. Lack of sufficient employment opportunities resulted not only in retardation of growth process but also the obstacle to poverty eradication programme.

2. Growth without Job: It was realized that a sustainable strategy of poverty alleviation has to be based on increasing the productive employment opportunities. In the process of economic reform period India achieved satisfactory economic growth. But there is no proportionate increase in employment. Some part of growth may be termed as jobless growth. Because of this the economic growth in the reform period is not helped to bring more and more people above poverty line.




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3. Large Inequality: The extent of inequality and how it evolves during the growth process matter to India's progress against poverty. Inequality affects the share of poor in the benefits of growth. It also became the obstacles to growth process and retard progress against poverty. In India there is a wide inequality in the distribution of income and wealth. Economic growth during reform period has not helped to reduce the gap between rich and poor. Hence, it has not helped much more to poverty eradication.

4. Poor Performance of Agriculture Sector: During economic reform period the growth rates of economy are some extent satisfactory. But if we see the contribution of various sector to economic growth we come to know that the performance of agriculture sector is poor. Decline in agricultural output causes to increase prices and adversely affect the food availability. Due to this poor suffers more. Although the agriculture is still the backbone of the Indian economy at least in terms of employment, the impulses of reforms have been relatively less in scope and depth in this sector.

5. Inflation: During the period of economic reform in spite of increase in output in various sectors India experiences high level inflation with some expectations. Low income people or people below poverty line suffer large extent due to inflationary pressure.

6. Administrative Inefficiency and Corruption: Government undertaking various programme and schemes for employment generation and poverty eradication. Due to administrative inefficiency and corruption these schemes and programmes failed to bring large number of poor above poverty line. These schemes and programmes have not been implemented properly.

IV. Measures for Poverty Eradication:

With rising population in India economic growth is necessary for increasing a society's standard of living and reduction in poverty. World Development Report (2005) highlighted the thing that investment climate improvements are the driving force for growth and poverty reduction. Government should take initiative to increase the rate of growth. To




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increase the pace of economic growth obstacles to this process should be removed. In India economic growth should be accompanied with following things for substantial reduction in poverty.

1. Employment Generation: A sustainable strategy of poverty alleviation has to be based on increasing the productive employment opportunities in the process of growth itself. Government is implementing various schemes for employment generation. Under twenty point programme first point is Garibi Hatao (poverty eradication). National Rural Employment Gurantee Scheme, Swarnjayanti Gram Swarozgar Yojana, Rural Business Hubs in Prartnership with Panchayat, Self-help Groups in rural areas and Swarnjayanti Shehari Rojgar Yojana in urban areas are providing employment under the twenty point programme. The schemes are important in employment generation and poverty eradication. But proper implementation of these schemes is necessary for favorable effect on poverty reduction. It should be aimed at generation of a certain minimum level of income for the rural poor. Large scale employment generation is necessary condition for reduction of poverty.

2. Reduction in Inequality: During the economic reform period India achieved considerable growth. But it have less impact on poverty reduction as inequality in the distribution of income and wealth has deprived poor from increasing their standard of living. Government should take initiative for equitable distribution through progressive taxation and welfare programmes for people below poverty line.

3. Stimulating Agriculture Growth: During reform India achieved considerable GDP growth. But the contribution of agriculture sector is very low. Compare to industry and service sector. However in 2001 out of total working population 59 per cent population was employed on land and in 2017 the share of agriculture in total GDP was 15.4 per cent. Most of poor people are in rural areas and depends on agriculture. So, for the substantial reduction in poverty rapid agricultural growth is necessary. This can be achieved through




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increase in agriculture productivity by creating infrastructural facilities in rural areas. In the twelfth plan priority should be given to agriculture development.

4.Population Control: During economic reform period India achieved considerable growth but it has not helped sufficient reduction in poverty because of population growth. It is necessary to control population by formulating suitable and tight policy. In spite of all the above factors improve access to the PDS, infrastructure development, measures to control inflation, increase the income level of people working in unorganized sectors are the factors need to be taken note of while implementing reforms in the country.

Conclusion:

Poverty is one of the serious problems which India is facing. Since 1991 India initiated economic reforms to accelerate economic development. During economic reform period considerable growth rate is achieved. However, in spite of the satisfactory performance of the Indian Economy there is little impact on poverty. Still more than one fifth of people are living below poverty line. It clears that merely economic growth is not sufficient for poverty reduction because growth does not give guarantee of increase in income of the people below poverty line. It requires deliberate efforts on the part of Government to expand the flow of economic gains to the relatively poor. For rapid poverty reduction Government should take initiative to achieve faster economic growth and at the same time formulate and implement policies to control population, inflation and inequality. Government should also focus on efficient implementation of ongoing employment generation schemes to uplift income level of people below poverty line. As it is given in eleventh plan the growth must inclusive. But it would become a reality only if there is a rapid decline in poverty and unemployment.

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