Samples from

INDIAN ECONOMY

Before we start

When the first man was born on earth, he didn't have money in his pocket; in fact, he didn't have a pocket itself! The pocket came when money came and money came when we started trading and transacting. At the start, man was self-sufficient living in caves, eating in jungles and wearing leafs (fulfilled his needs of ***roti, kapda aur makaan***). Then we came out of jungles and started living in closed settlements. Even then, the lives were simple, lifestyles were simpler; there was a barter system. Farmers used to exchange grains for cloths; traders used to exchange for ornaments and so on.

Then came the complex trading structures; barters started failing as values of products started becoming complicated and rejections of one's products by the other started. For example, trader rejected to give cloths to the farmer as he didn't find the quality appropriate for the asking price of farmer. Thus came the need for a common unit of exchange which has same value for all and which cannot be rejected by anyone (legal tender). This is how "money of today" has evolved. But sadly, the money today has over casted everyone's head, so much so, that we have forgotten the real purpose of life. We are running so blindly after collecting these 'papers' that we forgot that they are not the end, but just a means towards a happy life. People have relegated their ethics to the lowest standard to accumulate these papers.

Henceforth, in this book, our whole story of economics will weave around the concept of money in your pocket. We will try to understand together various concepts of economics thru this.

Are you ready? Then check how much money you have in your pocket? Consider whatever amount you have right now in your pocket as the fixed one and write it on a paper. Forget that your parents will give you more money beyond this. Even if you don't have anything, it's perfectly fine. But be with me and realize now that this is the only and only money that you have!

POVERTY

Overview

Ask your friend how much money he has in his pocket. If he has more money in his pocket than you, he is rich and you are poor (relative poverty). If you have so less money in your pocket that you even can't afford food, then it is absolute poverty. Now the question is which 'food' we are talking about – affording a *kulcha channa* on a nearby *rehriwala* or eating in a 4-star hotel? Or if your friend has 10 lakhs in his pocket and you have 9 lakhs, are you poor?

Defining these parameters is the pain point for economists and governments throughout the world. A cup of tea in India is for 5 Rs while in USA, it costs 3 US$ (200 Rs). No single standard or definition of poverty therefore could be universally accepted because of this kind of subjectivities and dynamism. Therefore, various economists, committees, organisations have come up with different definitions of poverty. Let's try to believe them. But whatever definition you agree with, close your eyes and think – if you can't afford a food today, why? Who's responsible for that?

Different people think about poverty in different ways. Some people think that poverty is about being able to buy and sell but other people think about getting a fair share of education and health care or about being given respect, and having some influence over what happens in their life. Because of these differences it is useful to think about two main types of poverty - income poverty and non- income poverty.

Income poverty happens when a household takes in less than one US dollar per day. This means that people will not have enough food or medicine and they will have poor clothes and houses. Income poverty is due to people not having access to money or other assets. The best way to reduce income poverty is to encourage and support the development of effective businesses (small, medium and large) which make good use of our natural resources and talents to create wealth & jobs.

Non income poverty happens when people may have a little bit of money but otherwise the quality of their life is not good. They do not have access to affordable social and physical services (schooling, health care, medicines, safe water, good sanitation, and good transport). The best way to reduce non-income poverty it to make sure that people have access to affordable and good quality social services and infrastructure, that they feel secure in their homes, that they trust the authorities and, if they are vulnerable, that there are safety net programmes to protect them. Poverty is the **deprivation of common necessities** such as food, clothing, shelter and safe drinking water, all of which determine our quality of life. It may also include the **lack of access to opportunities** such as education and employment which aid the escape from poverty and/or allow one to enjoy the respect of fellow citizens. This is the **World Bank's** definition of poverty:

Poverty is an **income level below some minimum level necessary to meet basic needs**. This minimum level is usually called the "**poverty line**". Definition agreed by the **World Summit on Social Development** in Copenhagen in 1995:

- Poverty is a condition characterized by **severe deprivation of basic human needs**, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on **access to services**.
- It includes a **lack of income and productive resources to ensure sustainable livelihoods**; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion.
- It is also characterized by **lack of participation in decision making** and in civil, social and cultural life.
- **It occurs in all countries**: as mass poverty in many developing countries, pockets of poverty amid wealth in developed countries, loss of livelihoods as a result of economic recession, sudden poverty as a result of disaster or conflict, the poverty of low-wage workers, and the utter destitution of people who fall outside family support systems, social institutions and safety nets.

Poverty has many dimensions

- A **material** dimension (food, clothing etc.)
- A **psychological** dimension (respect, self-esteem, trust, fear)
- A **political** dimension (power, representation) and
- A **social** dimension (education, health, work).

The **latter 2 dimensions** point to the fact that poverty, while often suffered alone and in solitude, requires **social cooperation** if it is to be eliminated. The **material, political and social dimensions can, to some extent, be measured**, which is necessary if we want to have an idea of the importance of the problem, its evolution over time, and the effectiveness and success of policy measures aimed to combat poverty. One can measure nutrition, housing, income, access to certain services, standard of living, quality of life etc.

The **psychological dimension** is much more difficult to measure, but no less important. This dimension also shows us that poverty is not just a matter of the current state one is in, and the resources one has or doesn't have. It is also about vulnerability, about the **future**, about trust and fear. Poverty means comparing yourself to others, feeling like a failure, humiliated, shameful etc. The **insufficiency of resources to meet basic needs**, such as nutrition, shelter, health and education can result in following **material symptoms of poverty**:

- Low **income or consumption** levels.
- Low average **calorie** intake levels.
- High infant **mortality** rates.
- Low **life expectancy** rates.
- High **illiteracy** rates.
- High **unemployment.**
- Widespread **diseases**, especially curable ones.

- Famine or high risk of **famine.**
- High rates of economic **migration**.

Apart from these absolute monetary and non-monetary kinds of poverty, there is also **relative poverty**: people compare themselves to others, mostly others who are relatively close by and better off. This inequality of income or consumption can result in the following **psychological symptoms of poverty**:

- Feelings of loss of dignity
- Low self-esteem
- Feelings of relative powerlessness
- Feelings of lack of participation in culture and politics
- Feelings of discrimination and resentment

A third kind of poverty is **vulnerability**, actual or perceived risk of future poverty. This vulnerability can result in following **psychological symptoms** of poverty:

- Fear, stress
- Feelings of insecurity
- Irrational precaution measures
- Family planning decisions
- Migration

ANOTHER DIMENSION: ABSOLUTE POVERTY & RELATIVE POVERTY

Poverty is usually measured as either **absolute** or **relative poverty** (the latter being actually an index of **income inequality**). Absolute poverty refers to a **set standard** which is consistent over time and between countries. The **World Bank** defines **extreme poverty** as living on **less than US $1.25 (PPP) per day**, and **moderate poverty** as **less than $2 a day** (but note that a person or family with access to subsistence resources, e.g. subsistence farmers, may have a low cash income without a correspondingly low standard of living- they are not living "on" their cash income but using it as a top up). It estimates that "**in 2010**, 1.2 billion people had consumption levels below $1 a day and 2.7 billion lived on less than $2 a day". Although the decline was slowed by the global financial crisis, the number of people living in extreme poverty is expected to fall to around 900 million by 2015, even as the population living in developing countries rises to 5.8 billion. Still, an additional 1.1 billion people will live on less than $2 a day.

Global poverty has **declined significantly over the last few decades**. The number of people living on less than $1.25 a day (referred to as extreme poverty) has halved since 1990, reaching around 1 billion people in 2011, representing 14.5 percent of the entire global population. Poverty has been **more prevalent in Sub-Saharan Africa and South Asia** than in other developing regions, accounting for about 80 percent of the global poor. According to the 2011 estimates, almost three-fifths of the world's extreme poor are concentrated in just **five countries**: Bangladesh, China, the Democratic Republic of Congo, India, and Nigeria. Adding another five countries (Ethiopia, Indonesia, Pakistan, Madagascar, and Tanzania) would encompass just over 70 percent of the extreme poor.

In **1990**, nearly half of the population in the developing world lived on **less than $1.25 a day**; that proportion dropped to 14 per cent in 2015. Globally, the number of people living in extreme poverty has declined by more than half, falling from 1.9 billion in 1990 to 836 million in **2015**. Most progress has occurred since 2000. The number of people in the **working middle class**—living on more than $4 a day—has almost tripled between **1991 and 2015**. This group now makes up half the workforce in the developing regions, up from just 18 per cent in 1991.

6 million children die of hunger every year - 17,000 every day. The proportion of **undernourished people in the developing regions** has fallen by almost half since 1990, from 23.3 per cent in 1990–1992 to 12.9 per cent in 2014–2015. The global under-five mortality rate has declined by more than half, dropping from 90 to 43 deaths per 1,000 live births between 1990 and 2015. Despite population growth in the developing regions, the **number of deaths of children under five** has declined from 12.7 million in 1990 to almost 6 million in 2015 globally. Since the early 1990s, the rate of reduction of under-five mortality has more than tripled globally.

Selective Primary Health Care has been shown to be one of the most efficient ways in which absolute poverty can be eradicated in comparison to Primary Health Care, which has a target of treating diseases. **Disease prevention** is the focus of Selective Primary Health Care, which puts this system on higher grounds in terms of preventing malnutrition and illness, thus putting an end to Absolute Poverty.

The **proportion of the developing world's population living in extreme economic poverty** fell from 28% in 1990 to 22% in 2012. Most of this improvement has occurred in **East and South Asia**. In East Asia the World Bank reported that "The poverty headcount rate at the $2-a-day level is estimated to have fallen to about 25% (in 2012), down from 69% in 1990." Globally, **extreme poverty has declined significantly**. In 2011, one billion people—14.5 percent of the world's population—could be classified as extremely poor, down from 1.25 billion—or 18.6 percent of the world's population—in 2008.

In the early 1990s some of the **transition economies of Eastern Europe and Central Asia** experienced a sharp drop in income. As a result poverty rates also increased although in subsequent years as per capita incomes recovered the poverty rate dropped from 31.4% of the population to 19.6%. World Bank data shows that the percentage of the population living in households with **consumption or income per person below the poverty line** has decreased in each region of the world since 1990:

Region	1990	2002	2010
East Asia and Pacific	15.40%	12.33%	12.5%
Europe and Central Asia	3.60%	1.28%	0.7%
Latin America and the Caribbean	9.62%	9.08%	5.5%
Middle East and North Africa	2.08%	1.69%	2.4%
South Asia	35.04%	33.44%	31.0%
Sub-Saharan Africa	46.07%	42.63%	48.5%

However, there are **various criticisms** of these measurements. Although "a clear trend decline in the percentage of people who are absolutely poor is evident ... with uneven progress across regions...the **developing world outside China and India has seen little or no sustained progress** in reducing the number of poor". **The World Bank report "Global Economic Prospects"** predicts that in **2030** the number living on less than the equivalent of **$1 a day will fall by half**, to about 550 million.

Much of **Africa** will have difficulty keeping pace with the rest of the developing world and even if conditions there improve in absolute terms, the report warns, Africa in 2030 will be home to a larger proportion of the world's poorest people than it is today. The reason for the faster economic growth in **East Asia and South Asia** is a result of their relative backwardness, in a phenomenon called the **convergence hypothesis** or the **conditional convergence hypothesis**. Because these economies began modernizing later than richer nations, they could benefit from simply adapting **technological advances**, which enable higher levels of productivity that had been invented over centuries in richer nations.

Relative Poverty

Relative poverty views poverty as **socially defined and dependent on social context**, hence relative poverty is a **measure of income inequality**. Usually, relative poverty is measured as the percentage of population with income **less than some fixed proportion of median income**. There are several other different income inequality metrics, for example the **Gini coefficient** or the **Theil Index**.

Relative poverty measures are used as official poverty rates in several **developed countries**. As such these poverty statistics **measure inequality rather than material deprivation** or hardship. The measurements are usually based on a person's yearly income and frequently take no account of total wealth. The main poverty line used in the OECD and the European Union is based on "**economic distance**", a level of income set at 60% of the median household income.

Ultra-poverty, a term apparently coined by **Michael Lipton**, connotes being **amongst poorest of the poor in low-income countries**. Lipton defined ultra-poverty as receiving less than 80% of minimum caloric intake whilst spending more than 80% of income on food. Alternatively, a 2007 report issued by **International Food Policy Research Institute** defined ultra-poverty as living on less than 54 cents per day. The depth of poverty should be measured. This **depth is the distance to the poverty line**. Just below the poverty line or way below makes a lot of difference.

MEASURES OF POVERTY

Not all of the kinds of poverty can be easily measured. Some perhaps cannot be measured at all. Even the apparently easy ones, such as infant mortality rates or income levels, can and do pose problems, such as the **availability of data** (poor countries often do not have the institutional resources to generate high quality statistics), international comparability of data, definitions of data etc. However, it is important to measure the levels of poverty and their evolution as good as we can. Only if we have data

can we **judge the effectiveness of specific programs** to alleviate specific symptoms of poverty.

Poverty is **not just a philosophical problem** because depending on the definition of poverty we use, our measurements will be radically different (even with an identical definition, measurements will be different because of different measurement methods). Roughly, **6 different parameters for measuring poverty** are used:

- insufficient **income**
- insufficient **consumption** spending
- insufficient **caloric** intake
- **food consumption spending** above a certain share of total spending
- certain **health indicators** such as stunting, malnutrition, infant mortality rates or life expectancy
- certain **education** indicators such as illiteracy

None of these parameters is ideal, although the first and second on the list are the most widely used. A few words about the advantages and disadvantages of each are as follows:

1 **Income:** e.g. "**$1 a day**" level, which is the **World Bank definition** of extreme poverty level; moderate poverty is less than $2 a day; these levels are, of course, expressed in purchasing power parity. In **developed countries**, income is a common definition because it's easy to measure. Most people in developed countries earn a salary or get their income from sources that are **easy to estimate** (interest payments, the value of houses, stock market returns etc.). They don't depend for their income on the climate, crop yields etc. Moreover, developed countries have **good tax data** which can be used to calculate incomes.

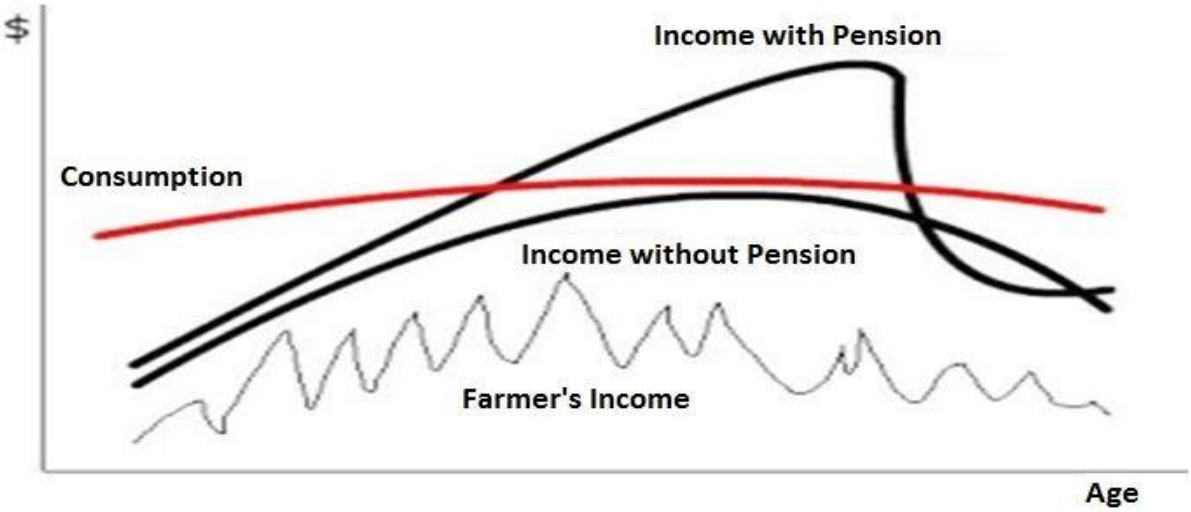
In **developing countries**, however, income data tend to be underestimated because it's **difficult to value the income of farmers and shepherds**. Farmers' incomes fluctuate heavily with climate conditions, crop yields etc. Another disadvantage is that people are generally **reluctant to disclose their full income**. Some income may have been hidden from the **tax administration** or may have been earned from illegal activity such as **corruption**, smuggling, drug trade, prostitution, theft etc. For this reason, using income to estimate poverty means overestimating it.

2 **Gross Domestic Product** (GDP, or total annual country income) per capita or per citizen is another measure of poverty. However, the problem with this measure is that it tells us about average and not how it is distributed over the spectrum. For example, in India, the people below poverty line are much below the average GDP per capita.

3 **Consumption:** The main advantage of using consumption rather than income to measure poverty is that consumption is **much more stable over the year and over a lifetime**. This is even truer in the case of farmers who depend on the weather for their income and hence have a more volatile income. As farmers are often relatively poor, this issue is all the more salient for poverty measurement. This is called the **lifecycle hypothesis**. Another advantage of using consumption is that people aren't as reticent to talk about it as they are about certain parts of their income.

:: ***However***, consumption of goods like **durable goods and housing** is difficult to measure because it's difficult to value them. For example, if a household owns a house, it is difficult to estimate what it would cost to rent that particular house and add this to the total consumption of that household. Then the same has to be done for cars etc.

Lifecycle Hypothesis



:: **Another** difficulty in measuring consumption is that in developing countries households **consume a lot of what they themselves produce** on the family farm. This as well is often difficult to value correctly. And finally, **different people have different consumption needs**, depending of their age, health, work etc. It's not clear how these different needs are taken into account when consumption is measured and used as an indicator of poverty.

4 **Calorie intake**: the problem with this is that **different people need different amounts** of calories (depending on their type of work, their age, health etc.), and that it isn't very easy to measure how many calories people actually consume. An average adult male has to eat food representing **approximately 2000-2500 calories** per day in order to sustain the human body.

5 **Food spending as a fraction of total spending:** here the problem is that if we say people who spend more than x% of their total spending on food are considered poor, we still have to factor in **relative food prices**.

6 **Stunting as an indicator of malnutrition and hence of poverty:** stunting (height for age) is a notoriously difficult thing to measure.

7 Another measure of poverty is work out the **parameters related to education** such number of years in education, Literacy levels, drop-out rates etc.

Another issue with poverty measurement is that people may have comparable incomes or even consumption patterns, but they may face very **different social or environmental conditions**: an annual income of $500 may be adequate for people living in a rural environment with a temperate climate where housing is cheap, heating isn't necessary and subsistence farming is relatively easy. However, the same income can mean deep poverty for a family living in a crowded city on the edge of a desert. The presence or absence of public goods such as quality schools, roads, running water and electricity also makes a lot of difference, but poverty measurement usually does not take these goods into account.

For other types of **poverty such as income differences,** traditionally used measure is the **Gini coefficient** although most symptoms of this kind of poverty, as well as social, psychological poverty, are **intangible**. The difficulties of aggregating the different available measures, together with the difficulties of measuring other indicators, result in the **impossibility to establish a single, binary poverty indicator**, "are you poor or not", yes or no type of indicator. As a result, many scientists and politicians use a simplified rule to establish poverty, for example the "1 $ a day" rule, of some other kind of poverty level expressed quantitatively. It is also important to measures the time frame of poverty, i.e. **incidental or chronic poverty**. This difference should be taken into account when devising policies.

POVERTY ESTIMATES IN INDIA

Poverty in India is still rampant, with the nation estimated to have a third of the world's poor, despite an impressive economic growth. **In 2011, World Bank stated, 23.7%** of the total Indian people fall below the international poverty line of US$ 1.25 per day (PPP) while 68.7% live on less than US$ 2 per day. According to 2010 data from the **United Nations Development Programme**, an estimated **37.2% of Indians** live below the country's national poverty line. Rapid **economic growth since 1991**, has led to sharp reductions in extreme poverty in India. According to United Nation's Millennium Development Goal **(MDG) programme** 270 million or 21.9% people out of 1.2 billion of Indians lived below poverty line of $1.25 in 2011-2012.

According to the definition by **Planning Commission**, poverty line is drawn with an intake of **2155 calories in rural areas and 2090 calories in urban areas**. If a person is unable to get that much minimum level of calories, then he/ she is considered as being below poverty line. The Planning Commission in **March 2014** released the latest poverty estimates for the country showing a **decline in the incidence of poverty** from 38.2% to 29.5% and stating that anyone with a daily consumption expenditure of Rs. 47 and Rs. 32 in urban and rural areas respectively is above the poverty line. According to **Global Wealth Report 2016** compiled by Credit Suisse Research Institute, India is the **second most unequal country** in the world with the top one per cent of the population owning nearly 60% of the total wealth.

Poverty Estimation in India – C Rangarajan and Tendulkar Committee

- To Measures Exact numbers of Poor People And Per capita expenditure various methods had been adopted by Government of India.
- The official measure of Indian government, **before 2005**, was based on **food security** and it was defined from per capita expenditure for a person to consume enough calories and be able to pay for associated essentials to survive.
- **Since 2005**, Indian government adopted the **Tendulkar methodology** which moved away from calorie anchor to a basket of goods and used rural, urban and regional minimum expenditure per capita necessary to survive.
- The **Planning Commission** has been estimating the number of people below the poverty line (BPL) at both the state and national level based on consumer expenditure information collected as part of the National Sample Survey Organization (NSSO) since

the Sixth Five Year Plan. The latest available data from such surveys is from NSSO conducted in 2004-05.

- Government Of India Formed **various Committees** for Poverty Estimation In India
  - Alagh Committee (1977),
  - Lakdawala Committee (1989)
  - Tendulkar Committee (2005)
  - Saxena committee
  - Hashim Committee
  - C. Rangarajan Committee (2012)

Poverty Line Estimation in India. Comparison Given below read and understand both Methods of Poverty Estimation in India

Committees	**Tendulkar**	**C Rangarajana**
Set Up By	Planning Commission	Planning Commission
Set Up In	2005	2012
Submitted Report	2009	2014
Poverty Estimation Method	Per capita Expenditure Monthly	Monthly Expenditure of family of five.
Urban Poverty Line Per Day per Person	33	47
Urban Poverty Line Per Month per Person	1000	1407
Urban Poverty Line Per Month, Family of Five Members	5000	7035
Rural poverty line Per Day Per Person	27	32
Rural poverty line (Rs) per Month Per Person	816	972
Rural poverty line (Rs) Per month Family Of 5 Members	4080	4860
BPL (Below Poverty Line) In crore	27 crore	37 crore
Calorie Expenditure	Only calorific value in Expenditure	Calorie + Protein + fat
Calories In Rural Areas	2400	2155
Calories In Urban areas	2100	2090
Main Focus Areas	Only counts Expenditure on food, health, education, and clothing.	1. Food 2. nonfood items such as education, 3. healthcare, 4. clothing, 5. transport 6. rent 7. Non-food items that meet nutritional requirements.

- C Rangarajan Committee was set up by Planning Commission in 2012 and Submitted Report In 2014. The Rangarajan committee estimation is based on an **independent large survey of households** by Centre for Monitoring Indian Economy (CMIE).
- It has also used different methodology wherein a household is considered poor if it is **unable to save**. The methods also include on certain normative levels of adequate nourishment, clothing, house rent, conveyance, education and also behavioural determination of non-food expenses.
- It also considered average requirements of calories, protein and fats based on ICMR norms differentiated by age and gender.
- Based on this methodology, Rangarajan committee estimated the number of poor were **19 per cent higher in rural areas and 41 per cent more in urban areas** than what was estimated using Tendulkar committee formula.
- Tendulkar, an economist, had devised the formula to assess poverty line in 2005, which the Planning Commission had used to estimate poverty in 2009-10 and 2011-12.

Global Hunger Index (GHI)

- The report is released by the **International Food Policy Research Institute** (IFPRI). The hunger index ranks countries based on undernourishment, child mortality, child wasting (low weight for height) and child stunting (low height for age).
- The GHI ranks countries on a 100-point scale. Zero is the best score (no hunger), and 100 is the worst, although neither of these extremes is reached in practice.
- Global Hunger Index (GHI) is an index that places a third of weight on **proportion of the population that is estimated to be undernourished**, a third on the estimated prevalence of low body weight to height ratio in children younger than five, and remaining third weight on the proportion of children dying before the age of five for any reason.
- According to **2011 GHI report**, India has improved its performance by 22% in 20 years, from 30.4 to 23.7 over 1990 to 2011 period. However, its performance from 2001 to 2011 has shown little progress, with just 3% improvement. A sharp reduction in the percentage of underweight children has helped India improve its hunger record on the Global Hunger Index (GHI) 2014.
- According to the latest Global Hunger Index data, hunger levels in **developing countries** may have fallen 29% since 2000, but India is still rated as a **country with 'serious' hunger levels** in the 2016. It ranked India 97 among 118 countries, faring worse than all its neighbours China (29), Nepal (72), Myanmar (75), Sri Lanka (84) and Bangladesh (90), except for Pakistan (107) in measures of hunger.
- The report found that **one in three children in India has stunted growth**, whereas 15% of the country's population are undernourished. India's score is 28.5.
- At the current rate of decline, more than 45 countries – including India, Pakistan, Haiti, Yemen, and Afghanistan – will have "moderate" to "alarming" hunger scores in the year 2030.
- Sub-Saharan Africa has the highest hunger levels, followed closely by South Asia

Other Poverty Estimates For India

Income inequality in India is increasing, with a Gini coefficient of 32.5 in 1999-2000. Although the Indian economy has grown steadily over the last two decades, its **growth has been uneven** when comparing different social groups, economic groups,

geographic regions, and rural and urban areas. Poverty rates in **rural Orissa** (43%) and **rural Bihar** (41%) are among the world's most extreme.

A study by the Oxford Poverty and Human Development Initiative using a Multi-dimensional Poverty Index **(MPI)** found that there were 645 million poor living under the MPI in India, 421 million of whom are concentrated in eight North India and East India states of Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal. This number is higher than the 410 million poor living in the 26 poorest African nations. Multi-dimensional Poverty Index placed 33% weight on number of years spent in school and education and 6.25% weight on financial condition of a person, in order to determine if that person is poor.

A report by the state-run **National Commission for Enterprises in the Unorganized Sector** (NCEUS) found that 77% of Indians, or 836 million people, lived on less than 20 rupees (approximately US$ 0.50 nominal; US$ 2 PPP) per day. It is relevant to view poverty in India on a PPP basis as food etc. are purchased in Rupees. According to a recently released **World Bank report**, India is on **track to meet its** poverty reduction **goals**. However by **2015**, an estimated **53 million people** will still live in extreme poverty and 23.6% of the population will still live under US$ 1.25 per day. This number is expected to reduce to 20.3% or 268 million people by 2020.

PROBLEMS WITH EXISTING OFFICIAL POVERTY LINES

The existing all-India rural and urban official poverty lines were originally defined in terms of **Per Capita Total Consumer Expenditure** (PCTE) at 1973-74 market prices and **adjusted over time and across states** for changes in prices keeping unchanged the original 197374 rural and urban underlying all-India reference **Poverty Line Baskets** (PLB) of goods and services. These all-India rural and urban PLBs were derived for rural and urban areas separately, anchored in the per capita calorie norms of 2400 (rural) and 2100 (urban) per day.

However, they covered the consumption of all the goods and services incorporated in the rural and urban **reference poverty line baskets**. Three major criticisms of these poverty lines have been commonly aired. One, the **consumption patterns** underlying the rural and urban PLBs remained tied down to those observed more than three decades ago in 1973-74 and hence had become outdated. Two, **crude price adjustment** for prices was leading to implausible results such as proportion of total urban population below poverty line being higher than its rural counterpart in certain major states. Three, the earlier poverty lines assumed that **basic social services of health and education** would be supplied by the state and hence, although private expenditure on education and health was covered in the base year 1973-74, no account was taken of either the increase in the proportion of these in total expenditure over time or of their proper representation in available price indices.

CAUSES OF POVERTY IN INDIA

- **Caste system**: Dalits constitute the bulk of poor and unemployed. Casteism is still widespread in rural areas, and continues to segregate Dalits despite the steady rise and empowerment of the Dalits through social reforms and the implementation of

reservations in employment and benefits. Caste explanations of poverty, however, fail to account for the urban/rural divide. However, using the **UN definition** of poverty, 65% of **rural forward castes** are below the poverty line.

- **British era**: **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 de-industrialized, especially in the areas of textiles and metalworking, through colonial privatizations, regulations, tariffs on manufactured or refined Indian goods, taxes, and direct seizures.
- **India's economic policies**: In 1947, the **average annual income** in India was US$ 439, compared with US$ 619 for China. By 1999, the numbers were US$ 1,818 and US$ 3,259 respectively and by 2014 the numbers were US$ 1581 and US$ 7,590 respectively. Thus **India was left far behind due to its economic policies** especially the **License Raj** and the accompanying **red tape** that were required to set up and run business in India. The License Raj was a result of India's decision to have a planned economy, where all aspects of the economy are controlled by the state and licenses were given to a select few. **Corruption** flourished under this system. Up to 80 agencies had to be satisfied before a firm could be granted a license to produce and the state would decide what was produced, how much, at what price and what sources of capital were used.
- **Over-reliance on agriculture**: There is a surplus of labour in agriculture. While services and industry have grown at double-digit figures, agriculture growth rate has dropped from 4.8% to 2%. About 60% of the population depends on agriculture whereas the contribution of agriculture to the GDP is about 18% as compared to Industry (24.2%) and Services (57.9%).
- **High population growth rate**, although demographers generally agree that this is a symptom rather than cause of poverty. Its population growth rate is 1.2%, ranking 94th in the world.
- High **Illiteracy** (about 25% of adult population) as per 2011 census.
- **Regional inequalities**

Causes of Rural Poverty in India

- Rapid Population Growth & Excessive Population Pressure on Agriculture
- Lack of Capital
- Lack of Alternate Employment Opportunities Other than Agriculture
- Illiteracy & Child Marriage Tradition
- Regional Disparities
- Joint Family System
- Lack of proper implementation of PDS

Causes of Urban Poverty in India

- Migration of Rural Youth towards Cities ☐ Lack of Vocational Education / Training
- Limited Job Opportunities of Employment in the Cities
- Rapid increase in Population
- Lack of Housing Facilities
- No proper Implementation of Public Distribution System

LIBERALIZATION POLICIES AND THEIR EFFECTS

75% of poor are in rural India. There is a viewpoint that holds that the **economic reforms** initiated in the early 1990s are **responsible for the collapse of rural economies and the agrarian crisis** currently underway. P Sainath describes that the **level of** inequality has risen to extraordinary levels, when at the same time; hunger in India has reached its highest level in decades. He also points out that rural economies across India have collapsed, or on the verge of collapse due to the neo-liberal policies of the government of India since the 1990s.

The **human cost of the "liberalization"** has been very high. The huge wave of **farm suicides** in Indian rural population from 1997 to 2015, which exceeded 200,000, according to official statistics. Commentators have faulted the policies pursued by the government, which, according to Sainath, resulted in a very high portion of rural households getting into the **debt cycle**, resulting in a very high number of farm suicides. Government policies encouraging farmers to **switch to cash crops**, in place of traditional food crops, has resulted in an extraordinary increase in farm input costs, while market forces determined the price of the cash crop. Sainath points out that a disproportionately large number of affected farm suicides have occurred with cash crops, because with food crops such as rice, even if the price falls, there is food left to survive on.

He also points out that **inequality** has reached one of the highest rates India has ever seen. During the time when **Public investment in agriculture** shrank to 2% of the GDP, the nation suffered the worst agrarian crisis in decades, the same time, as India became the nation of **second highest number of dollar billionaires**. Sainath argues that Farm incomes have collapsed. Hunger has grown very fast. Non-farm employment has stagnated. Only the National Rural Employment Guarantee Act has brought some limited relief in recent times. Millions move towards towns and cities where, too, there are few jobs to be found.

SUCCESS OF EFFORTS TO ALLEVIATE POVERTY

Since the early 1950s, government has initiated, sustained, and refined various planning schemes to help the poor attain self-sufficiency in food production. Probably the most important initiative has been the **supply of basic commodities**, particularly food at controlled prices, available throughout the country as poor spend about 80 percent of their income on food.

Eradication of poverty in India is generally only considered to be a **long-term goal**. Poverty alleviation is expected to make better progress in the next 50 years than in the past, as a **trickle-down effect of the growing middle class**. Increasing stress on education, reservation of seats in government jobs and the increasing empowerment of women and the economically weaker sections of society, are also expected to contribute to the alleviation of poverty. It is incorrect to say that all poverty reduction programmes have failed. The **growth of the middle class** (which was virtually non-existent when India became a free nation in August 1947) **indicates that economic prosperity** has indeed been very impressive in India, but the distribution of wealth is not at all even.

CONTROVERSY OVER EXTENT OF POVERTY REDUCTION

:: **While total overall poverty in India has declined**, the extent of poverty reduction is often debated. With the rapid economic growth that India is experiencing, it is likely that a significant fraction of the rural population will continue to migrate toward cities, making the issue of urban poverty more significant in the long run.

:: **While absolute poverty** may not have increased India remains at an **abysmal rank in the UN** Human Development Index. India in recent years remained at lowest position in the index compared to last 10 years. It can even be argued that the situation has become worse on **critical indicators of overall well-being** such as the number of people who are **undernourished** (India has the highest number of malnourished people, at 230 million), and the number of malnourished children (43% of India's children under 5 are underweight (BMI<18.5), the highest in the world) as of 2008.

Persistence of malnutrition among children

:: The World Bank, citing estimates made by the World Health Organization, states that "About 49% of the world's underweight children, 34% of the world's stunted children and 46% of the world's wasted children, live in India." The World Bank also noted that "while poverty is often the underlying cause of malnutrition in children, the superior economic growth experienced by South Asian countries compared to those in Sub-Saharan Africa, has not translated into superior nutritional status for the South Asian child". A special commission to the **Supreme Court** has noted that the **child malnutrition rate in India is twice as great as sub-Saharan Africa.**

TENDULKAR COMMITTEE REPORT

:: There has been a growing concern on the official estimates of poverty. In view of this, **Planning Commission** set up an expert group under the chairmanship of **Suresh Tendulkar** to examine the issue and suggest a new poverty line and estimates. Following are the salient features of the proposed poverty lines:

1. The expert group has also taken a conscious decision to move away from anchoring the poverty lines to a **calorie *intake* norm** in view of the fact that calorie consumption calculated by converting the consumed quantities in the last 30 days as collected by NSS has not been found to be well correlated with the ***nutritional outcomes*** observed from other specialized surveys either over time or across space (i.e. between states or rural and urban areas).
2. NSSO has decided to shift to **Mixed Reference Period (MRP)** for all its consumption surveys in future, namely, **365-days for low frequency items** (clothing, footwear, durables, education and institutional health expenditure) and 30-days for all the remaining items. This change captures the household consumption expenditure of the poor households on low-frequency items of purchase more satisfactorily than the earlier 30-day recall period. The Expert Group decided to adopt the **MRP-based estimates** of consumption expenditure as the basis for future poverty lines as against previous practice of using **Uniform Reference Period** estimates of consumption expenditure.

3 The new poverty lines have been arrived at after assessing the adequacy of **private household expenditure** on **education and health**, while the earlier calorie-anchored poverty lines did not explicitly account for these.
4 It may be noted that although those near the poverty line in urban areas continue to afford the original **calorie norm** of 2100 per capita per day, their actual observed calorie intake from 61st Round of NSS of is 1776 calories per capita. This actual intake is very close to the revised calorie intake norm of 1770 per capita per day currently recommended for India by the **Food and Agriculture Organization** (FAO). Actual observed calorie intake of those near the new poverty line in rural areas (1999 calories per capita) is higher than the FAO norm.
5 Separate allowance for private expenditure on **transport and conveyance** has been made in the recommended poverty lines. For **rent and conveyance**, actual expenditure share for these items were used to adjust the poverty line for each state.

ENTRENCHED FACTORS ASSOCIATED WITH POVERTY

- **Scarcity of basic needs**: Rise in the costs of living makes poor people less able to afford items. Poor people spend a **greater portion of their budgets on food** than richer people. As a result, poor households and those near the poverty threshold can be particularly vulnerable to increases in food prices.
- **Third World debt**: Third World debt plays a large part in **international inequality and poverty**. The World Bank and the IMF, as primary holders of Third World debt, attach **structural adjustment conditionalities** to loans. These conditionalities generally push for economic liberalization, including reducing barriers to trade, elimination of state subsidies, Union busting, privatization of state assets and services etc. As a result of such policies, developing countries need to spend a large proportion of their budgets to repay foreign debt.
- **Barriers to opportunities**: lack of **economic freedom** inhibits entrepreneurship among the poor. New enterprises and foreign investment can be driven away by the results of **inefficient institutions**, notably corruption, weak rule of law and excessive bureaucratic burdens. Lack of financial services, as a result of restrictive regulations, such as the requirements for banking licenses, makes it hard for even smaller micro-savings programs to reach the poor. In India, businesses had to bribe government officials even for routine activities, which were, in effect, a tax on business. **Lack of opportunities** can further be caused by the failure of governments to provide essential infrastructure.
- **Colonial Histories:** One of the most important barriers to development in poor countries is lack of uniform, basic infrastructure, such as roads and means of communication. Some development scholars have identified colonial history as an important contributor to the current situation. In most countries with a history of colonization, the colonizers developed local economies to facilitate the expropriation of resources for their own economic growth and development.
- **Centralization of Power:** In many developing countries, political power is disproportionately centralized. Instead of having a network of political representatives distributed equally throughout society, in centralized systems of governance one major party, politician, or region is responsible for decision-making throughout the country. This often causes development problems. For example, in these situations politicians make decisions about places that they are unfamiliar with, lacking sufficient

knowledge about the context to design effective and appropriate policies and programs.

- **Corruption:** Corruption often accompanies centralization of power, when leaders are not accountable to those they serve. Most directly, corruption inhibits development when leaders help themselves to money that would otherwise be used for development projects. In other cases, leaders reward political support by providing services to their followers.
- **Warfare:** Warfare contributes to more entrenched poverty by diverting scarce resources from fighting poverty to maintaining a military. Take, for example, the cases of Ethiopia and Eritrea. The most recent conflict over borders between the two countries erupted into war when both countries faced severe food shortages due to drought.
- **Environmental degradation:** Awareness and concern about environmental degradation have grown around the world over the last few decades, and are currently shared by people of different nations, cultures, religions, and social classes. However, the negative impacts of environmental degradation are disproportionately felt by the poor. Throughout the developing world, the poor often rely on natural resources to meet their basic needs through agricultural production and gathering resources essential for household maintenance, such as water, firewood, and wild plants for consumption and medicine. Thus, the depletion and contamination of water sources directly threaten the livelihoods of those who depend on them.
- **Social Inequality:** One of the more entrenched sources of poverty throughout the world is social inequality that stems from cultural ideas about the relative worth of different genders, races, ethnic groups, and social classes. Ascribed inequality works by placing individuals in different social categories at birth, often based on religious, ethnic, or 'racial' characteristics. In South African history, apartheid laws defined a binary caste system that assigned different rights (or lack thereof) and social spaces to Whites and Blacks, using skin colour to automatically determine the opportunities available to individuals in each group.

EFFECTS OF POVERTY

:: The effects of poverty may also be causes, thus creating a **"poverty cycle"** operating across multiple levels, individual, local, national and global.

Health

- **Hunger, disease, and less education** describe a person in poverty. One third of deaths - some 18 million people a year or 50,000 per day - are due to **poverty-related causes**: in total 270 million people, most of them women and children, have died as a result of poverty since 1990. Those living in poverty suffer disproportionately from hunger or even starvation and disease. Those living in poverty suffer lower life expectancy.
- According to the **World Health Organization**, **hunger and malnutrition** are the single gravest threats to the world's public health and malnutrition is by far the biggest contributor to child mortality, present in half of all cases.
- **Women who have born children into poverty** may not be able to nourish the children efficiently and provide adequate care in infancy. The children may also suffer

from disease that has been passed down to the child through birth. Asthma and rickets are common problems children acquire when born into poverty.

Education

- There is a high risk of **educational underachievement** for children who are from low-income housing circumstances.
- This often is a process that begins in primary school for some less fortunate children. For children with low resources, the risk factors are similar to excuses such as **juvenile delinquency rates**, higher levels of teenage pregnancy, and the economic dependency upon their low income parent or parents.
- Poverty often **drastically affects children's success in school**. A child's "home activities, preferences, mannerisms" must align with the world and in the cases that they do not these students are at a disadvantage in the school and most importantly the classroom. Children who live at or below the poverty level will have far **less success educationally** than children who live above the poverty line.
- Poor children have a great deal less healthcare and this ultimately results in many absences from the academic year. Additionally, poor children are much more likely to suffer from **hunger**, **fatigue**, irritability, **headaches**, ear infections, flu, and colds. These illnesses could potentially restrict a child or student's focus and concentration.

Housing

- **Slum-dwellers**, who make up a third of the world's urban population, live in poverty no better, if not worse, than rural people, who are the traditional focus of the poverty in the developing world, according to a report by the United Nations.
- Most of the children living in institutions around the world have a surviving parent or close relative, and they most commonly entered orphanages because of poverty.

Violence

- According to a UN report on modern slavery, the most common form of **human trafficking** is for prostitution, which is largely fuelled by poverty.
- In Zimbabwe, a number of girls are turning to **prostitution** for food to survive because of the increasing poverty.
- Also there are also many effects of poverty closer to home. For example after dropping out of school children may turn to violence as a source of income i.e mugging people, betting during street fights etc.

ADDRESSING THE UNDERLYING CAUSES OF POVERTY

:: Building a more widespread commitment to overcoming poverty is an essential first step in overcoming poverty, and actions to address this are discussed below.

- **Share the benefits of economic growth** through an emphasis on more widespread employment: The phenomenon of **jobless economic growth** that increases income inequalities and generates too few jobs for low income groups poses a serious threat to the well-being of many nations, both North and South. **Government policies**

should consider not only aggregate economic impact but also the distribution of employment. **Socially responsible venture capital and microcredit initiatives** can foster employment-generating businesses that complement the local culture and environment.

- **Root out corruption**, which harms society as a whole: Corruption, both in government and business, places heavy cost on society. Businesses should enact, publicize and follow codes of conduct banning corruption on the part of their staff and directors. Citizens must **demand greater transparency** on the part of both government and the corporate sector and create reform movements where needed.

- **Broaden access to education and technology** among marginalized groups, and especially among girls and women: The educational attainment of **women** has strong bearing on the wellbeing of their families, and efforts to improve education for women and girls must be strengthened. At the same time, steps should be taken to ensure that the **current revolution in information technology** benefits marginalized groups. This must begin in school.

- Improve **government capacity to provide universal access** to essential goods and services, including potable water, affordable food, primary health care, education, housing and **other social services**: Governments around the world have made commitments to this through the 20/20 Initiative, which calls for 20% of national budgets and 20% of foreign aid to be spent on human services. But raising adequate resources through effective taxation and other mechanisms is often politically difficult. New mechanisms for **public policy dialogue** that enable citizens of all classes to recognize the benefit of universal access to key services must be put in place. Non-profit groups and even corporations can provide essential support here, helping articulate a **vision of a healthy society**. These nongovernmental actors can also help in the actual provision of services.
- **Investments in human capital** in the form of health, is needed for economic growth. Nations do not necessarily need wealth to gain health. Cheap water filters and promoting hand washing are some of the most **cost effective health interventions** and can cut deaths from diarrhoea and pneumonia. Knowledge on the cost effectiveness of healthcare interventions can be elusive but educational measures to disseminate what works are available, such as the disease control priorities project.

- **Human capital**, in the form of education, is an even more important determinant of economic growth than physical capital. **De-worming children** costs about 50 cents per child per year and reduces non-attendance from anaemia, illness and malnutrition and is only a twenty-fifth as expensive to increase school attendance as by constructing schools.
- **Good Infrastructure**, such as roads and information networks, helps market reforms to work. It was the technology of the steam engine that originally began the dramatic decreases in poverty levels. **Cell phone technology** brings the market to poor or rural sections. With necessary information, remote farmers can produce specific crops to sell to the buyers that bring the best price. Such technology also makes **financial services accessible** to the poor. Those in poverty place overwhelming importance on having a safe place to save money, much more so than receiving loans. Also, a large part of microfinance loans are spent on products that would usually be paid by a checking or savings account.

- **Aid in its simplest form is a basic income grant**, a form of social security periodically providing citizens with money. Some aid, such as **Conditional Cash Transfers**, can be rewarded based on desirable actions such as enrolling children in school or receiving vaccinations. Another form of aid is microloans, made famous by the **Grameen Bank**, where small amounts of money are loaned to farmers or villages, mostly women, who can then obtain physical capital to increase their economic rewards. Aid from **non-governmental organizations** may be more effective than governmental aid; this may be because it is better at reaching the poor and better controlled at the grassroots level.
- **Good Institutions**: Efficient institutions that are not corrupt and obey the rule of law make and enforce good laws that provide security to property and businesses. Efficient and fair governments would work to invest in the long-term interests of the nation rather than plunder resources through corruption. Examples of good governance leading to economic development and poverty reduction include Thailand, Taiwan, Malaysia, South Korea, and Vietnam, which tends to have a **strong government**, called a hard state or development state.

INCLUSION

	Overview With the little money that you have in your pocket today, you cannot afford the basic education; forget about the *vazirams* and *cracks* of the world. When the stomach is empty, everything else goes for a toss. When you can't afford education or even basic health, you actually understand the meaning of 'money can buy everything!' Without basic health and education, you are excluded from the mainstream way of life. Getting daily food becomes the utmost priority every morning. And if you are married & have kids, what will be your life? Big questions! No answers! You will then realize the shallowness of various slogans of political parties, of policies & programmes, of administrative implementation, and of the corrupt system that we have evolved.

Inclusion is when all **people have the freedom to do** what anyone else can do, access to anyplace that anyone else can go, where full participation is available to everyone and all people embrace differences, and feel accepted, valued and respected for who they are. When considering the concept of inclusion one needs to be aware of the source of exclusion.

Inclusion is recognizing our **universal "oneness**" and **interdependence.** Inclusion is recognizing that we are "one" even though we are not the "same". We were all born "in". The act of inclusion means fighting against exclusion and all of the social diseases exclusion gives birth to - i.e. racism, poverty, hunger, etc. The **difference between inclusion and exclusion** lies not with the individual, but within the society where the person lives. With this knowledge, the causes and strategies used to achieve inclusion the onus must fall upon societies. The causes and challenges of **exclusion result from social barriers** that exist within society as such; society is where the problems must be addressed.

WHY BE CONCERNED WITH INCLUSION?

- First, there are serious negative effects for people who experience exclusion. Exclusion **creates division within a community** and separation of people causes vulnerability among the excluded groups, whether it is because of disability, race or class. This vulnerability puts people at risk of negative experiences in their lives.
- Lack of inclusion also leads to and exacerbates **social disparity,** which, furthers the devaluation of these groups and reduces their quality of life. A lack of inclusion within a community creates an **atmosphere of inequality**, which prevents people from having equal access to all things that should be available to them in their society.
- This prevents those who are excluded from getting what they need to live effectively. The areas often affected include access to employment and as a result, **reduced financial status** which creates the risk of people not being capable of acquiring their basic needs.

- Those who are excluded are at increased risk of participation in many types **of unhealthy behaviours** and **reduced overall health**. Beyond the implications of exclusion on the individual and groups in society, there are also effects, which touch society as a whole in a negative way.
- A reduced level of inclusion leads to the **marginalization and segregation of groups**, which emphasize differences, and creates separation within a community. A community divided in this way, is a weaker society in its humanity.
- Separation also leads to **power differentials**, which create divisions, segregation and **inequality** within a community. These concerns develop into power imbalances and oppression of groups in communities.

WHAT ARE THE CONTRIBUTING FACTORS TO EXCLUSION?

- There are a number of issues which contribute to exclusion. The biggest contributing factor is **attitudinal barriers** held about a group of people because of difference such as disability, race, or gender.
- This type of barrier has been identified as leading to lack of acceptance perpetuation of negative stereotypes and adherence to **certain norms, habits and societal rules**. These rules are designed by and for the dominant group in society and the belief that if people do not fit they should not be included. Finally, attitudinal barriers are the root cause of a number of other factors which contribute to exclusion such as access barriers, power imbalance, superficial service inclusion and policy barriers.
- One of the barriers that are caused by the presence of attitudinal barriers is **lack of accommodation of differences**.
- This includes physical barriers that prevent access. **Lack of accommodation** and accessibility contribute directly to the exclusion of people. Not only are these physical barriers an issue as they exist, but they also affect efforts to remove them and stifle willingness to prevent future barriers from being created.
- Voluntary measures are limitedly successful. Project and policy directives need to be put in place to assist with the elimination of barriers, so an environment of inclusion can occur.
- **Power imbalances** also result from attitudinal barriers and contribute to exclusion. People within the dominant group make decisions, as they possess the power to do so, for those outside the dominant group there is often a lack of support needed and feelings of inequality develop.
- When power is held by one dominant group those outside are more likely to be excluded and their needs are left unheard and unmet. Attitudinal barriers about the excluded contribute to superficially inclusive services and systems.
- These types of systems may have the best intensions but a **lack of belief in and respect for people** leads to the excluded being silent recipients of services. This superficial type effort often leads to generic approaches which are ineffective for everyone.
- This also applies to segregated programs which do not provide an opportunity to promote inclusion and perpetuates the separation of people and the belief that they are different and should not be part of the mainstream of society.
- Service language of benevolence and gifting sends very strong messages to the people served and to the community. This perspective can lead to perpetuation of attitudinal barriers, **negative self-images**, and negatively impacts on the service and community environment.

- The final area where attitudinal barriers affect **exclusion of people is around policy barriers.** Commonly held negative attitudes influence the political agendas that support negative policy development for excluded groups. Outcome of this type of policy development is patchwork ineffective programs that do not address the needs of the people they were created to support.
- It is these barriers which prevent adequate funds and resources from being directed to the efforts of inclusion in service and accessibility supports. Negative attitudes and beliefs have a major effect on the production of **legislative disincentives** in their programs, which put up another barrier for the excluded to overcome.

INCLUSION IN "INDIAN CONTEXT"

In Indian context it implies, an **equitable allocation of resources** with benefits accruing to every section of society- A growth process which yields **broad-based benefits** and ensures **equality of opportunity** for all. It is concerned with the **Pro-poor growth**, growth with equity. It is aimed at **poverty reduction**, **human development**, **healt**h and provide **opportunity to work** and be creative. In order to achieve inclusion, the allocation of resources must be focused on the indented short and long terms benefits and economic linkages at large and not just equitable mathematically on some regional and population criteria.

THE INCLUSION INVOLVES FOUR ATTRIBUTES

- **The Opportunity** attribute focuses on generating more and more opportunities to the people and focuses on increasing their income.
- **The Capability** attribute concentrates on providing the means for people to create or enhance their capabilities in order to exploit available opportunities.
- **The Access** attributes focuses on providing the means to bring opportunities and capabilities together.
- **The Security** attribute provides the means for people to protect themselves against a temporary or permanent loss of livelihood.

All together it is a process in which economic growth measured by a sustained expansion in GDP contributes to an enlargement of the scale and scope of all four dimensions.

NEED FOR INCLUSION IN INDIA

- India is the 7th largest country by area and 2nd by population. The **Economy of India** is the seventh-largest in the world by nominal GDP and the third-largest by purchasing power parity (PPP). Yet, India is **far away from the development** of the neighbourhood nation, i.e., China.
- The exclusion in terms of **low agriculture growth**, low quality employment growth, low human development, rural-urban divides, gender and social inequalities, and regional disparities etc. are the problems for the nation.
- Studies estimated that the cost of **corruption in India** amounts to over 10% GDP. Corruption is one of the ills that prevent inclusive growth.
- Although **Child labour** has been banned by the law in India and there are stringent provisions to deter this inhuman practice. Still, many children in India are unaware of education as they lives are spoiled to labour work.

- **Literacy levels** have to rise to provide the skilled workforce required for higher growth.
- **Economic reforms** in the country are overwhelmed by **out dated philosophies** and allegations by the politicians and opposition parties in India.
- Even at **international level** also, there is a **concern about inequalities** and exclusion and now they are also taking about inclusive approach for development.

ELEMENTS OF INCLUSION-ORIENTED GROWTH

The key components of the inclusion oriented growth strategy included a sharp **increase in investment in rural areas**, rural infrastructure and agriculture spurt in credit for farmers, increase in rural employment through a unique social safety net and a sharp increase in public spending on education and health care. The five interrelated elements of inclusion oriented growth are:

1. **Poverty Reduction** and increase in quantity and quality of employment.
2. **Agriculture Development**
3. **Social Sector Development**
4. **Reduction in regional disparities**
5. **Protecting the environment**.

PROBLEMS BEFORE INCLUSION ORIENTED GROWTH STRATEGIES IN INDIA

For a developing country like India, the need of inclusion-oriented growth is vital to achieve the overall progress of the country. Though it is positive for macro-economic stability, 200809 resulted a relative growth slowdown, mostly from the spill over effects of the weakening of the global economic momentum and volatile financial markets. The following problems are the **major concerns for developing countries** like India to achieve the inclusive growth. They are:

- Poverty
- Employment
- Agriculture
- Problems in Social Development
- Regional Disparities
- Poverty
- Percent of population living under the poverty line, which is 356.35 rupees or around $7 a month in rural areas.

A proportionally large share of poor is lower castes. Many see the **caste system** as a system of exploitation of poor low-ranking groups by more prosperous high-ranking groups. In many parts of India, land is largely held by high-ranking property owners of the dominant castes that economically **exploit low-ranking landless labourers** and poor artisans, all the while degrading them with ritual emphases on their so-called God-given inferior status.

EMPLOYMENT

- Employment considered as one of the **big problems** for inclusion-oriented growth in India. Raising population at a great speed after independence showed its impact on employment. The **unemployment became the big worry** to the development of the country.

- Since poverty is much higher than unemployment, employment is the **only source to eradicate poverty.** The quality and quantity of employment in India is very low due to illiteracy and due to over dependency on agricultural employment. The quality of employment is also a problem.
- **Unorganized employed** people in India are **around 85%.** Workers in this sector do not have social security. The generation of productive employment for labour force in the economy, as employment is a key to inclusion-oriented growth is the toughest task for the country.
- The country is also facing in employment generation in all sectors, regions and for all socio economic groups particularly for poorer sections of population, backward regions, lagging sectors and SC/ST/OBC/women etc.

AGRICULTURE

- Traditionally, India is considered as the agricultural based country. As the majority of Indians are engaged in agriculture for employment, the recent developments in the other sectors decreased this major sector's growth. Some of the **problems in Indian agriculture are:**
  - ✓ Long term factors like steeper decline in per capita land availability, shrinking of farm size.
  - ✓ Slow reduction in share of employment.
  - ✓ Low labour productivity in agriculture and the gap between agriculture and non-agriculture sector is widening.
  - ✓ Decline in yield growth due to land and water problems, vulnerability to world commodity prices, farmer's suicides.
  - ✓ Disparities in growth across regions & crops, i.e., growth rate declined more in rainfed areas.
- Thus these **problems became the hurdles** in the key area for the economic development of the nation, i.e., agriculture.

PROBLEMS IN SOCIAL DEVELOPMENT

Social development is also one of the key concerns in inclusion oriented growth. The social development became the hot criteria in the recent past in India. Social development is also **facing some problems** making the path critical to inclusion-oriented growth in the country. Some of the problems in social sector are:

- ✓ Significant regional, social and gender disparities.
- ✓ Low level and slow growth in public expenditures particularly on health.
- ✓ Poor quality delivery systems.
- ✓ Achievement of 127th rank among 170 countries on Human Development index.
- ✓ Social indicators are much lower for scheduled castes and scheduled tribes.
- ✓ Malnutrition among children is one major problem.
- ✓ Since BPO brought the multi culture environment in India, this sector is facing under saviour pressure due to global recession.

REGIONAL DISPARITIES

Regional disparities are also a major concern for India due to **different culture and Traditions.** Traditional cultures, caste system and the rich & poor feelings favoured some specific groups as a result, the regional disparities raised in India before and after independence. And also, due to the development in agriculture and industrial

sector some regions in India developed fast and some other places still are facing the scarcity. The **National Income** (measured as Net National Income at market prices) and **Per Capita National Income** (measured as Per Capita Net National Income at market prices) of the country has been increasing during the last three years. The State/UT-wise estimates of Per Capita Income (measured as Per Capita Net State Domestic Product) at current prices are given as below:-

State/UT	**Per Capita Income**						
	2012-13	2013-14	2014-15		2012-13	2013-14	2014-15
Andhra Pradesh	72301	81397	90517	Mizoram	63413	76120	NA
Arunachal Pradesh	76370	85468	96199	Nagaland	70274	77529	85544
Assam	38945	44263	49480	Odisha	49227	52559	59229
Bihar	26948	31199	36143	Punjab	84526	92638	NA
Chhattisgarh	53815	58547	64442	Rajasthan	60844	65974	NA
Goa	200514	224138	NA	Sikkim	151395	176491	NA
Gujarat	93046	106831	NA	Tamil Nadu	98628	112664	128366
Haryana	119833	133427	NA	Telangana	85169	95361	NA
Himachal Pradesh	83899	92300	NA	Tripura	57402	69705	NA
J&K	52250	58593	NA	UP	33482	36250	40373
Jharkhand	40238	46131	NA	Uttarakhand	92566	103716	115632
Karnataka	76578	84709	NA	West Bengal	60318	70059	78903
Kerala	91567	103820	NA	Andaman & Nicobar	97687	107418	NA
Madhya Pradesh	43426	51798	59770	Chandigarh	141926	156951	NA
Maharashtra	103991	114392	NA	Delhi	192587	219979	NA
Manipur	37656	41573	NA	Puducherry	114256	143677	175006
Meghalaya	54156	61548	69516				

CHALLENGES BEFORE INCLUSION-ORIENTED GROWTH STRATEGIES IN INDIA

The key components of the inclusion-oriented growth strategy included a **sharp increase in investment in rural areas**, rural infrastructure and agriculture spurt in credit for farmers; increase in rural employment through a unique **social safety net** and sharp **increase in public spending on education and health** care. The government also should go for a variety of legislative interventions to empower the disadvantaged. Some of the challenges and opportunities before inclusion-oriented growth strategies in India are:

1. **Poverty alleviation** is one of the big challenges for India. Eradication of poverty in India is generally only considered to be a long-term goal. Poverty alleviation is expected to make better progress in the next 50 years than in the past, as a trickle-down effect of the growing middle class. **Increasing stress on education**, **reservation of seats** in government jobs and the increasing empowerment of women and the economically weaker sections of society, are also expected to contribute to the alleviation of poverty.
2. **For agricultural growth**, the private players can participate in to bridge the gap including providing micro finance. **Contract farming**, setting up **storage facilities** for agro-produce, and producing them from farmers. The private sector could also develop heritage sites and tourist spots and encourage the **promotion of traditional arts** and crafts in **joint ventures with rural enterprises**. The government of India

should also increase its present moratorium on interest payments, lowering of farm credit rates for increase in agricultural growth.

3. **Government schemes** should target eradication of both poverty and unemployment (which in recent decades has sent millions of poor and unskilled people into urban areas in search of livelihoods) attempt to solve the problem, by providing **financial assistance** for setting up businesses, skill honing, setting up public sector enterprises, reservations in governments, etc. The decreased role of the public sector after liberalization has further underlined the need for focusing on **better education** and has also put political pressure on further reforms.
4. **Child labour** is a complex problem that is basically rooted in poverty. The Indian government is implementing the **world's largest child labour elimination program**, with primary education targeted for around 250 million. Numerous non-governmental and voluntary organizations are also involved.
5. Special investigation cells have been set up in states to enforce existing laws **banning employment of children** (under 14) in hazardous industries. Failure to implement the law and poor rehabilitation policies need urgent attention which is a big challenge for India to achieve inclusive growth. Social development is possible through achieving **Women Empowerment** and eradicating the regional disparities.

6. Though the Government is giving the women empowerment by giving special reservations, the women's advancement in India is still not matched the expectations for inclusive growth. Presently, the **women** are dealing with the **top posts** in India like President, Lok Sabha Speaker and Railway Minister.
7. To bring in inclusive growth, it is necessary to enhance the capabilities of women by providing education, so that they get the opportunity of getting employed and be self-sustainable. Government of India has stepped up for inclusion-oriented growth by launching **many initiatives** with features that are innovative, flexible and reform oriented such as:
   - ✓ Rural Infrastructure(Bharat Nirman)
   - ✓ Employment(National Rural Employment Guarantee Scheme)
   - ✓ Regional Development (backward District Development Program)
   - ✓ Education (Sarva Shiksha Abhiyan)
   - ✓ Rural Health (National Rural Health Mission)
   - ✓ Urban Infrastructure (National Urban Renewal Mission

CREDIT GUARANTEE FUND FOR MUDRA LOANS – A BOOST TO REFINANCE OPERATIONS

- Government has created the **Credit Guarantee Fund for Micro Units Development Refinance Agency (MUDRA)** loans and to convert MUDRA Ltd. into MUDRA Small Industries Development Bank of India (**SIDBI**) Bank as a wholly owned subsidiary of SIDBI.
- The objective is to **reduce the credit risk** to Banks / NBFCs / MFIs / other financial intermediaries, who are Member Lending Institutions (MLIs).
- The National Credit Guarantee **Trustee Company** Ltd. (NCGTC Ltd.), a wholly-owned company of Government of India, constituted under the Companies Act, 1956 (2013) to manage and operate various credit guarantee funds, shall be the Trustee of the Fund.

- The Fund is expected to guarantee more than Rs 1,00,000 crore worth of loans to micro and small units in the first instance.
- The guarantee would be provided on portfolio basis to a maximum extent of **50% of Amount in Default** in the portfolio.
- The MUDRA (SIDBI) Bank will undertake **refinance operations** and provide support services with focus on portal management; data analysis etc. apart from any other activity entrusted/ advised by Government of India.

WIDENING THE NET BEYOND THE INCOME NORM

In an effort to reduce unnecessary subsidy burden on the exchequer, the Union Government has undertaken a series of LPG Subsidy reforms over the last one year.

PAHAL:

- The centre launched the **modified Direct Benefit Transfer for LPG** (DBTL) scheme (also known as PAHAL) in 2015, which allowed domestic LPG cylinders to be sold at market price. The scheme aims to reduce diversion and eliminate duplicate or **bogus LPG connections**.
- The scheme was launched with the objective to prevent diversion of subsidized LPG, by transferring the **subsidy amount directly in the bank accounts** of the consumers.
- It is also important to note here that, with more than 14.74 crore LPG consumers enrolled under the scheme, this scheme has been **recognized by Guinness Book of World Records as the largest cash transfer programme in the world**.
- The scheme has significantly reduced subsidy leakage towards non-domestic uses.

'Give It Up' scheme:

- Following the launch of DBTL, the government launched the 'Give It Up' scheme in March 2015. The scheme was aimed at **urging well-to-do households**, who can easily afford LPG at market price, to give up LPG subsidy, in order to extend the subsidy benefits to poorer households, without increasing the fiscal burden.
- As a result of an intensive awareness campaign, nearly **57 lakh beneficiaries** have voluntarily given up their LPG subsidy. This translates to an annual subsidy saving of Rs. **940 crore** for the government, at prevailing prices and consumption trends.
- Even though this is a significant achievement, it represents a mere 3.6% of the active consumer base.

Exclusion of high-income households:

- The Ministry of Petroleum and Natural Gas announced the exclusion of high-income households from the LPG subsidy cover. As per this decision, henceforth, subsidy would not be available for domestic LPG consumers, if the **consumer or his/ her spouse had taxable income of more than Rs. 10 lakh for the previous financial year**.
- According to a study conducted by the Council on Energy, Environment and Water (**CEEW**) in 2014, the richest 15% of Indian households can easily be weaned of the subsidy, as the full market price (then Rs. 950 per cylinder) is well within their affordability limits. At present, these households account for **25% of the active consumer base**.
- The study also highlights that the richest 10% households in India corner 22% of LPG subsidy, while the bottom 50% households together receive only 30% of LPG subsidy.

Thus, the government's move to target beneficiaries by excluding well-to-do households from the subsidy net is well-founded and timely.

- It is equally important to note here that **less than 3% of India's population** pays income tax and a significant proportion **under-reports taxable income**. Thus, exclusion based on reported income alone would not be as expansive a criterion as is needed indirectly benefiting the tax evaders.