ISSN-2230-7540

ANALYSIS OF GROWTH AND POVERTY IN INDIA

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ABSTRACT

The main objective of this paper is to analysis differences in poverty levels across states in India during the period 1991 -2001. In doing so, it seeks to focus on inter-state differences in economic growth as an explanation. The important objective of the study is to find out the relationship and significance of physical infrastructure and human resource development in reducing poverty. The results of the study prove that relationship between poverty and Infrastructure Development Index (IDI) as weekend over time, whereas the relationship of poverty with Human Resource Development Index (HDI) has got stronger overtime. Thus, human development has become more relevant for poverty alleviation than infrastructure development between states. This paper attempt to using data from Economic survey of India (2003-04), CMIE Basic Statistics, Sept. 1994. Lastly the reached conclusion and suggestion.

Introduction

The objective of this paper is to analysis differences in poverty across states overtime in India. In doing so, it seeks to focus on inter-state differences in economic growth as an explanation.

ISSN-2230-7540

But it also considers other factors that might explain inter-state differences in the incidence of, or reduction in poverty overtime. Reduction of poverty has been the major goal of development planning in India since independence. But, with more than a quarter of India's population still living below the official poverty line (GOI 2001), ensuring a minimum standard of living for all its citizens still remains the greatest challenge before the nation.

Traditional focus in development thinking has been on how economic growth leads to poverty – reduction, as it increases per-capita real income levels to increase incomes of the poor. This is referred to as the "trickle down" effect of growth, which simply implies a vertical flow of income from the rich to the poor at a given rate (Kakwani and Pernia, 2000). In this process, the benefits of economic growth are reaped first by the rich, and subsequently by the poor once the rich starts spending their gains.

We can identify three mechanisms through which economic growth leads to poverty reduction. First, there is 'income effect' of growth, where the average income of the poor increases with growth. Second, economic growth leads to employment creation, which yields incomes for the poor to sustain their private consumption. Third, rapid growth has multiplier effects, which raise the returns to income-earning assets of the poor and sustain their consumption.

Human Resource Development

There is a need to combine human – resource development along with other growth promoting policies to formulate an effective anti-poverty strategy. Hence, in recent years, poverty has come to be viewed not only in terms of lack of adequate income, but as a state of deprivation of the poor, which prevents their effective participation in the growth process (UNDP, 2001). This has resulted in the renewed focus on development indicators in the area of education and health attainments. Dreze and Sen (2002) highlight the instrumental role of

ISSN-2230-7540

education in enabling people to make use of economic opportunities created by the growth process. The best example of this is Kerela where an extremely high literacy rate of about 90 percent has underlined India's most successful performance in rural poverty-reduction. On the other hand, Bihar, the largest Indian State in terms of long term where poverty reduction is also characterized by low literacy rate. Datt and Ravallion (1998) showed that initial levels of education affect the poverty reduction impact on growth (see Table 1.1)

States	1990-91	200-01
Andhra Pradesh	98.95	88.14
Bihar	80.84	77.75
Gujarat	113.12	101.48
Haryana	116.27	107.84
Karnatka	108.14	101.27
Kerela	155.12	135.17
Madhya Pradesh	86.09	83.47
Maharashtra	118.64	110.81
Orrisa	90.55	85.59
Punjab	124.67	113.77
Rajasthan	91.08	89.83
Tamil Nadu	122.31	111.25
Uttar Pradesh	82.41	82.20
West Bengal	106.04	100
All India	100	100
CV	18.46	15.39

Source : Economic Survey of India, 2003-04 Govt of India, New Delhi

Table 1.1 is shown in the Figure 1

Figure 1

ISSN-2230-7540

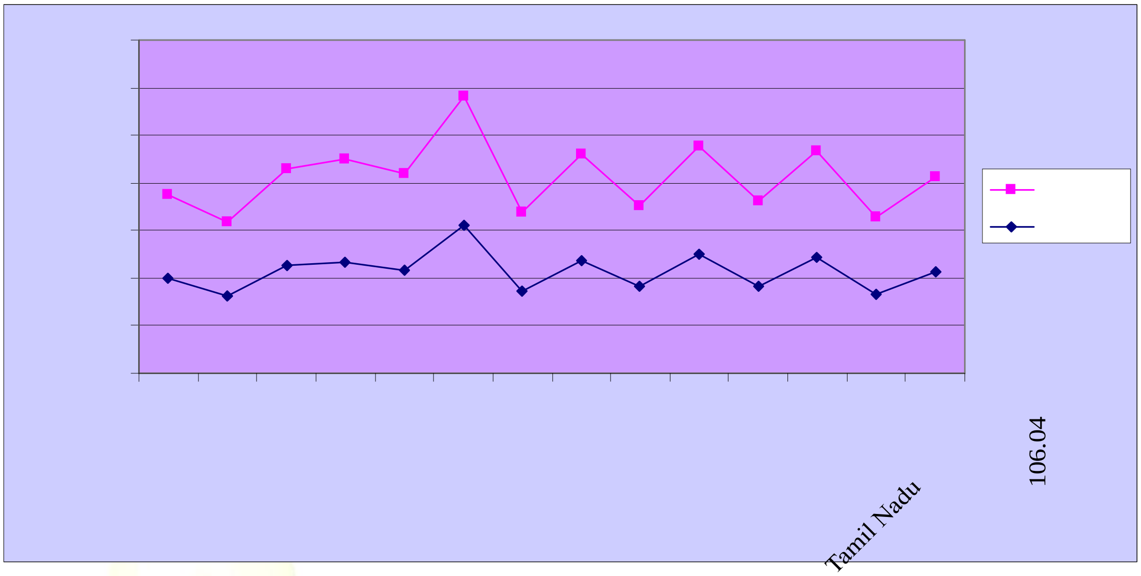

Figure 1 shows the inter-state human development index for two time periods 1990-91 and 2000-01. Kerela maintained the top position in both the periods with HDI value of155.12 and 135.17 respectively. The coefficient of variation has fallen from 18.46 percent in 1990-91 to 15.39 percent in 2000-01, again indicating narrowing down of the inter- state differences in human resource development index among the various states in India.

Infrastructure Development

Investment in physical infrastructure contributes significantly to the pursuit of socially inclusive development (Ali and Pernia, 2003). Physical infrastructure is directly concerned with the needs of such production sectors as industry, trade, agriculture etc and these services are used as inputs for production in the directly productive sectors. Physical infrastructure services such as irrigation, power, transport, telecommunication etc pave the way for higher economic growth of country (see Table 1.2)

Table 1.2 : Infrastructure Index for Different States

ISSN-2230-7540

States	1990-91	2001-01
Andhra Pradesh	98	105.01
Bihar	97	86.85
Gujarat	124	88.76
Haryana	156	116.59
Karnatka	93	116.10
Kerela	138	188.43
Madhya Pradesh	72	100.18
Maharashtra	111	102.70
Orrisa	86	115.64
Punjab	211	144.18
Rajasthan	85	95.20
Tamil Nadu	139	154.08
Uttar Pradesh	117	115.16
West Bengal	115	111.14
All India	100	100
CV	29.60	22.89

Source: CMIE Basic Statistics, States, Sept 1994

Table 1.2 is shown in the figure 2

Figure 2

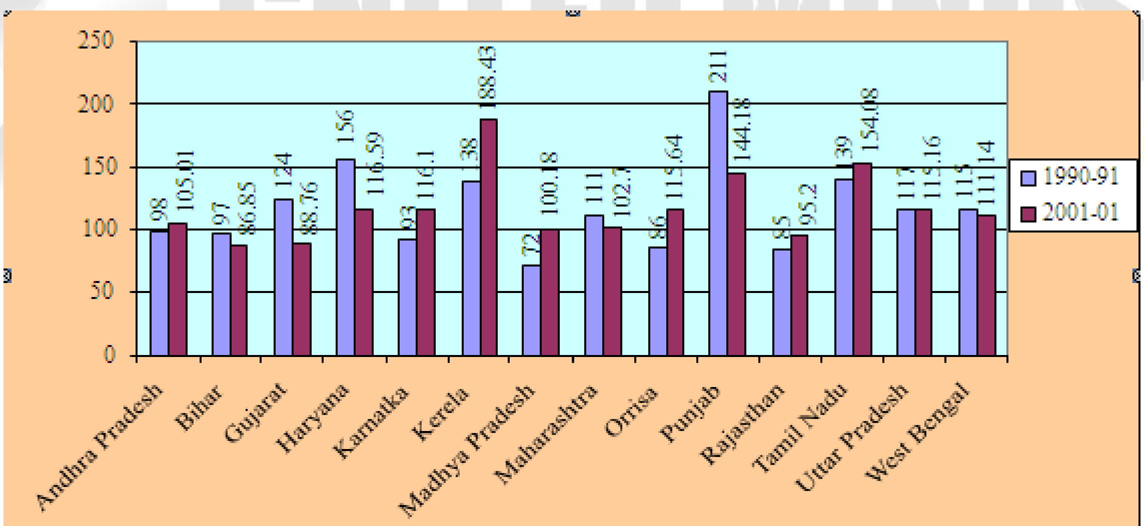

Figure 2 shows the inter-state infrastructure index and it becomes clear from the table that this index was found to be highest in Punjab in 1990-91 (211) but in 2000-01, Kerela had the highest value of this index (188.43) followed by Tamil Nadu (154.08)

ISSN-2230-7540

And Punjab's position has gone down to third place (144.18). However, the lowest value of this index was found to be in case of the state of the M.P. in 1990-91 (72) whereas this value was minimum for the state of Bihar in the year 2000-01. The coefficient of variation for these two periods has declined from 29.60 in 1990-91 to 22.89 in 2000-01 showing that the inter-state differences in infrastructure index have been narrowing down overtime.

Conclusions and Suggestions

This paper study of the related to both rural and urban poverty across Indian States during the period from 1991 to 2001. Reducing poverty has been the prime focus of the Indian government and has received a great deal of attention in the country's economic agenda, beginning with the first five year plan adopted in 1951. This increase in CV shows that inter-state differences in poverty reduction has increased overtime.

Moreover, the value of regression coefficient has also increased overtime and was also found to be significant. The results of multiple regressions also corroborate the same findings that in 1990-91 the role of infrastructure index was found to be more important in reducing poverty whereas afterwards it is human resource development index which has been playing a significant role in explaining variations in poverty. This notion acquired greater importance and thus there was a shift in contemporary economic analysis, from seeing capital accumulation in largely physical terms to viewing it as a process in which the productive quality of human beings is integrally involved. Now, emphasis is on capital formation through which people can become much more productive, and this can contribute to the process of economic growth.

At the macro level, the linkages between growth and poverty can be conceptualized in terms of the average productivity of the employed workforce, which gets reflected in the level of real wage or earning in self employment. From these discussions it becomes necessary to identify and control factors which can reduce poverty directly, even if growth does not increase or which can improve the mapping of growth onto poverty.

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