

NECESSARY STEPS TO ENDING POVERTY

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

It is by now close to 50 years since Indira Gandhi brought the idea of eradicating poverty into the electoral arena in India. 'Garibi Hatao' had been her slogan. She actually took the country some distance in the promised direction. Though it had not come close to being eradicated in her time, it was under her leadership that the reduction in poverty commenced, in the late 1960s. And it was under her leadership again that the reduction accelerated, in the early 1980s. This is not surprising for she was a pragmatic politician and took pride in being Indian. While the last attribute motivated her to improve the condition of her people, the first left her aware of the centrality of income generation in poverty eradication.

The role that income generation actually played in lowering poverty in India may be gauged from the facts that economic growth had surged in the 1980s, and the late 1960s was when agricultural production quickened as the Green Revolution progressed.

So, if there had been a focus on poverty even 50 years ago, why have we not seen it end? This is because the approach of public policy to the problem has been to initiate schemes which could serve as no more than a palliative, as suggested by the very term 'poverty alleviation' commonly used in the discourse of this time. These schemes failed to go to the root of poverty, which is capability deprivation that leaves an individual unable to earn sufficient income through work or entrepreneurship. Income poverty is a manifestation of the deprivation, and focussing exclusively on the income shortfall can address only the symptom.

In the run-up to the elections now, schemes guaranteeing income to the poor through budgetary transfers have been announced by both the Bharatiya Janata Party (BJP) and the Congress. Actually, the BJP's Pradhan Mantri Kisan Samman Nidhi (PM-Kisan), paying farm households below a threshold 6,000 a year, is already in place. An income-support scheme for any one section of the population is grossly inequitable. We can think of agricultural labourers and urban pavement dwellers as equally deserving of support as poor farmers. While it is the case that at present agricultural subsidies go to farmers alone, these are intended as production subsidies and so channelled due to the criticality of food production to all.

On the other hand, a welfare programme cannot, ethically speaking, exclude those equally placed. The BJP's hurried introduction of its scheme also came with an overshooting of the fiscal deficit target, suggesting that it involves borrowing to consume, a fiscally imprudent practice. The PM-Kisan has, however, been dwarfed by the promise of the Nyuntam Aay Yojana (NYAY) of the Congress, which envisages an annual transfer 12 times greater to the poorest 20% households. While this scheme is not discriminatory, it is severely challenged by the issue of beneficiary identification in real time.

Both the schemes on display, but NYAY in particular, have been criticised as running into the absence of fiscal space. This is really neither the case nor of the essence, the latter being the role of income transfers in eradicating as opposed to alleviating poverty in India.

Consider NYAY. It is estimated to cost 3.6 lakh crore per annum at current prices. This comes to approximately 13% of the central budgetary outlay for 2019-20. This expenditure can be incurred without any consequence for the fiscal deficit if all Centrally Sponsored Schemes are taken off and subsidies trimmed just a bit. But the point is that at 13% of outlay, NYAY would amount to more than twice the combined expenditure on health and education and more than

capital expenditure in the same budget, they being the items of public expenditure that most impact poverty in the long run. There is an opportunity cost to be acknowledged of an income-support scheme of this magnitude being implemented while there exists a severe deficit of social and physical infrastructure in the country.

We have already spoken of poverty as capability deprivation. Health, education and physical infrastructure are central to the capabilities of individuals, and the extent of their presence in a society determine whether the poor will remain so or exit poverty permanently. The scale at which these inputs would be required to endow all Indians with the requisite capabilities makes it more than likely that we would have to rely on public provision.

In light of a pitch that has been made for the implementation in India of a publicly-funded universal basic income (UBI) scheme, we can say that from the perspective of eliminating poverty, universal basic services (UBS) from public sources are needed, though not necessarily financed through the budget. The original case for a UBI came from European economists. This is not entirely surprising. Europe is perhaps saturated with publicly provided UBS. Also the state in some of its countries is immensely wealthy. So if a part of the public revenues is paid out as basic income, the project of providing public services there will not be affected. This is not the case in India, where the task of creating the wherewithal for providing public services has not even been seriously initiated.

There is indirect evidence that the provision of health, education and public services matters more for poverty than the Central government's poverty alleviation schemes in place for almost half a century. Per capita income levels and poverty vary across India's States. A discernible pattern is that the southern and western regions of India have lower poverty than the northern, central and eastern ones. This, very likely, is related to higher human development attainment in the former. This indicator is based on the health and education status of a population apart from per capita income, bringing us back to the relevance of income generation to poverty. As the Central government is common across regions, differences in the human development index must arise from policies implemented at the State level. This further implies that a nationwide income support scheme that channels funds from a common pool to households in the poorer States would be tantamount to rewarding lower effort by their governments.

There is a crucial role for services, of both producer and consumer variety, in eliminating the capability deprivation that is poverty. As these services cannot always be purchased in the market, income support alone cannot be sufficient to eliminate poverty. It is in recognition of the role of services in enabling people to lead a productive and dignified life that the idea of multi-dimensionality has taken hold in the thinking on poverty globally. At a minimum these services would involve the supply of water, sanitation and housing apart from health and education. It has been estimated that if the absence of such services is accounted for, poverty in India would be found to be far higher than recorded at present. The budgetary implication of the scale at which public services would have to be provided if we are to eliminate multi-dimensional poverty may now be imagined. This allows us to appraise the challenge of ending effective poverty and to assess the potential of the income-support schemes proposed by the main political parties. There are no short cuts to ending poverty, but ending it soon is not insurmountable either.

Pulapre Balakrishnan is Professor, Ashoka University, Sonapat and Senior Fellow, IIM Kozhikode

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