CHAPTER

4 POVERTY AND SOCIAL SECTOR

4.1 WHAT IS MEANT BY POVERTY IN INDIA?

Poverty is defined as the minimum basic consumption level, essential for survival. It has been defined by the Planning Commission of India in terms of calorie intake. Absolute poverty is a condition, where the calorie intake is less than 2400 kcalories per person per day in rural areas and 2100 kcalories per person per day in urban areas.

The World Bank has coined its own universal definition of poverty levels as per person consumption of less than US $1 per day.

Relative poverty, is across difference in income levels of the rich and the relative poor. Even by this crude definition of Planning Commission of absolute poverty, it is estimated that over 230 million people are living below poverty line (BPL). According to the definition of World Bank, the numbers would increase significantly. India is said to have the largest number of people living BPL. The number of people BPL is even more higher than the entire population of the US. Poverty is largely concentrated in states such as UP, Bihar, Orissa, MP, West Bengal and they account for over 50 per cent of the total poverty in India.

Despite over six decades of independence, why poverty continues to exist? It can be attributed to the large economic dependence on the agricultural sector, subsistence, traditional and stagnating, which are not able to provide enough for the dependent population in terms of employment opportunities, high levels of adult illiteracy, large number of landless, small and marginal farmers with no income support. There is absence of employment opportunities in the manufacturing sector.

It is not about how poverty is measured crude or refined? It is the biggest curse of post-independence India of not being able to address the large-scale poverty in the country despite the well-intended schemes as can be seen in the following sections.

4.2 SOCIAL SECTOR

Social sector and poverty are interrelated as it largely comprises of those BPL and also that segment of the population which is outside the mainstream of development, which consists of the under-privileged, always at the receiving end, poor, backward classes and scheduled castes/tribes. It will also have landless, small and marginal farmers who are engaged in casual work in the informal sector, living virtually on a daily basis. They are the most vulnerable section prone to exploitation, domination and do not have any voice or can also be known as 'silent sufferers' or a 'mere spectator' to their pitiable and pathetic condition oblivious of the fact that India is today one of the fastest growing economies.

One has already seen earlier, why this has happened. But what has the Government done about this? It has adopted a three-pronged strategy to address the social sectors which are as follows:

(1) Broad Targeting;
(2) Narrow Targeting;
(3) Social Security.

Broad Targeting

Under broad targeting the Government has two ambitious programmes. First is the Bharat Nirman (2005–2010) which has six sub-programmes:

(1) Irrigation—to bring an additional 1 crore hectare under irrigation facilities.
(2) Rural road connectivity—covering all villages with population more than 1000 and villages in hilly and tribal areas with population more than 500.
(3) Indira Awas Yojana—building 6 million houses for the poor.
(4) Potable water—providing with drinking water in 55,065 new habitations.
(5) Rural electrification—electricity to 1,25,000 villages benefiting 223 million households.
(6) Rural telephony—providing telephone connection to 66,822 villages.

Second is the programme of the UPA Government, which has eight ambitious flagship schemes:

(1) Sarva Siksha Abhiyan—all children in the age group of 6–14 years to be enrolled in school by 2010.
(2) Mid-day Meal scheme—provision of one wholesome full meal to the children in school. This is to meet both the objective of malnutrition amongst children and also to give a boost to the enrolment ratio in schools.
(3) Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA).
(4) Total Sanitation Campaign.
(5) Jawaharlal Nehru National Urban Renewal Mission (JnNURM).
(6) Integrated Child Development and Services (ICDS).
(7) National Rural Health Mission (NRHM).
(8) Rajiv Gandhi Drinking Water Scheme.

Of all the above, the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) is the most ambitious project of the government which is being implemented at the national level and of magnitude not seen anywhere in the world. It is the brain child of Jean Dreze, a Belgian economist. This scheme has now been enacted and guarantees unskilled wage employment of 100 days to one person in every rural household at a minimum wage. The 100 days employment under this scheme is visualized in the lean season of agricultural activities. This scheme is being implemented in all the districts of the country and is seen as a major step in creating the employment opportunities and also for poverty alleviation in the country. Women are given preference for employment under this scheme, which has no middlemen or contractor and directly being implemented by the Gram Panchayats and the wages are paid in the bank account of those who are provided with the employment. The state governments are required to give unemployment allowance of one-third of the wages if not able to provide employment within 15 days of their registration. This scheme has been globally lauded as one of the most well intended schemes for the social sector anywhere in the world.

Critics of the scheme, however, feel that such a scheme could be damaging in the long run by pushing up the minimum wages and increase cost in the agricultural as well as urban areas, adversely affect productivity and also prevent migration of labour, besides fuelling inflation.

Narrow Targeting

The government is attempting narrow targeting which are as follows:

(1) Wage Employment Scheme—primarily through Mahatma Gandhi NREGA.
(2) Self-Employment Schemes—primarily through Swaran Jayanti Grameen Sah-rozgar Yogana (SGSY) in the rural areas and through Swaran Jayanti Shahri Rozgar Yogana (SJSRY) in the urban areas.
(3) Food security—primarily through TPDS, AAY, Annapurna Scheme for senior citizens.

Social Security

The government is providing social security under its various programmes such as:

(1) **Aam Admi Bima Yojana**: This scheme is targeted at the rural landless households where one earning member within the age group of 18–59 years is insured at a premium of ₹200 per year borne 50 per cent by the central government and the remaining 50 per cent to be borne by the state governments. The coverage is ₹30,000 for natural death and ₹75,000 in case of accidental death. As an additional incentive, children of the insured studying of the class 9–12 would get scholarship of ₹300 per quarter.
(2) **Universal Health Insurance Scheme (UHIS)**: This scheme of the Government is being implemented by the Oriental Insurance Company aimed at BPL families.

    This scheme provides coverage of hospitalization expenses upto ₹30,000 per year, per person insured under the scheme. The premium is ₹165 per annum for individuals, ₹248 per annum for a family of 5 members and ₹330 per annum for a family of 7 members.
(3) **Janashree Bima Yogana (JBY)**: This scheme is being implemented by the Life Insurance Corporation of India (LIC) aimed at BPL families, providing insurance

coverage at a premium of ₹200 per annum (50 per cent to be borne by the insured and 50 per cent by the Social Security Fund). The coverage is ₹20,000 for natural death and ₹50,000 for accidental death.

(4) **Swavalamban Scheme**: This scheme has been launched by LIC, on behalf of the government in 2010, as a pension scheme for the unorganized sector.

'Why' the plethora of schemes has not yielded the desired results? A few reasons for not delivering are as follows:

(1) The Government has well-designed schemes. The question is not about intention but that of implementation of these schemes, proper identification of the targeted beneficiaries.
(2) There is also a lack of awareness of these schemes amongst the masses given their illiteracy and ignorance.
(3) There is also absence of any monitoring mechanism for the efficacy of such schemes or to know the end result. The focus is on increased outlays and new schemes but there is no mechanism of tracking down the outcome.
(4) It may be better to implement these programmes through NGOs after a strict screening process and also with proper checks and balances in place.
(5) There is a need to bring in an independent 'social audit' of these schemes not for fixing accountability but for plugging leakages, improving delivery so as to make the schemes effective and true to their intention for the overall benefit of the social sector.
(6) Today, there is availability of modern technology which can be deployed for capturing information and creating a database which will enable a tracking mechanism for the target group and their reach and will be useful in refining the schemes in future.
(7) Finally, the focus of the government has been on schemes, so many that they overlap with diffused focus and accountability at different levels.

The aspect of changing the orientation from schemes to the people in the villages could be a better strategy and it also leads to convergence of all the schemes. This could be done following the 'cluster approach' which is implementing all the schemes starting from the most backward villages, bunched together as a cluster, for the schemes to be implemented and ensuring their sustainability by transferring the onus of further development to the villages and then moving to another cluster.

It would be the responsibility of the state government to monitor the functioning of the cluster of villages that are assisted through the schemes. This would provide for better delivery of schemes, proper monitoring and also for sustainability of the efforts and will lead to fundamental changes as the needs of the villages would get assessed first and not the other way around. It will also enable the government to acquire an understanding of the resources required and then the government could look at various alternatives of implementing them.

Right since Independence, these problems have persisted. It has also engaged the attention of successive governments but it has always been through increased outlays and new schemes which have been launched for them, year after year, but without tangible benefits. What is now required is to tackle them differently. A few suggestions have been provided earlier, not that they are bound to succeed, but will display the attitude of the government of willing to experiment to find long-lasting solutions to the vexed problems. The government has to keep in mind that it is not the resources which matter but in their efficient spending, technology-enabled monitoring mechanism and being on the learning curve each year, reorienting and successfully addressing the needs of the social sector.

Let us also admit that the task is daunting but it has to be accomplished one way or the other, a major challenge for the governments both the centre and state collectively.

4.3 MICRO FINANCE

Given that social sector do not have access to organize sources of finance say through banks and also given their extensive paper work, cumbersome procedures, documentation requirement, the micro credit institutions are today seen as offering a solution both for the social sector as well as addressing the issues of poverty. These institutions, as a concept have their genesis in Bangladesh, pioneered by Mohammed Yunus, for which he was awarded the Nobel Prize, as successful institutions for reaching out to the last unit of any economy not possible through banks and directly contributing to the uplift of the poor especially rural women.

In India, the SHG movement started in 1992 under NABARD and with involvement of banks. Under the SHG scheme credit is linked to savings by focusing on capacity building, with low interest rates usually 8–10 per cent with monthly repayment but responsibility of the group and not individuals. SHGs in India cover 90 million poor households and have extended credit of over ₹25,000 crore.

Micro Finance Institutions (MFIs) are institutions which provide credit to the poor but at a high interest rate but lower than that charged by the money lenders. MFIs in India have engaged the attention of the government only since 2003 and in the last 7 years, have seen an exponential expansion to reach 30 million and credit of over ₹30,000 crore. These have been seen as partnering SHGs in micro finance in India and also a major way through which the country could provide 'financial inclusion', that is, to provide accessibility to organized sources of finance to the poor people and reduce their dependence on the money lenders for their income generating activities enabling them to have source of income, employment and also get out of poverty.

However, in recent times, MFIs especially in Andhra Pradesh, have given a new dimension and raised the following fundamental issues:

(1) Their prime motive is to earn profits through high profit margins by charging high interest rates but slightly lower than that charged by the money lenders.
(2) MFIs have reached out to those ignored by the banks and also the fact they are not complementing the efforts of the banks. There is sizeable concentration of MFIs in areas where there is banking penetration.
(3) MFIs are finding softer options of lending like SHGs, which leads to multiple financing, debt burden on the borrowers.
(4) MFI are aggressive and are more consumer-oriented loans, less productive-oriented, similar like a private bank selling consumer loans or the US banks' lending to sub-prime borrowers.

These developments have forced the government to rethink on this model of financial inclusion and adding in place regulations for the MFI.

However, at a broader level and to provide greater inclusivity the nationalized banks are better placed than the MFIs through innovative means such as the correspondent banking route, which will keep costs low of reaching out without the need for more branches. Micro finance through MFIs would thus require a redesign but their greater complementary and compatibility role with the banks would have to be explored to make them as effective institutions of micro finance in India.

Social sector is one of the key sectors of the economy and reaching out to them and drawing them into mainstream of development is the biggest responsibility of the government, as only then the biggest transformation of the economy would happen by bringing all round prosperity.