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POVERTY AND ISSUES RELATED TO IT

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POVERTY AND ISSUES RELATED TO IT

The ultimate objective of development planning is human development or to increase social welfare and well-being of the people. Increased social welfare of the people requires a more equitable distribution of development benefits along with better living environment. Development process therefore needs to continuously strive for broad-based improvement in the standard of living and quality of life of the people through an inclusive development strategy that focuses on both income and non income dimensions. The challenge is to formulate inclusive plans to bridge regional, social and economic disparities. Poverty and unemployment are the major hurdles in the goal of inclusive development.

Poverty is a social phenomenon wherein a section of society is unable to fulfil even its basic necessities of life. The UN Human Rights Council has defined poverty as "a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights".

Types of Poverty

The poverty has two aspects: (1) Absolute poverty (2) Relative poverty.

1. **Absolute Poverty:** It is a situation in which the consumption or income level of people is less than some minimum level necessary to meet basic needs as per the national standards. It is expressed in terms of a poverty line.
2. **Relative Poverty:** It is expressed in the form of comparisons of the levels of income, nutrition or consumption expenditure of the poor strata vis-à-vis rich strata of the society. It shows the extent of inequality.

Dimensions of Poverty

Although household expenditure levels remain the main measure of living standard by which incidence of poverty is measured, and the Human Consumption Rate has become the main indicator of poverty.

But the UN Human Development Index (HDI) captures the multidimensional nature of deprivation in living standards. Income should be regarded as a means to improve human welfare, not as an end in itself. Further Human and gender development indicators have been used successfully for advocacy, for ranking of geographical spaces and to capture improvements in human well-being more reliably than per capita income. The HDI is a simple average of three dimension indices, which measure average achievements in a country with regard to 'a long and healthy life', 'knowledge' and 'a decent standard of living'.

Related to this only the Ministry of Women and Child Development uses the infant mortality rate (IMR) and life expectancy at age 1 to estimate a long and healthy life; the 7+ literacy rate and mean years of education for the 15+ age group to estimate knowledge; and estimated earned income per capita per year to capture a decent standard of living.

Alkire and Santos in 2010 presented the Multidimensional Poverty Index (MPI), which reflects the deprivations that a poor person faces simultaneously with respect to education, health and living standards. This reflects the same three dimensions of welfare as the HDI but the indicators are different in each case and are linked to the MDGs. The components of MPI are:

1. **Education** (each indicator is weighted equally at 1/6)

- **Years of Schooling:** deprived if no household member has completed five years of schooling
- **Child Enrolment:** deprived if any school-aged child is not attending school in years 1 to 8

2. **Health** (each indicator is weighted equally at 1/6)

- **Child Mortality:** deprived if any child has died in the family.
- **Nutrition:** deprived if any adult or child for whom there is nutritional information, is malnourished.

3. **Standard of Living** (each indicator is weighted equally at 1/18).

- **Electricity:** deprived if the household has no electricity.
- **Drinking water:** deprived if the household does not have access to clean drinking water or clean water is more than 30 minutes walk from home.
- **Sanitation:** deprived if they do not have an improved toilet or if their toilet is shared.
- **Flooring:** deprived if the household has dirt, sand or dung floor.
- **Cooking Fuel:** deprived if they cook with wood, charcoal or dung.
- **Assets:** deprived if the household does not own more than one of: radio, TV, telephone, bike, or motorbike, and do not own a car or tractor.

Hence, 'poverty' is determined with regard to not only income or expenditure but also access to a number of other necessities. Based on this measure, 55% of India's population in 2005 was classified as poor.

How Poverty Line is Estimated in India?

The history of counting the poor in India can be dated back to the 19th century. The earliest effort to estimate the poor was Dadabhai Naoroji's "Poverty and Un-British Rule in India" in which he estimated a subsistence-based poverty line at 1867-68 prices. Using the diet prescribed to "supply the necessary ingredients for the emigrant coolies during their voyage living in a state of quietude", which includes "rice or flour, dhal, mutton, vegetables, ghee, vegetable oil and salt", he came up with a subsistence cost based poverty line, ranging from Rs. 16 to Rs. 35 per capita per year in various regions of India. Whereas after independence 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 recommendations of different committees for estimation of poverty:

- **Lakdawala Committee**

The Lakdawala Committee defined the poverty line based on per capita consumption expenditure as the criterion to determine the persons living below poverty line. The per capita consumption norm was fixed at Rs.49.09 per month in the rural areas and Rs.56.64 per month in the urban areas at 1973-74 prices at national level, corresponding to a basket of goods and services anchored in a norm of per capita daily calorie intake of 2400 kcal in the rural areas and 2100 kcal in the urban areas.

- **Tendulkar Committee Report to Review the Methodology for Estimation of Poverty**

The Planning Commission constituted an Expert Group in December 2005 under the Chairmanship of Professor Suresh D. Tendulkar to review the methodology for estimation of poverty. The Expert Group submitted its report in December 2009. While acknowledging the multidimensional nature of poverty, the Expert Group recommended moving away from anchoring poverty lines to the calorie - intake norm to adopting MRP based estimates of consumption expenditure as the basis for future poverty lines and MRP equivalent of the urban poverty line basket (PLB) corresponding to 25.7per cent urban headcount ratio as the new reference PLB for rural areas. On the basis of the above methodology, the all-India rural poverty headcount ratio for 2004-05 was estimated at 41.8 per cent, urban at 25.7 per cent, and all-India at 37.2 per cent.

- **Saxena Committee Report to Review the Methodology for Conducting BPL Census in Rural Areas**

An Expert Group headed by Dr N.C. Saxena was constituted by the Ministry of Rural Development to recommend a suitable methodology for identification of BPL families in rural areas. The Expert Group submitted its report in August 2009 and recommended doing away with score-based ranking of rural households followed for the BPL census 2002. The Committee recommended automatic exclusion of some privileged sections and automatic inclusion of certain deprived and vulnerable sections of society, and a survey for the remaining population to rank them on a scale of 10.

Automatic Exclusion

Households that fulfil any of the following conditions will not be surveyed for BPL census:

1. Families who own double the land of the district average of agricultural land per agricultural household if partially or wholly irrigated (three times if completely unirrigated).
2. Families that have three or four wheeled motorized vehicles, such as, jeeps and SUVs.
3. Families that have at least one mechanized farm equipment, such as, tractors, power tillers, threshers, and harvesters.
4. Families that have any person who is drawing a salary of over Rs.10,000 per month in a non-government/ private organization or is employed in government on a regular basis with pensionary or equivalent benefits.
5. Income tax payers.

Automatic Inclusion

The following would be compulsorily included in the BPL list:

1. Designated primitive tribal groups.
2. Designated most discriminated against SC groups, called Maha Dalit groups.
3. Single women-headed households.
4. Households with a disabled person as breadwinner.
5. Households headed by a minor.
6. Destitute households which are dependent predominantly on alms for survival.
7. Homeless households.
8. Households that have a bonded labourer as member.

The poor are identified using a yardstick of expenditure needed to fulfil the basic needs. Thus the existing poverty line is defined in terms of Per Capita Total Consumer Expenditure (PCTCE) at 73-74 prices, adjusted over time for changes in prices keeping the original Poverty Line Basket constant. Poverty Line Basket (PLB) is a socially acceptable minimal basket of inter-dependent basic human needs that are satisfied through the market purchases. The all India rural and urban PLB are derived separately for urban and rural areas based on per capita calorie norms of 2400 (rural) & 2100 (urban). It is specified in terms of required per capita total household consumer expenditure to achieve this level of calorie intake.

The amount required for this has to be determined and those who earn less than this level are considered to be living below poverty line. The first stage to identify the poor is to fix the poverty line. This is an imaginary line.

The usual procedure in India is to decide the poverty line keeping that as the yardstick. On the basis of this, in 2004-2005, it was decided that a person earning less than Rs. 356.30 in rural areas and Rs.538.60 in urban areas, in a month, falls below the poverty line. Poverty ratio can be found out by dividing the number of poor by the total population. Poverty ratio shows the percentage of people living below the poverty line.

Recent data shows that the Poverty ratio in the country has declined to 21.9 per cent in 2011-12 from 37.2 per cent in 2004-05 on account of increase in per capita consumption. According to the Commission, in 2011-12 for rural areas, the national poverty line by using the Tendulkar methodology is estimated at Rs.816 per capita per month in villages and Rs.1,000 per capita per month in cities. This would mean that the persons whose consumption of goods and services exceed Rs.33.33 in cities and Rs.27.20 per capita per day in villages are not poor. The Commission said that for a family of five, the all India poverty line in terms of consumption expenditure would amount of Rs.4,080 per month in rural areas and Rs.5,000 per month in urban areas. The poverty line however will vary from state to state. Thus the percentage of persons below poverty line in 2011-12 has been estimated at 25.7 per cent in rural areas, 13.7 per cent in urban areas and 21.9 per cent for the country as a whole. The percentage of persons below poverty line in 2004-05 was 41.8 per cent in rural areas, 25.7 per cent in cities and 37.2 per cent in the country as a whole. In actual terms, there were 26.93 crore people below poverty line in 2011-12 as compared to 40.71 crore in 2004-05.

World Bank Approach for Calculating Poverty

The World Bank uses the “money metric” approach, whereby it converts the “one dollar per day” international poverty line into local currencies using “purchasing power parity” conversion factors. It then uses national household surveys to identify the number of persons whose local income is lower than the

Poverty in India - Statistics

- 50% of Indians don't have proper shelter;
- 70% don't have access to decent toilets;
- 35% of households don't have a nearby water source;
- 85% of villages don't have a secondary school;
- Over 40% of these same villages don't have proper roads connecting them.

national poverty lines. Both the dollar a day and $1.25 measures indicate that India has made steady progress against poverty since the 1980s, with the poverty rate declining at a little under one percentage point per year. This means that the number of very poor people who lived below a dollar a day in 2005 has come down from 296 million in 1981 to 267 million in 2005. However, the number of poor people living under $1.25 a day has increased from 421 million in 1981 to 456 million in 2005. This indicates that there are a large number of people living just above this line of deprivation (a dollar a day) and their numbers are not falling.

There have been many criticisms against the World Bank's approach to measuring poverty.

Firstly, the Bank's method is unreliable because its results are excessively dependent on the chosen PPP base year. The Bank compares the consumption expenditure of a person in one country and year with that of another person from another country and year, by using national CPIs that deflate or inflate the two national currency amounts into "equivalent" amounts of a common base year, and then using PPPs for this base year to compare the resulting national-currency amounts. PPPs of different base years and the CPIs of different countries each weigh prices of underlying commodities differently, as they reflect distinct global and national consumption patterns. As a result, comparisons over space and time together are path dependent: if they are undertaken in different ways they may lead to different results.

Secondly, consumption patterns vary from country to country for reasons of tastes, as actual consumption patterns are strongly influenced by prices and by the existing income distribution.

Thirdly, the Bank's estimates of global poverty involve errors due to measurement problems associated with the data used under the Bank's preferred approach.

Causes of Poverty in India

All types of poverty and deprivation in India are caused by the following factors.

a) Colonial Exploitation:

Colonial rule in India is the main reason of poverty and backwardness in India. The Mughal era ended about 1800. The Indian economy was purposely and severely de-industrialized through colonial privatizations. British rule replaced the wasteful warlord aristocracy by a bureaucratic-military establishment. However, colonial exploitation caused backwardness in India. In 1830, India accounted for 17.6 per cent of global industrial production against Britain's 9.5 per cent, but, by 1900, India's share was down to 1.7 per cent against Britain's 18.5 per cent. This view claims that British policies in India, exacerbated by the weather conditions led to mass famines, roughly 30 to 60 million deaths from starvation in the Indian colonies. Community grain banks were forcibly disabled, land was converted from food crops for local consumption to cotton, opium, tea, and grain for export, largely for animal feed.

b) Lack of Investment for the Poor:

There is lack of investment for the development of poorer section of the society. Over the past 60 years, India decided to focus on creating world class educational institutions for the elite, whilst neglecting basic literacy for the majority. This has denied the illiterate population - 33 per cent of India - of even the possibility of escaping poverty. There is no focus on creating permanent income-generating assets for the poor. Studies on China (2004) also indicated that since universal and free healthcare was discontinued in 1981, approximately 45 million (5 per cent of its 900 million rural population) took on healthcare-related debts that they could not repay in their lifetimes. Since then, the government has reintroduced universal health care for the population. Given India's greater reliance on private healthcare spending, healthcare costs are a significant contributor to poverty in India.

c) Social System in India:

The social system is another cause of poverty in India. The social subsystems are so strongly interlocked that the poor are incapable of overcoming the obstacles. A disproportionally large number of poor people are lower caste Hindus. According to S. M. Michael, Dalits constitute the bulk of poor and unemployed. Many see Hinduism and its structure, called 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 emphasis on their so-called, God-given inferior status.

d) Over-reliance on Agriculture:

In India there is high level of dependence on primitive methods of agriculture. There is a surplus of labour in agriculture. Farmers are a large vote bank and use their votes to resist reallocation of land for higher-income industrial projects. While services and industry have grown at double digit figures, the agriculture growth rate has dropped from 4.8 per cent to 2 per cent. About 60 per cent of the population depends on agriculture, whereas the contribution of agriculture to the GDP is about 18 per cent. The agricultural sector has remained very unproductive. There is no modernization of agriculture despite some mechanization in some regions of India.

e) Heavy Population Pressures:

Although demographers generally agree that high population growth rate is a symptom rather than cause of poverty and add to poverty. Mahmood Mamdani aptly remarked "people are not poor because they have large families. Quite contrary, they have large families because they are poor". However this is a general argument in developing countries that population growth is a major obstacle to development and cause of poverty.

f) High Unemployment:

There is high degree of underutilization of resources. The whole country suffers from a high degree of unemployment. India is marching with jobless economic growth. Employment is not growing, neither in the private sector, nor in the public sector. The IT sector has become elitist, which does not improve the poverty situation in the country. Disguised unemployment and seasonal unemployment is very high in the agricultural sector of India. It is the main cause of rural poverty in India.

Issues Related to Poverty

1. Poverty and Health:

Approximately 1.2 billion people in the world live in extreme poverty (less than one dollar per day). Poverty creates ill-health because it forces people to live in environments that make them sick, without decent shelter, clean water or adequate sanitation. The poorest people in most societies almost always experience higher morbidity levels, die younger (on average) and experience higher levels of child and maternal mortality.

In health many dimensions are inter-dependent. Maternal malnutrition may contribute to child malnutrition for example. When malnutrition affects a young girl's development this may later lead to subsequent reproductive health problems which may later affect her own children. Thus, over time vulnerability is increased. This may be experienced through reduced income and accumulation, increased expenditures and indebtedness, reduced child's education and increased malnutrition, as well as other long term impacts on social capital.

2. Poverty, Food Insecurity and Gender:

Poverty and food security are complex and multidimensional in nature. Food security has both economic and physical dimensions; the former referring to economic access and the latter to physical availability of food grains in sufficient quantities required for an active and healthy life and the official definition and measurement of income/consumption poverty in India is anchored in a physical norm for food insecurity.

Poverty leads to under nutrition and food insecurity by limiting poor people's access to food. About three-fourth of India's population living in the rural sector is reeling under abject poverty, illiteracy, ill-health, unemployment, low quality of life and so on. Whereas, food insecurity in turn cause poverty, vulnerability and livelihood insecurity.

The basic requirement for survival is sufficient nutrition which not only enables a person to live a healthy life but also enables him/her to participate actively in improving his economic and social well being. Chronic diseases due to malnourishment put a heavy toll on creative abilities of people. In particular, childhood malnutrition hampers proper growth of children, which finally becomes an impediment to their physical, intellectual and emotional development.

It is widely accepted that poverty is currently the principal root cause of food insecurity at the level of households. It is also clear that in several societies, households are not homogenous entities, since within a household, women and girl children often tend to be relatively more undernourished. Gender constitutes the most profound differentiating division. A gendered analysis of poverty reveals not simply its unequal incidence but also that both cause and effect are deeply gendered. Women face a greater risk of poverty than men. The gender disparity is most visible among female- headed households, notably lone mothers and single pensioners. Food security at the level of each individual is hence important. Millennium Development Goals (MDG) recognizes that hunger and food insecurity are the core afflictions of poor people, and specifically sets out to halve the proportion of extremely poor and hungry people in the world. Amartya Sen added a new dimension to food security and emphasised the “access” to food through what he called ‘entitlements' – a combination of what one can produce, exchange in the market along with state or other socially provided supplies.

Thus the 1995 World Food Summit declared, “Food security at the individual, household, regional, national and global levels exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life”.

The declaration further recognizes that “poverty eradication is essential to improve access to food”.

3. Feminisation of Poverty:

In agriculture women become heads of farms or households due to male migration. Left-behind female farm managers are becoming increasingly prevalent in many parts of the developing world as labour mobility has increased dramatically, both nationally and internationally due to unequal urbanization and industrialization. Women farmers are poorer because they have similar economic burdens compared to men but less access to the productive resources (land, cattle, and labour). Female-headed households have lower incomes not because they have more children or fewer adults but because female head earns less. The lower earning power of women heads can be due to their lower education, and their restricted access to land and credit. This inability to acquire resources also results in women making inappropriate or inefficient choices. They may face greater time and mobility constraints, which can result in an apparent “preference” for working fewer hours for pay, for “choosing” lower-paying jobs that are nevertheless more compatible with childcare etc. Women also face discrimination in getting access to jobs or resources due to the existing gender norms of the society. Female labour force participation is highest among the poorest households in countries such as India, Pakistan, and Bangladesh, where social norms mainly constrain women to very insecure and poorly paid work in the informal sector. India suffers severe deprivations in education and health - especially in the Northern states, where caste, class, and gender inequities are particularly strong. Human development cannot be achieved without taking the role of women into account. Poverty often hits women and women-headed households the hardest, and women have fewer economic and political opportunities to improve their well-being and that of their families.

4. Poverty and Discrimination:

It has been observed that poor people are vulnerable to a number of discrimination. Vulnerability creates impediment in the implementation of various development programmes. Some groups may be at risk of becoming poor because of inherent vulnerabilities (i.e., different types of discrimination based on class, gender, caste, ethnicity, or factors such as disability, region of residence and family configuration). Furthermore, certain combinations of vulnerability may be strongly correlated with poverty, such as female-headed households or families living in remote and isolated mountainous regions or some castes from specific occupational background. Such correlations between vulnerabilities and poverty make it necessary to pay special attention to these segments of population. Exclusion based on caste, whatever economic group a person belongs to, would imply social exclusion. Because of a vast range of deprivations, certain castes have been restricted to their traditional occupations or to other low wage unskilled work. For policy makers, it is important to go beyond the narrow definition of poverty based on income indicators only and take note of social exclusion too.

5. Poverty and Unemployment:

Unemployment leads to poverty and poverty in turn leads to unemployment. An unemployed person has no means to earn money and cannot fulfil his own and his family's basic needs. He and his family cannot avail quality education, medical facilities and has no means to create income-earning assets. Such circumstances often compel indebtedness. Consequently, an unemployed person exaggerates poverty for his family due to indebtedness. This confirms the positive relationship between unemployment and poverty. If government wants to alleviate poverty, then it should aim at creating new employment opportunities. As a result, more people will get employed and perhaps their income will rise. This rise in income will improve their access to quality education, better healthcare and other basic amenities. Further, these newly employed people will experience appreciation in their living standards and can create income-earning assets. The combined result of all these factors leads to alleviation of poverty. Hence, there exists a relationship between unemployment and poverty.

6. Poverty and Globalization:

1991 was the year when India embraced globalization and started, like many countries, its market liberalization coupled with privatization and deregulation while ensuring macroeconomic stability. Where China has been one of the few countries that have successfully managed their transition to the global market, the picture is more mixed with India, with lots of ups and downs. The Indian society is so diverse that the rapid and unequal growth has brought overwhelming inequalities.

Globalization has helped raise the standard of living for many people worldwide. It has also, however, driven many deeper into poverty. Small businesses and third world countries are not capable of updating their technology as often as their larger, wealthier counterparts. Unable to compete with multinational firms and wealthy nations, small businesses and third world countries are forced to do business locally, not growing and reaching their full potential.

The economic arguments in favour of globalization stress the positive relationships between increasing international trade and investment flows and faster economic growth, higher living standards, accelerated innovation, diffusion of technological and management skills, and new economic opportunities.

But on the flip side globalization increases poverty because, first, the benefits of globalization are not equally distributed and tend to be concentrated among a relatively small number of countries, particularly the more advanced ones. The poorest countries such as the least developed countries in Africa have not been able to sufficiently harvest the benefits of globalization. Second, most efforts have been placed in facilitating free trade flows, particularly in products which are of importance to the developed countries, as part of the globalization process. Other dimensions of globalization like labour market standards, the environment, sustainable development and poverty alleviation have received much less attention. Third, globalization has also led to an increased vulnerability among many countries to international economic conditions

Linkage between Poverty and Development

Economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries. Thus Poverty is inter-related to problems of underdevelopment. In rural and urban communities, poverty can be very different. In urban areas people often have access to health and education but many of the problems caused by poverty are made worse by things like overcrowding, unhygienic conditions, pollution, unsafe houses, etc. In rural areas there is often poor access to education, health and many other services but people usually live in healthier and safer environments.

Growth can generate virtuous circles of prosperity and opportunity. Strong growth and employment opportunities improve incentives for parents to invest in their children's education by sending them to school. This may lead to the emergence of a strong and growing group of entrepreneurs, which should generate pressure for improved governance. Strong economic growth therefore advances human development, which, in turn, promotes economic growth. A typical estimate from cross-country studies reveal that a 10 per cent increase in a country's average income will reduce the poverty rate by between 20 and 30 per cent.

Some examples:

1. China alone has lifted over 450 million people out of poverty since 1979. Evidence shows that rapid economic growth between 1985 and 2001 was crucial to this enormous reduction in poverty.
2. India has seen significant falls in poverty since the 1980s. This has been strongly related to India's impressive growth record over this period.
3. Mozambique illustrates the rapid reduction in poverty associated with growth over a shorter period. Between 1996 and 2002, the economy grew by 62 per cent and the proportion of people living in poverty declined from 69 per cent to 54 per cent.

But under different conditions, similar rates of growth can have very different effects on poverty, the employment prospects of the poor and broader indicators of human development. The extent to which growth reduces poverty depends on the degree to which the poor participate in the growth process and share in its proceeds. Thus, both the pace and pattern of growth matters for reducing poverty.

A successful strategy of poverty reduction must have at its core measures to promote rapid and sustained economic growth. The challenge for policy is to combine growth promoting policies with policies that allow the poor to participate fully in the opportunities unleashed and so contribute to that growth. This includes policies to make labour markets work better, remove gender inequalities and increase financial inclusion.

Thus India's most recent development plan has the main objective of raising economic growth and making growth more inclusive.

Sustainable development in the developing countries should include the following:

- Increases in real income especially for the 'wretched of the earth'. This implies poverty alleviation;
- Improvements in health and nutritional status especially children and young mothers who are vulnerable to most preventable diseases;
- Education achievement;
- Access to resources;
- A fairer equitable distribution of income. The basic salary of the least paid worker should be adequate to maintain his nuclear family;
- Increases in basic freedoms and guaranteed security of all citizens; respect and responsible relationship with ecosystem.

Poverty Alleviation Measures in India

Since Independence, the government is following a three-pronged strategy for poverty eradication, which comprises:

a) Economic growth and overall development.
b) Human development with emphasis on health, education and minimum needs, including protection of human rights and raising the social status of the weak and poor.
c) Directly-targeted programmes for poverty alleviation through employment generation, training and building up asset endowment of the poor.

Economic growth enables expansion of productive employment and generation of resources, which are vital to support any form of intervention for eradication of poverty. Since 1991 India has undertaken trade reforms, financial sector reforms, and removal of controls, which primarily were introduced with the objective of improving efficiency and productivity to accelerate growth. The ultimate objective of such reforms was ensuring the expeditious eradication of poverty. Adequate precautions were taken to protect the poorer sections of the society against the short-term effects of these changes. This was done mainly through increased allocation of resources for programmes for poor in the national plan and sharpening the focus of such programmes on the poor. The Central support for human resource and social development in the country has progressively increased through the 1990s. The Central Government's expenditure (plan and non-plan) on education, health, family welfare, nutrition, sanitation, rural development, social welfare, etc. has increased tremendously.

Some programmes are discussed as follows:

1. MGNREGA

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was launched from Anantpur in Andhra Pradesh on

February 2, 2006. The Act has been instrumental in raising the productivity, increasing the purchasing power, reducing distress migration, creating durable assets while ensuring livelihood opportunities for the needy and poor in rural India.

The Act is aimed at enhancing the livelihood and security of people in rural areas by guaranteeing 100 days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work. These works include water conservation, drought proofing, irrigation, land development, rejuvenation of traditional water bodies, flood control and drainage work, rural connectivity and work on the land of SC/ST/BPL/IAY beneficiaries/land reform beneficiaries/individual small and marginal farmers.

Provisions under MGNREGA:

- Adult members of a rural household, willing to do unskilled manual work, are required to make registration in writing or orally to the local Gram Panchayat.
- The Gram Panchayat after due verification will issue a Job Card. The Job Card will bear the photograph of all adult members of the household willing to work under NREGA and is free of cost.
- The Job Card should be issued within 15 days of application.
- A Job Card holder may submit a written application for employment to the Gram Panchayat, stating the time and duration for which work is sought. The minimum days of employment have to be at least fourteen.
- The Gram Panchayat will issue a dated receipt of the written application for employment, against which the guarantee of providing employment within 15 days operates.
- Employment will be given within 15 days of application for work, if it is not then daily unemployment allowance as per the Act, has to be paid, liability of payment of unemployment allowance is of the States.
- Work should ordinarily be provided within 5 km radius of the village. In case work is provided beyond 5 km, extra wages of 10% are payable to meet additional transportation and living expenses.
- Wages are to be paid according to the Minimum Wages Act, 1948 for agricultural labourers in the State, unless the Centre notifies a wage rate which will not be less than 60 (US$1.10) per day. Equal wages will be provided to both men and women.
- Wages are to be paid according to piece rate or daily rate. Disbursement of wages has to be done on weekly basis and not beyond a fortnight in any case.
- At least one-third beneficiaries shall be women who have registered and requested work under the scheme.
- Work site facilities such as crèche, drinking water, shade have to be provided.
- The shelf of project for a village will be recommended by the gram sabha and approved by the zilla panchayat.
- At least 50% of works will be allotted to Gram Panchayats for execution.
- Permissible works predominantly include water and soil conservation, afforestation and land development works.
- A 60:40 wage and material ratio has to be maintained. No contractors and machinery is allowed.
- The Central Govt. bears 100 per cent wage cost of unskilled, manual labour and 75 per cent of the material cost, including the wages of skilled and semi skilled workers.
- Social Audit has to be done by the Gram Sabha.
- Grievance redressal mechanisms have to be put in place for ensuring a responsive implementation process.

The MGNREGA achieves twin objectives of rural development and employment. The MGNREGA stipulates that works must be targeted towards a set of specific rural development activities such as: water conservation and harvesting, afforestation, rural connectivity, flood control and protection like construction and repair of embankments, etc. Digging of new tanks/ponds, percolation tanks and construction of small check dams are also given importance. The workers are given work such as land leveling, tree plantation, etc.

Recent initiatives under the MGNREGA:

a) The basket of permissible activities has been expanded to make it more meaningful.

b) Electronic fund management system (eFMS) in all states has been initiated in a phased manner to reduce delay in payment of wages.

c) Additional employment over and above 100 days per household in notified drought-affected talukas/ blocks is now permissible.

d) Provision has been made for seeding in Aadhaar into the MGNREGA Workers records to prevent leakage.

e) Convergence of the MGNREGA with the Total Sanitation Campaign (TSC) has been undertaken.

2. Swarna Jayanti Shahari Rozgar Yojana

With a view to provide gainful employment to the urban unemployed and underemployed through encouraging the setting up of self-employment ventures or provision of wage employment, a new urban poverty alleviation programme, namely, Swarna Jayanti Shahari Rozgar Yojana (SJSRY) was launched by the Government of India on 01.12.1997.

This scheme subsumed the earlier three urban poverty alleviation programmes, namely Urban Basic Services for the Poor (UBSP), Nehru RozgarYojana (NRY) and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP).

An independent evaluation of SJSRY was carried out by the Ministry of Housing & Urban Poverty Alleviation in 2006 to assess the impact of the scheme in improving the conditions of the urban poor. Based on the study findings, lessons learnt in implementation and feedback received from State Governments, Urban Local Bodies and other stakeholders, a revision of the Guidelines of the SJSRY scheme has been made, with effect from the year 2009-2010.

The main objectives of the new revamped SJSRY are:

- Addressing urban poverty alleviation through gainful employment to the urban unemployed or underemployed poor by encouraging them to set up self-employment ventures (individual or group), with support for their sustainability; or undertake wage employment;
- Supporting skill development and training programmes to enable the urban poor have access to employment opportunities opened up by the market or undertake self employment; and
- Empowering the community to tackle the issues of urban poverty through suitable self managed community structures like Neighbourhood Groups (NHGs), Neighbourhood Committees (NHC), Community Development Society (CDS), etc.

SJSRY have five major components, namely:

a) Urban Self Employment Programme (USEP) aims at providing gainful employment to urban youth.

b) Urban Women Self-help Programme (UWSP) aims at providing assistance by way of subsidy to urban poor women for setting up gainful group enterprises with SHG-Bank linkage.

c) Skill Training for Employment Promotion amongst Urban Poor (STEP-UP) focus on providing assistance for skill formation/ upgradation of the urban poor to enhance their capacity to undertake self-employment as well as access better salaried employment.

d) Urban Wage Employment Programme (UWEP) aims at providing wage employment to beneficiaries living below the poverty line within the jurisdiction of urban local bodies by utilising their labour for construction of socially and economically useful public assets.

e) Urban Community Development Network (UCDN) aims at promoting community organizations and structures such as Neighbourhood Groups (NHGs), Neighbourhood Committees (NHCs), and Community Development Societies (CDSs) to facilitate sustainable local development.

The following major changes have been included under the revamped scheme:

a) For special category States (8 NER States and 3 other hilly States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Jammu & Kashmir, Himachal Pradesh and Uttarakhand), the funding pattern for the Scheme between Centre and the States, has been revised from 75 :25 to 90:10."

b) For the beneficiary under the Urban Self Employment Programme (USEP) component of the Scheme, the education limit criteria of "not educated beyond 9th standard" has been removed and now no minimum or maximum educational qualification level has been prescribed for the purpose of eligibility of assistance."

c) For the self-employment (individual category), the project cost ceiling has been enhanced to Rs. 2.00 Lakhs from the earlier Rs. 50000/ - and the subsidy has also been enhanced to 25% of the project cost (subject to a maximum of Rs. 50000/-), from the earlier 15% of the project cost (subject to a maximum of Rs. 7500/-)."

d) For the group enterprises set up by urban poor women, the subsidy has been made as 35% of the project cost or Rs. 300,000/- or Rs. 60,000/- per member of the Group, whichever is less. The minimum number required to form a women group has been reduced from 10 to 5. The revolving fund entitlement per member has also been enhanced from the existing Rs. 1000/- to Rs. 2000/-.

e) Under the Urban Wage Employment Programme (UWEP) component, which is applicable to the towns having population less than 5 Lakhs as per 1991 census, the 60:40 Material labour ratio for the works under UWEP, flexibility of 10% (either side) is now accorded to the States/UTs.

f) The Skill Training of the Urban poor component has been restructured and quality skill training will be provided to the urban poor linking it with certification, imparted preferably on Public-Private Partnership (PPP) mode, with the involvement of reputed institutions like IITs, NITs, Poly-techniques, ITIs, other reputed agencies, etc. The average expenditure ceiling per trainee has been enhanced from Rs.2600/- to Rs.10000/."

g) 3% of the total Scheme allocation will be retained at the Central level for special/ innovative projects to be undertaken to implement a time-bound targeting to bring a specific number of BPL families above the poverty line through self-employment or skill development.

Implementation & Monitoring

- At the National level the Ministry of Housing & Urban Poverty Alleviation shall be the nodal Ministry for implementation of SJSRY.
- At the Central level, a Steering Committee headed by Secretary (HUPA) and having members from the States/UTs, Ministry of Finance, RBI, and other stakeholders will monitor the Scheme. This Committee will be meeting at least once in every three months.
- At the State level also, a State Level Monitoring Committee having members from the Banks, Micro Finance Institutions, Civil Society, and other stakeholders will be set up to effectively monitor the Scheme. This Committee will be meeting at least once in every three months.
- At the Urban Local Body level an Urban Poverty Alleviation & Livelihood Development Cell will coordinate and implement the scheme with a suitable monitoring system put in place.

3. Slum Development Programmes

According to the 2001 Census, there are 40.6 million persons living in slums in 607 towns/ cities, accounting for 22.8 per cent of the population of these cities. Absence of master plans, multiplicity of agencies working without coordination, insufficient availability of land for housing needs of the urban poor, failure to provide facilities for street vendors and hawkers, are some of the reasons for the persistence of urban slums.

Various Schemes: National Slum Development Programme (NSDP), Night Shelters, Two Million Housing Scheme, Accelerated Urban Water Supply Programme (AUWSP), and Low-Cost Sanitation — provide for a wide range of services to the urban poor, including slumdwellers. They include identification of the urban poor, formation of community groups, involvement of NGOs, self-help/thrift and credit activities, training for livelihood, credit and subsidy for economic activities, housing and sanitation, environmental improvement, community assets, wage employment and convergence of services.

Valmiki-Ambedkar Awas Yojana (VAMBAY) was introduced in 2001-02 to provide a shelter or upgrading the existing shelter to BPL people in urban slums. Twenty per cent of the total allocation under VAMBAY is provided for sanitation and community toilets to be built for the urban poor and slum dwellers

4. National Social Assistance Programme

The National Social Assistance Programme (NSAP) was launched as a Centrally sponsored scheme (CSS) in 1995, with the aim of providing social assistance benefit to poor households in the case of old age, death of primary breadwinner and maternity. The programme supplements the efforts of the state governments with the objective of ensuring minimum national levels of well-being and the Central assistance is an addition to the benefit that the states are already providing on social protection schemes. NSAP has the following components:

Indira Gandhi National Widow Pension Scheme' (IGNAPS): A pension of Rs. 300 per month to be granted to widows aged 40–59 living below poverty-line conditions. Pradhan of Gram panchayat shall review the list of widows and report in case of any re-marriage

Indira Gandhi National Disability Pension Scheme (IGNDPS): A pension of Rs. 300 per month to be granted to physically/mentally handicapped individuals aged 18–59, living below poverty-line conditions. The central govt has planned to increase the amount from Rs.300 to Rs.1000 and reduce the disability percentage from 80% to 40%.

Indira Gandhi National Old Age Pension Scheme (IGNOAPS): It provides for old age pension of Rs. 200/- per month to persons above the age of 60 years and for persons above the age of 80 years the amount of pension has been raised to Rs. 500/- per month.

National Family Benefit Scheme: In case of the death of the "primary breadwinner" of a household living below poverty line conditions, a lump sum grant of Rs. 20,000 (from fiscal 2012-13) is provided to the household. The primary breadwinner as specified in the scheme, whether male or female, had to be a member of the household whose earning contributed substantially to the total household income. The death of such a primary breadwinner occurring whilst he or she was in the age group of 18 to 64 years i.e., more than 18 years of age and less than 65 years of age, makes the family eligible to receive grants under the scheme.'

Annapurna Scheme: The scheme provides food security in the form of 10 kg of foodgrains per month free of cost to destitute senior citizens with little or no regular means of subsistence from his/ her own source of income or through financial support from family members or other sources.

5. Indira Awaas Yojana

Housing is one of the components considered to be vital for human survival and, therefore, essential for socio-economic development. As part of the efforts to meet the housing needs of the rural poor, the scheme of Indira Awaas Yojana (IAY) is being implemented in the country.

According to salient features of Indira Awaas Yojana (IAY) the funding of IAY is shared between the Centre and States in the ratio of 75:25. In case of North-East States, the funding ratio between the centre and the States is 90:10 respectively. For Union Territories (UTs), entire funds of IAY are provided by the Centre.

A rural Below Poverty Line(BPL) family is given grant of Rs. 45000/- in plain areas and Rs.48,500/- in hilly/difficult areas for construction of a house. The IAY houses have also been included under the differential rate of interest (DRI) scheme for lending by Nationalized Banks upto Rs.20,000/- per unit at an interest rate of 4% in addition to financial assistance provided under IAY.

The criteria for allocation funds to the States & UTs involve assigning 75% weightage to housing shortage and 25% to poverty ratio. The allocation amongst districts is based on 75% weightage to housing shortage and 25%weightage to SC/ST component. Further, 60% of the IAY allocation is meant for benefiting SC/ST families, 3% for physically handicapped and 15% for minorities.

The dwelling units are invariably allotted in the name of a female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. In case there is no eligible female member in the family, a house can be allotted to a male member of the family.

6. Jawahar Gram Samridhi Yojana (JGSY)

The Jawahar Rozgar Yojana (JRY) has been recast as the Jawahar Gram Samridhi Yojana (JGSY) with effect from 1.4.1999 to impart a thrust to creation of rural infrastructure. While the JRY resulted in creation of durable assets, the overriding priority of the programme was the creation of wage employment. It was felt that a stage had come when rural infrastructure needed to be taken up in a planned manner and given priority. The Gram Panchayats can effectively determine their infrastructure needs and the responsibility of implementing the programme has been entrusted to the Gram Panchayats. The funds are directly released to the Gram Panchayats by the DRDAs/Zilla Parishads. The JGSY is implemented as a CSS with funding in the ratio of 75:25 between the Centre and the States. The primary objective of JGSY is creation of demand driven community village infrastructure including durable assets at the village level and assets to enable the rural poor to increase the opportunities for sustained employment. The secondary objective is generation of supplementary employment for the unemployed poor in the rural areas. The wage employment under the programme is given to Below Poverty Lines (BPL) families.

Why Poverty Alleviation Programmes have Failed in India?

The Govt. of India has many schemes for the poor and for their welfare. Overall assessment of the CAG and other governing bodies has found, the scheme that has been implemented by the Indian Government has many loopholes where the executives and operatives take the benefit.

Governments, international agencies and donors have spent billions of dollars to address poverty. For example, in rural India, the government spends significant funds on subsidies (for electricity, fertilizer, fuels, etc.), food rations, price supports, land allocation/distribution, job training and financial assistance for initiatives in agriculture and small businesses. Loans from the World Bank and other international agencies and bilateral aid supplement domestic government resources. But who has benefited from all these programmes and assistance? The beneficiaries are usually corrupt officials who manage and distribute funds, and landlords and powerbrokers who directly or indirectly extract benefits for themselves. In India, over 90% of the agricultural land is owned and partly cultivated by less than 10% of the rural population who are termed farmers; others are mostly labourers. Governments allocate land to the poor, but they are unable to utilize it because of limited water resources, bad soil conditions, and/or the inability to secure credit. Larger subsidies benefit bigger farmers, but the poor do not gain much directly from any government programs.““The presumption that with more money, corrupt and inefficient governments and bureaucratic institutions will utilize funds efficiently and improve the deplorable conditions of the poor is an illusion. There are too many impediments to poverty reduction: bribery, political influence in the allocation of land and/or credit, diffused focus and priorities, poor execution, a shortage of rural infrastructure, and social inequality, among other factors.

Corruption and misallocation of development funds are ultimately the result of failed governance.

Thus the major reasons for failure of poverty alleviation programmes are:

I. Planning process is faulty:

- Identifying the ‘poor’
- Defining ‘poor’
- Processing of the identification involves too many stages.
- Lack of technology upgradation.
- Ideally the programme should be broad based. (benefitting the large number of people)
- Disjointed programmes- not integrated.

II. Implementation of programmes:

- Corrupt officials/ staffs.
- Lack of involvement of people.
- Local politics. (selection of beneficiaries)
- Improper follow up of programmes/ review or revision.

III. Lack of support from the credit and marketing system:

- Role of local money lenders and banks.
- Inability to sustain income generated from the asset credited.

What Should be Done to Improve Poverty Alleviation Programmes?

Poverty alleviation programmes have been designed to address different facets of rural poverty. Micro credit-linked programmes provide a package of services, including credit and subsidy to set up micro enterprises. Wage employment programmes address the issue of transient poverty. Besides, schemes for infrastructure development and provision of basic services contribute to the well being of the rural people.

Thus successful implementation of these programmes requires appropriate policy framework, adequate funds, and effective delivery mechanism. The success of these programmes ultimately depends on the capability of the delivery system to absorb and utilise the funds in a cost-effective manner. An effective and responsive district level field machinery with a high degree of commitment, motivation, professional competence and, above all, integrity has been recognized as one of the prerequisites for successful implementation of an anti poverty strategy.

An effective governance system has to ensure people's participation at various stages of formulation and implementation of the programmes, transparency in the operation of the schemes and adequate monitoring.

International experience shows that greater functional and financial devolution to local governments results in higher allocation of resources for social sectors which are accompanied by efficiency gains in resource use. Such trends in social spending have been witnessed in many Indian States as well.

Panchayati Raj Institutions (PRIs) have been given a constitutional role in the governance of the country. Functional responsibilities for subjects that are central to the well being of the communities have been devolved on the PRIs by the Constitution. Truly empowered PRIs can play an important role in improving the efficiency and effectiveness of the schemes and reducing leakages.

The Non Governmental Organisations (NGOs) and Community Based Organizations (CBOs) have been playing an active role in building up people's awareness and providing support to the governmental agencies and the Panchayati Raj Institutions in executing projects for development in rural areas. The NGOs can play an important role in capacity building, access to information, organisation of rural poor in self help groups and increasing their awareness and capabilities. All these initiatives have good governance as their ultimate goal. It is expected that through the accelerating convergence of all these favourable factors it will be possible for the country to achieve the goals of inclusive growth as envisaged in XIIth FYP.

Comparison Between India and China on Poverty Reduction

China and India are making immense strides in development. While growth in both countries has been impressive, there is now much concern about whether this growth is yielding sufficient poverty reduction. This can be compared by using the poverty data in both the nations.

In September 2011, the Indian Planning Commission presented new estimates for the country's poverty lines in urban and rural areas, setting these thresholds at 965 and 781 rupees per capita per month (or about 32 and 26 rupees per capita per day), respectively.

Since the early 1990s, India's official poverty estimates have been made on the basis of the methodology recommended by the Lakdawala Committee, established in 1993. These poverty lines are based on per capita consumption levels associated with a commodity bundle that yielded a specified level of caloric intake believed in 1973-74 to be appropriate: 2,400 and 2,100 kilocalories per capita per day for rural and urban areas, respectively.

In December 2005, the Planning Commission appointed a committee to review the Lakdawala poverty lines. In 2009, the Tendulkar Committee (chaired by Suresh Tendulkar) concluded that some changes were necessary, and recommended locating the poverty line in the consumption levels observed in the 2004-05 National Sample Survey, after correcting for the rural–urban price differential.

The new estimates increased the poverty headcount ratio for rural areas from 28 per cent using the 1993 methodology to nearly 42 per cent using the Tendulkar methodology, which is very close to figures reported using the World Bank's US$1.25 per day poverty line. By the new estimates, more than 327 million Indians in rural areas are living in poverty, an increase of 105 million people in absolute terms.

But the Tendulkar Committee reported an observed calorie intake of 1,999 and 1,776 kilocalories per day for those near the new poverty line in rural and urban areas, respectively. These levels of calorie intake are regarded as low relative to the minimum dietary energy requirement recommended in the report of a joint Food and Agricultural Organization/

%	1993 Methodology based on calorie norm			Tendulkar Methodology			World Bank Poverty Lines (PPP of 2005)	
	rural	urban	combined	rural	urban	combined	US $1.25	US $2
1993-94	37.3	32.4	36	50.1	31.8	45.3	49.4	81.7
2004-05	28.3	25.7	27.5	41.8	25.7	37.2	41.6	75.6

United Nations University/World Health Organization Expert Consultation.

However, China has been very successful in reducing extreme deprivation. In the early 1980s, 94 percent of China's rural population and 44.5 percent of its urban population lived on less than US$1.25 a day. By 2005, the percentage of people in poverty had fallen to 26 percent in rural areas, and to just 1.7 percent in urban areas. This represents a fall of 627 million people, from 835 million in 1981 to 207.7 million in 2005. Remarkably, the fall in the number of China's poor exceeds the number still living in poverty in sub-Saharan Africa (about 388 million people) and Latin America (47.6 million people). But it also suffers from serious drawbacks as - China's official poverty lines have been derived based on a bundle of items dominated by food grains that have not been updated adequately to reflect changes in consumption patterns nor adjusted to take into account inflationary trends in both food and non-food items. The result was one of the lowest rural poverty lines in the developing world. In December 2011, the Chinese government announced it would lift the country's rural poverty line from 1,274 yuan per year in 2010 to 2,300 yuan, an increase of over 80 percent. This, once adjusted by the purchasing power parity of 2005, is equivalent to approximately US$1.80 per day, a threshold well above the US$1.25 used by the World Bank for international poverty comparisons.

Thus above data clearly shows that though economic growth is important for enhancing living conditions, its reach and impact depend greatly on what we do with the increased income. The relation between economic growth and the advancement of living standards depends on many factors, including economic and social inequality and, what the government does with the public revenue that is generated by economic growth. Some statistics about China and India, drawn mainly from the World Bank and the United Nations, show that: Life expectancy at birth in China is 73.5 years; in India it is 64.4 years. The infant mortality rate is fifty per thousand in India, compared with just seventeen in China; the mortality rate for children under five is sixty-six per thousand for Indians and nineteen for the Chinese; and the maternal mortality rate is 230 per 100,000 live births in India and thirty-eight in China. The mean years of schooling in India were estimated to be 4.4 years, compared with 7.5 years in China. China's adult literacy rate is 94 per cent, compared with India's 74 per cent according to the preliminary tables of the 2011 census. As a result of India's effort to improve the schooling of girls, its literacy rate for women between the ages of fifteen and twenty-four has clearly risen; but that rate is still not much above 80 per cent, whereas in China it is 99 per cent. One of the serious failures of India is that a very substantial proportion of Indian children are, to varying degrees, undernourished (depending on the criteria used, the proportion can come close to half of all children), compared with a very small proportion in China. Only 66 per cent of Indian children are immunized with triple vaccine (diphtheria/pertussis/tetanus), as opposed to 97 per cent in China.

The data also shows that Higher GNP has certainly helped China to reduce various indicators of poverty and deprivation, and to expand different features of the quality of life. Thus there is a need to encourage sustainable economic growth in India in order to improve living standards today and in the future (including taking care of the environment in which we live).

But most importantly there is a need to redefine the poverty lines both in China and India because:

- First, it signals a policy shift from "trickle down" economics that emphasizes growth, pure and simple, towards the notion of inclusive or pro-poor growth.
- Second, by lifting the official poverty lines, the two countries have increased, in principle, the number of people that are

eligible to receive support from social protection policies.

If social protection programmes in the two countries prove to be effective in facilitating poverty exit, this could lead to a significant reduction in global poverty, even if less progress is made in sub-Saharan Africa, Latin America, and the rest of East and South Asia. However, the two giants face important challenges in that process.

The challenges are:

- India and, especially, China have enjoyed rapid economic growth, with a median growth rate of 6 percent and 10 percent in the 1980-2010 period, respectively. This has catapulted the growth in per capita gross national income (GNI) in the two countries. A significant part of the domestic investment in China, about 20 per cent of GDP, has gone to infrastructure projects, which is nearly 10 times more than in India. That has facilitated the accelerated rate at which the Chinese economy has transited from agricultural to manufacturing production. In India, the transition has been towards the information technology (IT) off-shore service industry, with as much as 60 per cent of the labour force remaining engaged in traditional farming activities. Thus economic growth is a necessary condition to rising per capita income, but it is nonetheless insufficient to guarantee a steady trend towards poverty reduction. In China, for instance, the relationship between economic growth and poverty reduction is far from being linear, with episodes of high economic performance in the 1990s accompanied with increases in the poverty rates. In India, since the late 1990s the country has experienced the fastest economic growth, and yet the speed at which poverty is being reduced has decelerated. This highlights the importance of public interventions in making growth more inclusive. Indeed, it is now well understood that policies designed to maximize growth can only trickle down to the poor if they are accompanied by wealth redistribution, employment opportunities, investments in human capital and the provision of social protection for the most vulnerable groups in society.
- Spatial inequalities are particularly increasing across China, with western and interior rural communities experiencing much weaker effects from economic growth than the eastern coastal provinces. The national Gini coefficients are higher than both the rural and urban Ginis, indicates that the rural–urban divide is driving the growing levels of inequity in the country. This can be understood by analyzing the fiscal policies in both the nations. Tax rates in China and India are low, with most revenues coming from indirect taxes. This also reflects the low share of government revenues as percentage of GDP, which oscillates around 20 per cent. This is in contrast with the average of 50 per cent observed in OECD countries. Tax systems in both countries remain limited to maximizing redistributive policies — and to a large extent they will also limit the capacity of these countries to tackle extreme deprivation in the coming years.
- China and India also face significant challenges in terms of employment generation. Rising unemployment is a driving factor in the incidence of poverty in urban areas in China, which has been exacerbated by market-oriented structural reforms and large migration flows of unskilled workers from rural areas to the cities. Migrant workers face exclusion from formal employment arrangements and state benefits such as housing, health and school subsidies, as well as income support from social protection schemes. But India is facing service sector growth which is not able to provide sustained growth, as large unskilled labour force remains poor and disconnected from the booming economy.
- Social protection in the two countries remains highly fragmented. In China, the Minimum Living Subsidy Scheme (also known as Di Bao) was introduced in 1997 to support the urban unemployed poor who had been affected by the market-based structural reforms. The programme remains limited, as it excludes those not registered with the civil affairs department office, these are mainly migrant rural workers who move to the city in search of livelihoods. In the mid 2000s, the Di Bao was gradually extended to rural areas to cover nearly 42 million rural people, but the size of the transfers are unlikely to

reduce the incentives to migrate to the cities. The rural Di Bao, together with the urban Di Bao, cover nearly 150 million people, which represents the second-largest social protection programme worldwide in terms of scale and coverage, just behind India's National Rural Employment Guarantee Scheme (NREGS).

The MGNREGA provides a guarantee of 100 days of waged employment per year to unemployed unskilled workers, currently covering nearly 48 million households, or about 240 million people. In fact, India's social protection system is complex but incomplete. It spans from categorical and means-tested age and disability pensions, and income transfers for schooling and healthcare accessibility, to unemployment schemes such as the NREGS that rely on self-selection for the identification of beneficiaries — and therefore exclude those who are unable to participate in the scheme due to disability, illness or age. The programmes also are unevenly distributed across the country, with many states and communities yet to be covered. More co-ordination and institution building are clearly needed, but at the same time, social protection will only provide a sustained process of poverty reduction if it is supported by growth, redistributive policies, improvements in public service provision and employment opportunities.

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