



## **Impact of Globalization on Poverty in India**

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As early as 1938, the Indian Congress constituted a national Planning Committee headed by Jawaharlal Nehru, which had declared that the social objective should be “to ensure an adequate standard of living for the masses.” The concept of poverty is multi dimensional i.e. income poverty and non-income poverty. It covers not only levels of income and consumption, but also health and education etc.

The economic reforms in India were initiated in mid 1991 in response to economic crisis and to improve the economic situation. There has been a debate whether the 1991 reforms have adverse effect on poverty and employment. According to Tendulkar (1998), Joshi and Little (1997) in short run there is an adverse effect on poverty. While in medium and long run it would be positive. However, according to Ghosh (1995) and Baduri (1998) the economic reforms have adverse effect on the poor in both short and long run. The former Finance Minister Manmohan Singh and P. Chidambaram (2002) stated that the economic reforms will help to relieve poverty if our growth rate goes by 8 percent, we will see a marked and very dramatic impact upon the lives of the very poor of this country. So with these views we are trying to examine the trend of poverty in India and the impact of economic reforms on poverty. And lastly to suggest a strategy for to strengthen the poverty alleviation programmes in the next generation reforms period.

One has to keep in mind that the observed employment/unemployment and poverty situation is caused by reform related policies as well as long term structural factor. They are also influenced by exogenous factors like weather and external shocks. Therefore, one has to be careful in analyzing the impact of reforms on employment and poverty.

### **1. TREND IN POVERTY IN INDIA**

India is perhaps the only developing country, which has the longest time series of national household surveys starting from the early 1950s. Many economists like

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B.S.Minhas, Tendulkar and L.R Jains, Dandekar, G.Datta, Martin Ravallion, S.P.Gupta, Planning commission Expert Group, etc. have made a study of poverty in India.

Economists may have differences in methodology and their estimates may vary in magnitude. Here we are considering S.P.Gupta estimate of poverty for the analysis. Table 1 gives trends in poverty in India from 1983 to 1998.

**Table 1**

<b>Poverty Trend in India</b>			
<b>Year</b>	<b>Rural</b>	<b>Urban</b>	<b>Total</b>
1983	45.65	40.79	44.48
1987-88	39.09	38.2	38.86
1989-90	33.7	36	34.28
1990-91	35.04	35.29	35.11
1992-93	41.7	37.8	40.7
1993-94	37.27	32.36	35.07
1994-95	38.03	34.24	36.98
1995-96	38.29	30.05	36.08
1997-98	38.46	33.97	37.23
1998-99	45.26	35.58	43.01
<b>(six months)</b>			

Source: *Economic and political Weekly, 4th March 2000*

It is observed that from the above table 1 that in 1998 there was 43.01 percent poverty in India. Among that, the proportion of rural poverty was higher (45.26 percent) than the urban (34.58 percent) poverty. In India 1990-01 there was 35.11 percent poverty with 35.04 percent rural Poverty and 35.29 percent urban poverty, which rose to 3.01,45.26 and 35.58 percent respectively in 1998. Thus, it observed that, proportion of rural poverty was higher than the urban poverty in India. It is also clear from the table 1 that upon 1990-91 the poverty showed declining trend while after the year 1991 the poverty in India showed increasing trend. Moreover, it was fluctuating in the reform period. However, the urban poverty declined marginally but the poverty increased significantly.

### **State Level Disparities in Poverty in India**

Before going in details about the impact of reform on poverty in India, we look at the regional/state level disparities in poverty. In a continental economy like India, it is more important to look trends in poverty at a disaggregate level the state level poverty computed by Planning Commission indicated that a mixed and a very disturbing picture. Nearly 38 percent of the states showed an increase in poverty ratio. Among them, major states are Himachal Pradesh, Haryana, Sikkim, Tripura, Assam, Meghalaya, Nagaland and Arunachal Pradesh whose poverty ratio averangely increased by 5.75 percent the period of 1987-88 to 1993-94. However, 50 percent of the states were have indicated the reduction in poverty ratio. Among them major states are Goa, West Bengal, Tamiladu, jasthan, ujraath, Orissa, Kerala, Karnataka, Pondecherry whose poverty averagely reduced by 7.08 percent in the same period. In the year 1987-88, the first five states whose poverty ratio was almost higher in a descending order were Orisa, Bihar, west

Bengal, Tamil Nadu, and Madhya Pradesh. While in the period 1993-94 this order has changed and Bihar, Sikkim, Assam, Arunachal Pradesh and Tripura are now first five states whose poverty ratio was almost higher among all the states in India.

## 2. IMPACTS OF ECONOMIC REFORMS ON POVERTY

Since the introduction of economic reforms in 1991, there has been debate whether the reform measures have adverse effect on the social sector and the poor.

**Table 2**

<b>Pre and Post Reform Poverty In India</b>						
Period	Rural Poverty	Annual Change	Urban Poverty	Annual Change	Total	Annual Change
1983	45.65	-	40.79	-	44.48	-
1987-88	39.09	-3.59	38.2	-1.58	38.86	-3.15
1989-90	33.7	-6.89	36	-2.87	34.28	-5.89
1990-91	35.04	3.97	35.29	-1.97	35.11	2.4
Pre reform % change	-23.24		-13.48		-	21.06
1992	41.7	9.5	37.8	3.55	40.7	7.96
1993-94	37.27	-5.31	32.86	-6.53	35.07	-6.91
1995-96	38.29	1.36	30.5	-4.27	36.08	1.43
1998	45.25	8.2	34.58	5.02	43.01	6.4
Post reform % change	8.51		-8.51		5.67	
Pre reform annual change	-3.32		-1.92		-3	
Post reform annual change	1.41		-1.41		94	

Source: Economic and Political Weekly March 4,2000

It is clear from the above table 2 that the poverty ratio in India raised by 5.67 percent in the post reform period. However, it was declined by 21.06 percent in the pre reform period. In short, the poverty ratio in the period of pre reform declined by 3 percent annually. Whereas, it was raised by 0.94 percent in the post reform period. Moreover the urban poverty in both the pre and post reform period declined by 13.48 and 8.51 percent respectively. Its annual change in both pre and post reform period shows declining trend by 1.92 and 1.41 percent respectively. However, the rural poverty showed different picture. In the pre reform it was reduced by 3.32 percent annually while in the post reform period it was by 8.51 percent indicated 1.41 percent change annually.

The impact of economic reforms on poverty shows that the poverty ratio has been increased in India while at the time of pre reform period, it shows declining trend. Moreover, in the urban area the poverty ratio has been declined in both period but in case of rural area it is going to rise in the post reform period.

The impact of economic reforms on poverty across the different states indicated that the ratio of poverty in most of the states declined in the period of 1987-88 to 1993-94. Among them Goa, Gujrat, Candigar, Rajasthan, West Bengal, Kerala and

Tamil Nadu were the major states who have made impressive progress in poverty reduction. In the Goa state the poverty ratio declined significantly (39.18 percent) followed by Gujrat (23.17 percent) and Chandigarh (22.44 percent). However in Madhya Pradesh (1.39 percent) and Uttar Pradesh (1.44 percent) poverty reduced marginally. On the other hand, the poverty ratio has been increased in Himachal Pradesh, Haryana, Sikkim, Assam, Meghalaya, Tripura, Nagaland, Arunachal Pradesh, Manipur, Jammu & Kashmir and Bihar in the same period. The poverty ratio in Himachal Pradesh (83.22 percent) and Haryana (51.20 percent) increased considerably followed Sikkim (14.68 percent), Assam (12.98 percent) and Meghalay (11.79 percent).

In short nearly 58 percent of the states showed declining trend in poverty ratio. However, it is necessary to look after Himachal Pradesh, Haryana and other states experienced a higher poverty.

### **3. STRATEGY FOR POVERTY REDUCTION**

Here the evidence showed that the reform process did not help to reduce the poverty. While which type of strategy we have to adopt and how much we have made effort for to reduce the poverty it is most important. Therefore, the process of first generation reforms has gone out. Now, we need appropriate strategy for to reduce the poverty in reform period. Here we are giving certain measures for to reduce the poverty in India in reform period.

It was observed that the poverty in India increased over the reform period. However, in the rural area the poverty increased at higher magnitude than urban area. A higher non-farm growth remained less effective in reducing poverty particularly in states with poor initial conditions in terms of rural development and human resources. That being so the reform process has not succeeded in bringing about effective poverty reduction. So there is need that now next generation reforms should take measures to accelerate growth in agriculture and non-farm activities, which enhance agricultural productivity as well as employment in rural areas. In addition in the form of irrigation, availability of electric energy and roads require special attention in such next reforms. Rural regeneration is the key to poverty reduction. Since rural growth has been choked off in recent years. Next generation reforms should shift their focus to village and rural development and modernize villages to increase the spread of growth and employment opportunities. Another basic requirement is to implement the measures of land reform policy. Because most of people who are below poverty line they have not own land resources. Consequently the income level of these people is very less, so they cannot manage their standard of living and daily requirements. In urban area, also there is a need to accelerate the employment opportunities for the BPL people.

### **4. CONCLUSION**

The poverty in India increased during the period of economic reform. It was higher in rural area in urban area though it is declined but at a very low rate. Therefore, the government has to change its strategy of development during the next generation reforms. The emphasis shall have to be shifted from the corporate sector in favor of social sectors, which are likely to benefit the poor. These sectors are agriculture and agro based industry, small-scale sector and an improving the availability of infrastructure and social services like health, education, and public distribution system

to the underprivileged sections of the society. Beside this, state government shall have to be involved, so that both the center and states work in unison.

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