CHAPTER VII

SUMMARY AND CONCLUSIONS

Urban Poverty perhaps is one of the most serious development challenges that India is facing. Though the incidence of urban poverty has fallen over the years of study, yet the performance of the country in reducing the rate of incidence of urban poverty has not been very satisfactory. Various studies have shown that a large proportion of households have been in poverty for a long period of time and as a result India is faced with massive challenge in eliminating poverty in future years. From the year 1962, the Planning Commission started releasing the official estimates of poverty and over the years there have been various improvements and successive alterations in the methodology for deriving the poverty lines for estimating poverty, both rural and urban. Due to certain complexities in the estimation procedure of poverty lines in different years it has been a difficult task to estimate poverty incidence and compare them over time and across districts.

Until 50th round of survey (1993-94), National Sample Survey Organisation (NSSO) collected information on consumption expenditure from households on a uniform 30-day recall period for all items of consumption. Since 55th round(1999-00), NSSO has used a Mixed Recall Period(MRP) for collecting information on consumption expenditure from households. During 2004-05, for the first time there has been use of implicit prices derived from quantity and value data collected in household consumer expenditure surveys for computing and updating the poverty lines. The older poverty lines based on a calorie intake norm have been abandoned and the new poverty lines have been derived after assessing the adequacy of private household expenditure on education and health which was not explicitly included in the older calorie based poverty lines. The current 66th round of survey in addition to the URP and MRP method however uses a new and better version of the Mixed Reference Period termed as Modified Mixed Reference Period (MMRP) i.e. 365 days reference period for the items of low frequency of purchase (clothing, footwear,
durables, education and institutional health care), 7 day reference period for certain specified food items and 30 days for all the remaining items.

Since we have seen that for the state of West Bengal there are hardly any studies on the state focusing on the phenomenon of urban poverty in the regions and the districts of West Bengal, so in order to have a complete understanding of the standard of living existing in any part of the country capturing district level estimates are important. Keeping this in mind the present study has attempted to focus on the regional level study of urban poverty in West Bengal over the period of time 1980-2010 and also analysed the district level incidence of urban poverty and related issues where data are available. Here, in the final section we try to summarise our findings obtained from the estimates of the urban poverty measure based on URP and MRP for the study period, from the decomposition of the changes in urban poverty ratio into growth effect, redistribution effect and effect of a residual component and finally from the determinants of urban poverty as follows.

The review of the literature on urban poverty in different countries, India and its states and in West Bengal indicates the importance of several economic and non-economic factors in influencing the temporal behaviour of the incidence of urban poverty in the concerned study areas. Growth of income, particularly in non-agricultural activities, education and skill formation, household size, inequality in income distribution and government expenditure on education and health and on direct alleviation of poverty are some of the factors that are found to influence the behaviour of urban poverty over a period. Since inter-district studies of urban poverty in West Bengal are not found to be many, our study, which focuses on inter-regional and inter-district nature of urban poverty in the state of West Bengal and its determinants, tries to fill up an important gap in the literature.

The study of the pattern of urban poverty in India during the last three decades, more specifically from 1983-2010 in Chapter IV reveals that the incidence of urban poverty have been quite high for the states of India during the periods 1983, 1987 and 1993 as compared to the latter periods. There has been a significant
achievement in reducing poverty both at the national and state level. During this period poverty has fallen in all the states with substantial differences in all the states. Between 1983-87, following Estimate 1 (URP), urban poverty has fallen in almost all the states except a few states like Andhra Pradesh, Bihar, Karnataka, Rajasthan and West Bengal. Between 1987 and 1993 significant decline in HCR could be noticed in almost all the states particularly Kerala (37 percent), West Bengal (31 percent), Bihar (27 percent), Rajasthan (26 percent), Punjab (24 percent) and Gujarat (21 percent). However Andhra Pradesh and Delhi are the states where an opposite picture could be noticed showing an increase in urban HCR by 15 percent and 7 percent respectively. Also urban poverty rose by small percentage in Madhya Pradesh (7 percent) and Maharashtra (6 percent). The decline in the urban poverty had accelerated in the 1990s. Between 1993-2004 significant fall in urban poverty could be experienced in Gujarat (48 percent), Andhra Pradesh (40 percent), Tamil Nadu (39 percent), Punjab (38 percent) and West Bengal (32 percent). Orissa seemed to be the only state where there has been no changes in poverty ratio during the years. Following Estimate 2, we find that between 1993-2004 urban poverty have significantly fallen in states like Andhra Pradesh (35 percent), Tamil Nadu (32 percent), Gujarat (26 percent) and Punjab (21 percent). However the percentage fall in urban poverty has been more in case of URP as compared to MRP during these years for these states. Thus we find that based on the type of methodology in estimating urban poverty line the results vary. Between 2004-2009, significant fall in urban poverty could be noticed in most of the states like Kerala (29 percent), Madhya Pradesh (28 percent), Rajasthan (28 percent), Tamil Nadu (27 percent), Maharashtra (26 percent), Karnataka (25 percent), Andhra Pradesh (22 percent), Gujarat (22 percent), Orissa (21 percent) and West Bengal (21 percent).

We notice that in almost all the years the best performing states happens to be Punjab, Haryana, Delhi, Gujarat and West Bengal so far incidence of urban poverty is being concerned. In almost all the years Bihar, Madhya Pradesh and Orissa performed very badly in this respect. Between 1983-2004 states that improved their position in terms of their rank in incidence of urban HCR are Gujarat, Kerala,
Punjab, Tamilnadu, Uttar Pradesh and West Bengal. That is these are the states who could come down to a position of experiencing lower incidence of urban poverty among the states from their respective previous position. Whatever methodology (URP or MRP) is chosen the rank of the states in percentage change in urban poverty however remains more or less the same during 1993-94 to 2004-05 in the two estimates.

The estimates of urban Head Count Ratios obtained using MRP in calculating urban poverty line is greater than the estimate of urban Head Count Ratios obtained using URP in calculating urban poverty line for different years. However, whatever methodology is adopted in estimating urban poverty ratios, the pattern of urban poverty remains all the same i.e. declining over the years. So what we can say is that, depending upon the choice of poverty line, magnitude of incidence of urban poverty varies though the pattern remains unchanged.

In case of West Bengal we see that there have been substantial variations in percentage of urban poverty changes in different regions during different time periods. Even there exist differences in percentage of urban poverty changes between the same time period 1993-2004 in case of estimation of urban poverty using the two different methodologies. We find that for both Estimate 1 and 2 during 1993-2004 the maximum poverty reduction has been occurring in the Western plain.

We find that in almost all the years, the Eastern region accounts for highest incidence of urban poverty and in almost all the years urban HCR is noticed to be comparatively low in the Central region. The rank of the regions during different years show that there exist prominent inter-regional variation in the incidence of urban poverty over the years. The interesting thing is that in both Estimate 1 and 2, the ranking of the regions for both 1993 and 2004 show that the regions follow the same pattern so far the occurrence of incidence of urban poverty is concerned. We find a mixed performance of the regions in the process of reduction in urban poverty. The same result in the ranking of the regions is being noticed during 1993-
2004 whether we consider the Estimate 1 or Estimate 2 for the respective years. This shows that the use of two different methodology of estimating urban poverty line does not alter the result of occurrence of urban poverty in the regions and the state for different years. Only the magnitude of incidence of urban poverty and the percentage changes in urban poverty over different years vary.

We find from our analysis that in almost all the years, high HCR could be noticed in Murshidabad, Birbhum, Burdwan, Bankura and Purulia. Districts like Malda, Howrah, Hooghly, 24 Parganas North, and Kolkata are some of the places where urban HCRs remained low in both the years compared to other districts. We see that during 2004 and 2009 when a particular year is considered then we find that the estimate of urban poverty vary significantly among the districts. The districts experiencing prominent reduction in percentage changes in urban poverty are Coochbehar, Uttar Dinajpur, Malda, Murshidabad Birbhum, Hooghly, Howrah Bankura, Purulia and 24 Parganas South. Moderate level of percentage change in urban poverty reduction could be noticed in Darjeeling, Jalpaiguri, Nadia, Burdwan, and Midnapore(Purba and Paschim combined).

The results of decomposition of the changes in urban poverty ratio into growth effect, redistribution effect and residual effect for 1983-87, 1987-93, and 1993-2004 in Chapter V reveals that on the basis of Modified Expert Group methodology of estimating urban poverty line (Estimate 1), the growth effect dominated over the inequality effect. During 90s growth effect dominated the inequality effect and urban poverty declined to a greater extent than the corresponding decline in the previous period. The impact of growth, inequality and redistribution effects have been different for different states for the study years. When we compare the estimates of 1993-2004 for Uniform Reference Period and Mixed Reference Period then we see that in both the cases there have been more or less similar results for almost all the states in case of growth effect, inequality effect, residual effect and hence the total effect. The magnitude of the effects and their direction did not vary a lot.
Now when urban HCR is calculated using Tendulkar Estimate of urban poverty line then we see that in 1993-2004 in India the total effect is found to be negative and the growth and the residual effect together dominate over the inequality effect. During 2004-2009 also the total effect is found to be negative and the inequality effect is being dominated by the growth and the residual effect. An interesting feature is that if we compare the results of 1993-2004 for both modified Expert Group Estimate and Tendulkar Estimate the outcome is same and also the magnitude of the effects are also more or less similar. In both the cases total effect is found to be negative.

Now when we look for West Bengal we find that in 1983-87 inequality effect dominates over the growth effect. If we see the decomposition for the periods 87-88 to 93-94, 99-00 to 2004-05, we see in each of the years the total effect is found to be negative interpreting that in each case the growth effect seems to have gone up and the inequality effect falls down and the residual term being poverty diminishing in character in all cases. However, the magnitude of these effects are different for different regions during the years of study. During 2004-09 for districts like Birbhum, Burdwan, Bankura and Purulia the magnitude of growth effect is much higher compared to other districts. The inequality effect on the other hand is much higher for districts like Coochbehar and Dakshin Dinajpur. The magnitude of the residual effect is much strong for districts like Dakshin Dinajpur (negative) and in the opposite direction for Bankura, Purulia and Paschim Midnapore (positive).

The result of examination of how the urban poverty level is being affected through various socio economics factors in West Bengal from the inter connection between urban poverty and degree of urbanisation, urban household size, per capita industrial income, urban inequality and per capita public expenditure on education and health on the basis of panel data regression we find from Chapter VI that decline in urban poverty is associated with a faster pace of urbanization in West Bengal and that per capita industrial income and per capita expenditure on education and health significantly contribute to decline in urban poverty reduction. The negative relation of urban HCR with per capita industrial income suggest that as
per capita industrial income rises, urban poverty falls. The positive relation of urban HCR with urban household size suggest that poverty has been more intense for urban households with larger family size. In other words, greater the household size more is the probability of household being poor. The positive relation of urban HCR with urban inequality suggest urban inequality raises the probability of incidence of urban poverty. Here from the estimated results of the panel regression this can be suggested that in the model estimated coefficients of all the explanatory variables are significant at 1-10 percent level. So it can be said that they act as significant determinant of urban poverty in West Bengal.

The analysis in this chapter points to some important implications for the diminution of the incidence of urban poverty in the state of West Bengal. As expected, higher is the degree of urbanisation in the state, lower is the incidence of urban poverty, and this relationship is found to be statistically significant. This means that the increase in the economic activities associated with rapid urbanisation and increasing absorption of urban population in such expanding activities outweighs the migration of rural poor and unemployed in the cities—resulting in a decline in the proportion of the urban poor in total urban population. Secondly, larger household size and greater inequality in income distribution have tended to augment the incidence of urban poverty in the state. Population control measures and measures to reduce inequality in income distribution, therefore, would have influence in diminishing the incidence of urban poverty in the state. Thirdly, measures to promote education and health aiming to enhance human capital base of the population significantly reduce the incidence of urban poverty in the districts of West Bengal. Better education and health facilities enhance the capability of the urban population to avail of the skill-intensive jobs in the industrial and services sectors and reduce the probability of being pushed below the poverty line. Furthermore, it is important to increase economic activities in the non-agricultural sectors, particularly in the industrial sector to enhance the incomes of the urban population so as to reduce the incidence of urban poverty in the state. Since the state of West Bengal experiences a relatively slower growth of its
industrial sector in recent periods compared to the all-India scenario, the incidence of urban poverty in the districts of the state has not diminished much in recent years. Attempts to promote industrialisation, would not only enhance growth of the SDP of West Bengal, but would tend to moderate the incidence of urban poverty in the state. Our panel data regression using the Random Effect Model indicates that district specific effects are quite important and given the diversity in the growth process across the districts of West Bengal and inequality in income distribution, the incidence of urban poverty in the districts of the state, though showing declining trend over the years, has remained a serious problem.

In the context of urban poverty related policy interventions one should identify the factors driving urban poverty, prevalence of urban poverty and the way out of urban poverty. Over the plan periods there have been a variety of poverty reduction programmes both for rural and urban areas. To reduce urban poverty we should have a clear regional development strategy that should favour the disadvantaged regions. Analysing the above it is necessary to address the issue of population growth, issue of human capital formation and economic growth while we deal with the issue of reducing/eliminating the incidence of urban poverty. Adequate resources should be provided for delivery of social services like education and health. There should be enough flexibility in the design of urban poverty reduction programmes keeping in mind the changing urban scenario and the specific need of the situation.