Chapter-VII

Summary and Conclusions
7.0 Introduction

Poverty reduction is undoubtedly one of the highest ranking issues in the current international development agenda as well as in the national strategies of many less developed countries. This is reflected in the vision statements of most multi- and bilateral donor agencies, the Millennium Declaration adopted unanimously by all UN governments in September, 2000 and the pronouncements of the vast majority of developing country governments (Azzarri, 2005).

A focus on deprivation is fundamental to human development. The dimensions of poverty go far beyond inadequate income - to poor health and nutrition, low education and skills, inadequate livelihoods, bad housing conditions, social exclusion and lack of participation. Experienced by people around the world and brought into vivid relief by the fieldwork that informs Human Development Report, 2010, poverty is multifaceted and thus multidimensional (Human Development Report, 2010).

India has successfully reduced the share of the poor in the population by 27.4 percentage points from 54.9 in 1973 to 27.5 in 2004. Between 1973 and 1983, the Head Count Ratio (HCR) of the poor had declined from 54.9 per cent to 44.5 per cent, and it fell further to 36 per cent in 1993-94 and to 27.5 per cent by 2004-05. Thus, 60 years after independence, over a quarter of our population still remains poor. There is growing consensus that the poverty line (Rs. 356 monthly per capita consumption expenditure for rural areas and Rs. 539 for urban areas in 2004-05) in India is much too low, and continues to be based on a consumption basket that is too lean. If the poverty line was higher, the share of the population below the poverty line would be accordingly higher.\(^1\)

In view of this, Planning Commission set up an expert group under the chairmanship of Professor Suresh Tendulkar to examine the issue and suggest a new poverty line and estimates. The expert group has considered this issue in detail and has suggested new methodology to arrive at state-wise and all-India rural and urban poverty lines for 2004-05, the latest available major National Sample Survey (NSS)

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round on household consumer expenditure which provides the data base for the calculation of poverty estimates by the Planning Commission. Based on the formula suggested by the Tendulkar Committee India’s poverty is estimated to have declined to 32 per cent in 2009-10 from 37.2 per cent five years ago, as per preliminary findings of the Planning Commission.

7.1 Summary

The concept of poverty is elusive. On the one hand poverty is a politically and psychologically loaded concept. It is the subject of novels and the subject of many scientific studies. On the other hand, there is no straightforward definition of the concept and a generally accepted way of measurement. This makes it difficult to use it in the political debate on poverty reduction (Praag and Ada, 2005).

The chronically poor are likely to suffer deprivation in many ways. Poverty is the sum total of a multiplicity of factors that include not just income and calorie intake but also access to land and credit, nutrition, health and longevity, literacy and education and safe drinking water, sanitation and other infrastructural facilities (Mehta and Shah, 2001). In this connection the researcher concentrates on some aspects of poverty in India.

The first aspect is to consider the relationships between output, factor demands and income, and the decomposition of these relationships into separate effects as suggested by the structure of a Social Accounting Matrix (SAM) representation of the flows between them. Also, it focuses on poverty sensitivity effects using multiplier decomposition procedure. The second aspect is to predict consumption expenditure and poverty at household and aggregate level as simpler alternatives to using consumption expenditure. The final aspect studies the role of disaster management on poor in India.

If the SAM is to be used to explore issues related to income distribution then the household account is to be broken down into a number of relatively homogeneous

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2 Press Trust of India (PTI), 4:30 pm Indian Standard Time (IST), Wednesday, April 20, 2011.

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household groups reflecting the socioeconomic characteristics of the country or region under consideration. On the other hand, if the purpose of the SAM is to analyze intersectoral linkages, then a relatively detailed sectoral disaggregation of production activities using such criteria as characteristics of the good or service produced and type of technology employed in production is called for (Thorbecke, 2000).

Although consumption expenditure data is crucial for assessing the level of people's welfare and calculating important welfare measures such as the poverty headcount rate, collecting such data requires significant time and effort. In this aspect, the researcher will experiment with three approaches to predict consumption expenditure and poverty at household and aggregate level as simpler alternatives to using consumption expenditure. The idea is not to use these alternatives as a substitute for consumption expenditure data, rather to use it for the purposes of rapid monitoring and appraisal of welfare (Sumarto et al., 2006).

Finally, effective disaster management requires a multi-sectoral, multidisciplinary, and holistic approach, encompassing pre-disaster preparedness initiatives, disaster response, and post-disaster rehabilitation, all with active participation of local people living in hazard-prone regions. As the incidence and severity of disasters has increased over time, disaster management deserves to be given the highest priority at both the national and sub-national levels and the traditional approach of post disaster response and relief need to be replaced by an all encompassing holistic approach (Singh and Ballabh, 2005).

7.2 Conclusions
7.2.1 Poverty Alleviation using Multiplier Decomposition Method in SAM Framework

The SAM is a comprehensive, disaggregated and consistent data system that captures the interdependence that exists within a socioeconomic system during a given period of time.

The accounting multipliers described in SAM give insight into the anatomy of this structure in terms of transfer effects and the full circular and cross-effects
between different parts of the economy, corresponding to the circular flow of income which characterises the multiplier process. The analysis shows that this decomposition of structure can be derived directly from accounting balances. An integral part of it is to show how the structure of production and income distribution are interrelated, and how they derive from the structure of exogenous demand and the distribution of assets.

The matrix of average expenditure propensities (A_{ij}) for Indian economy shows that the primary sector (S1) receives 42 per cent from labour and 37 per cent from capital. In turn, total intermediate inputs used in agriculture amount to 23 per cent. The rural households are spending 20 per cent of their income on food consumption (primary sector), 20 per cent on manufacturing goods and 17 per cent on infrastructure services and 12 per cent on other services and they are paying 3 per cent of their income as indirect taxes.

From the fixed price multiplier matrix it is evident that injection of 100 units into any activity other than Other Services (S4) results in a fixed-price multiplier effect on Other Services which lies within the relatively narrow range of 6 to 14 units. If any activity expands labour income expands by 41 to 57 per cent of the size of the injection, unless the injection is into Services, where the multiplier is 0.57. Similarly, over the range of four activities, the multiplier for rural income lies between a low of 0.45 (for Infrastructure) and a high of 0.57 (for Other Services).

From the poverty alleviation estimates it is noticed that in the case of the head-count index, the poverty alleviation effects from S1 (i.e. Primary Sector) amounts to 0.0931, which is the product of modified fixed price multiplier (0.1342) and the poverty sensitivity effects (0.6936). In turn, the modified fixed price multiplier (0.1342), is the product of modified distributional effects (0.0795) and interdependency effects (1.6881). Similarly, it can also be verified that modified distributional effects are equal to the product of the corresponding intersectoral activity linkages, modified direct distributional linkages and inter household transfer linkages.

7.2.2 Estimating Consumption Poverty using Non-Consumption Indicators

Among developing countries, India probably has one of the soundest databases for addressing socioeconomic issues. All the Ministries publish yearbooks
that contain information on the performance of the programs and schemes they implement. A large amount of data is generated as a by-product of their administration. Besides this, the NSSO regularly conducts surveys covering important socioeconomic aspects of life in rural and urban areas. These data are available at national and state levels. Some of them are also available at the substate level.

In consumption correlates model the positive sign indicates the highest correlation with consumption. Except in Chandigarh and Delhi, the household size is negatively correlated with the per capita consumption. The household type indicates the major correlation of 0.278 on the average in India. So, the household type can be considered as one of the main factors in determining consumption. In Pondicherry, except dwelling unit and regular salary, all other variables have negative impact on the determination of consumption. It is evident that from average regular salary of -0.311 at all India level, other than regular salary, other income sources are influencing the consumption pattern.

The increase in wealth index is the highest in regular salary variable. The wealth index is the highest with 0.4348 in Andhra Pradesh, followed by Karnataka with an index of 0.3103. Both Mizoram and Nagaland states are showing decrease in wealth index. i.e., in these two states, the regular salary does not show any increment in income levels of the people. The dwelling unit has 0.0540 wealth index.

From the results it is observed that the land owned and possessed and land cultivated are negatively correlated but the land irrigated is positively correlated with consumption. Hence, it is evident that land with irrigation facility only has much impact in consumption than just having land itself. In urban India, the cultivated and irrigated land has negative impact, whereas land owned and possessed has positive impact.

The all India average shows that – the land owned and possessed, land cultivated and land irrigated are very low in creating wealth index. This is an alarming situation. The government has to take necessary steps to overcome the situation. It is also observed that the situation prevailing in urban areas is different from that of rural areas. The impact of source of energy is the main factor in
determining wealth index. The household size is not in a position to create wealth index in urban areas.

7.2.3 Disaster Management

The Compound Annual Growth Rate (CAGR) of Calamity Relief Fund (CRF) during 2005-10 (state share) is the highest in Andhra Pradesh with 5.0005 per cent and in Uttarakhal it is the lowest with 1.8392 per cent. The national average is almost the same for both state’s and centre’s share i.e. 3.943. One third of the Centre’s share was contributed by States, so the CAGR is almost same for State’s share, Centre’s share and Total. During 2005-10, the CAGR varies from 1.839 for Uttarakhal to 5.004 for Maharashtra, whereas during 2000-05, the CAGR varies from 4.9736 for Nagaland to 5.0482 for Goa. The variation in CAGR is much greater during 2005-10 compared with the variation during 2000-05.

In the study of disaster management, the researcher observed that the vulnerable people themselves will be involved in planning and implementing disaster risk management measures along with local, provincial, and national entities through partnership. The country is losing around 2 per cent of its GDP every year due to the costs associated with relief and rehabilitation packages necessitated by disasters. In a country like India, public policy towards natural disasters becomes one of the crucial determinants of the welfare capacity of the state. Disasters preparedness must be seen as – an active ongoing process, because preparedness plans are dynamic ventures which need to be reviewed, modified, updated and tested on a regular basis. The system of insurance should be accessible to all including the rural and the urban poor alike. Pre-disaster evaluations should ideally have been made through community assessments to prepare the most suitable forms of safety net interventions. Distribution of aid (including food, tools, cooking equipment, water storage, sanitary support) needs to be done in such way that it supports its ensuring poor and prevents new groups of poor being created.

7.3 Suggestions

The multiplier decomposition analysis applied to India in SAM frame work showed that the agriculture sector and allied activities and mining have greater impact on poverty alleviation followed by the other services, infrastructure services and
finally manufacturing industries. The change in these sectors is mainly due to distributional effects i.e. it is contributing more to poverty alleviation.

In the same way, poverty sensitivity effects are more than poverty alleviation effects, because of low distributional effects. It indicates that, to alleviate poverty both in rural and urban areas, the contribution of the poor must increase in manufacturing industry sector. To increase the contribution of the poor the skills of the poor people should be improved. Hence, the policy makers should recommend for the conduct of training programmes for the poor. Both information and technology can play major roles in this poverty alleviation process.

The estimation of consumption poverty using non-consumption indicator is an experimental study relating to India, it shows that wealth index principal component analysis is the best method in estimation of non-consumption poverty. The researcher recommends that asset variables should be included in the effective estimation of poverty.

The intensity and frequency of Disasters has been increasing for the last 50 years. So the disaster management is necessary to cope-up with the losses due to disaster. According to the researcher's to observations, the solution for disasters is to follow eco-friendly approach and to use renewable resources in day to day life.