

India's Growth vs. Poverty – A Paradoxical (Case Study)

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India's Growth Story

Since 1947 when Indian got independence, the governance focus has been shifted to socio-economic development of the country and various measures have been taken by the government to eradicate poverty. The government had embarked on planned economic development to make use of the resources appropriately to alleviate poverty of the large number of people in the country. The economy was completely shattered by the colonial rule over a period of more than two centuries. The economic policies pursued by the colonial rule were aimed at development of home industry making totally India – a raw material exporting country. The colonial government made no sincere attempt to estimate and improve India's national and per capita income at institutional level. Though some attempts were made at individual level gave conflicting and inconsistent results. However most studies found that country's growth of aggregate real output during first half of the twentieth century was less than two per cent coupled with meagre half per cent growth in per capita output per year.

Infrastructure development that took place in the form of railways, ports, water transport, posts and telegraph did develop. However the real motive behind this development was not to provide basic amenities to the people but to sub serve various colonial interests. The infrastructure development that took place during colonial rule did not focus at all in rural development and people in rural India did suffer grievously during natural calamities and famines, which further let them into abject poverty. By the time India got independence, the impact of two centuries old British rule had shattered the agricultural sector making the sector saddled with surplus labour and extremely low productivity. The agriculture sector continued to experience stagnation and deterioration despite the fact that the largest sector of Indian population depended on it for sustenance. Add fuel to the fire, the frequent occurrence of natural calamities, inadequate health facilities and famines further deteriorated the living conditions of the poor.

After the independence Indian government had constituted planning commission to set objectives of the development aiming and focussing mainly on eradication of poverty with the equitable distribution of resource. The fundamental goals of planning commission through five year plans were growth, modernisation, self-reliance and equity. The ultimate objective is to bring distributive justice.

It refers increase in the country's capacity to produce the output of goods and services within the country. It implies the productive use of resources – the inputs for the overall development of the country. A good indicator of economic growth is steady increase in the Gross Domestic Product (GDP). It is absolutely necessary for GDP growth as more people can enjoy the fruits of the economic growth and development. It is highly desirable that growth to GDP is contributed by different sectors in the economy – Agriculture, Industry and Services.

In recent times India has grown fast not only compared to its own fast but also in comparison with other nations. Computations based on the world bank data indicates that India was ranking 90 in 1975, moved to 89 rank position by 1984, 80 rank position by 1994 and 75 position in 2004 and further improved its position by now. Though the country has been able to make impressive growth in terms of Gross Domestic Output (GDP), but the benefits of growth did not reach larger sections of the society and there is need to distribute the benefits of the growth more widely than has been done so far. The micro-structural changes

need to be conceptualised on the lines of inclusive growth. A nation interested in inclusive growth views the same growth differently depending on whether the gains of the growth are heaped primarily on a small segment or shared widely by the population. Growth must not be treated as an end in itself but as an instrument for spreading prosperity to all. India's own past experience suggests that growth is necessary for eradicating poverty. The policies taken and implemented by the government both aim at promoting growth but should also be complemented with policies to ensure that more and more people join in the process and redistribute the gains of the development to those who are unable to partake in the market process and hence get left behind.

The Gross Domestic Product (GDP) in India was worth 2066.90 billion US dollars in 2014. The GDP value of India represents 3.33 percent of the world economy. GDP in India averaged 552.24 USD Billion from 1970 until 2014, reaching an all-time high of 2066.90 USD Billion in 2014 and a record low of 63.50 USD Billion in 1970. GDP in India is reported by the World Bank Group



Economic growth is vital for reducing poverty but distribution of fruits of economic development is equally important in countries with lots of differences in income distribution. According to World Bank paper, countries need to complement efforts to enhance growth with policies that allocate more resources to the extreme poor. These resources can be process itself by promoting more inclusive growth or through government programmes such as conditional or direct cash transfer. The World Bank also specified and said it is imperative not just let people out of extreme poverty and also need to create opportunities to sustain the better standard of living in the long run.

HUMAN DEVELOPMENT INDEX (HDI) RANKS 2014

Top 5 Countries

- 1 Norway
- 2 Australia
- 3 Switzerland
- 4 Netherlands
- 5 United States



Bottom 5 Countries

- 1 Sierra Leone
- 2 Chad
- 3 Central African Republic
- 4 DR Congo
- 5 Niger

Source: HDR 2014

Though the country has seen tremendous economic development in the last two decades with high growth in GDP but the international standing of India in terms of human development is very much shocking. The government efforts to eradicate poverty and the amount spent on various public programmes in the social sector are to what extent effective need to be assessed. The programmes of the Government include rural infrastructure and development, education, health, women and child development, welfare and development of weaker sections of society, social security and related issues.

As per the United Nations Development Programme (UNDP) Human Development Index 2009 (HDR 2009), the Human Development Index (HDI) for India in 2007 was 0.612 on the basis of which India is ranked 134 out of 182 countries of the world placing it at the same rank as in 2006. The change on the upper side of the HDI even by now is not at all significant. The HDI is based on three indicators, namely GDP per capita (PPP US \$), life expectancy at birth, and education as measured by adult literacy rate and gross enrolment ratio (combined for primary, secondary and tertiary education). The value of HDI for India gradually increased from 0.427 in 1980 to 0.556 in 2000 and went up to 0.612 in 2007. The movement of the index value in some of the comparable countries indicates that improvement in HDI in India in recent years has been better than most of them. The trend indicating improvement in the HDI powered by per capita income growth for India is heartening though there is no room for complacency as India still in the Medium Human development category with even countries like China, Sri Lanka and Indonesia having better ranking. India's HDI rank is also lower than its per capita-GDP (PPP US\$) rank by six notches, indicating that our human development effort still needs to catch up with progress made in GDP per capita. The existing gap between the health and education indicators of India and those in the developed world and even many developing countries need to be bridged at a faster pace. According to the Report, life expectancy at birth in India was 63.4 years in 2007 as against 80.5 years in Norway, 81.4 years in Australia, 74.0 years in Sri Lanka and 72.9 years in China. Adult Literacy rate (aged 15 and above) in 1999-2007 was 66.0 per cent in India as against near 100 per cent in many of the developed nations, 93.3 per cent in China and 92.0 per cent in Indonesia. Combined gross enrolment ratio in education in 2007 was 61 per cent in India as against 99.3 per cent in Canada, 98.6 per cent in Norway, 78.0 per cent in Thailand and 76.4 per cent in Egypt.

India as one of the fastest developing country in the world and is rated as third largest economy in the world next only to United States of America and China. The pace of growth at which the country Gross Domestic

Product (GDP) is moving during the last two decades is really exceptional and has become a destination for foreign investment in the form of direct and Portfolio investments. The positive note about GDP growth is welcoming, yet the rate of change of change in the Human Development is far from the satisfactory levels. International Organisations like World Bank and United Nations Development Programme (UNDP) rated India as one of the lowest in the overall Human Development (HDI) ranking. Though the Government initiatives and steps aiming at reduction of poverty and minimising the inequalities between the haves and have-nots are showing some results, the real change in the income disparities has been very insignificant. Now it is widely felt that poverty cannot be just viewed from the angle of income or consumption, and there is fair appreciation of the issue of poverty and inequality now as a multifaceted problem, touching income disparities, level of education, on gender parity etc. on the lines of inclusive growth. The recent report published by the National Sample Survey Organisation (NSSO) is a clear testimonial that policies makers at Central and State level need to tackle this issue of poverty and equality in a more scientific way touching various issues like income, education, health etc., to bring the wholesome development of the people who fall under the category of Below Poverty Line (BPL).

The Millennium declaration enunciated global targets, but the Un Secretary General Road Map saw the targets as **operational goals** for member states. The goals set as framework for the countries to adopt and adapt are

- Extreme Poverty
- Primary Education Completion
- General Parity in Primary Education
- Child Mortality
- Attended Births
- Access to Safe Water
- Access to Sanitation

*What are reasons specific to India for this paradox?

*What are the fundamental factors for poor show in HDI ?

*What India needs to do to achieve the set goals stated above?