



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## ROLE OF GOVERNMENT AND ECONOMIC REFORMS IN POVERTY REDUCTION

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### Abstract:

Poverty is the root cause of low quality of life and loss of Human Dignity and Justice. Poverty causes suffering, ignorance, hunger and poor health low standard of living, and low ownership of properties. It causes the situation of Helplessness due to growing unemployment and socio cultural – political setup poverty has become a serious Socio-Economic problem. This paper examines the role of government in Reducing the poverty and strengthening the people.

**Key words** – *Poverty, Economic Reforms, Per capita Income, States Role.*

### INTRODUCTION:

Poverty is a situation where there is a lack of opportunities to lead a decent life, loss of human dignity and justice. It indicates the low standard of living and lack of ownership of properties when compared to the prevailing standards of living in the community as a whole is concerned.

In India, after the independence more emphasis is laid on to eradicate the poverty. As the population has been growing rapidly during the last 50 years, resulted an increase in the demand for goods and services in the country. In addition to this agricultural growth is inadequate and resulted in prevalence unemployment and under employment in the rural sector.

On the other hand, Economic progress is also very slow creating a gap between level of availability of goods and services and its requirement resulting in poverty. At the same time continuous inflation and rise in general price levels adversely affected the poor. Inflation has benefited very few people but not people in the lower income group. There is a continuous rise in unemployment as the number of jobseekers is increasing higher

compared to the rate of the expansion of employment opportunities. It resulted in poverty. At the same time there is a gap of capital and entrepreneurship as these play an important role in accelerating economic growth.

Economic development is depended on the conducive socio-political set up in India. But we have a rigid socio-cultural system coming in the way of development and aggravating the problem of poverty. So political interference takes upper hand in policy formulation and in framing the development plans. Here it is evident that the planning in India is failing to tackle the problems of poverty and unemployment.

India's plan to reduce the poverty has become an integral part of the country's economic growth and development. One of the main objectives of all the Five-year plans and Economic reforms has been to reduce the poverty. It is evident that reducing the poverty requires sectoral reforms at all levels of the Government. The present paper analyses efforts made by the centre and state governments to reduce poverty through their measures.

### **POVERTY REDUCTION BEFORE ECONOMIC REFORMS:**

The intensity of poverty is reduced in India by the continuous efforts made by the Central and State governments. In the process of decline in poverty, greater percentage of the people have improved to move themselves above the poverty line. Poverty in India is mostly visible in rural sector compared to urban areas, but rural poverty has come down slightly in recent years. This indicates growth of urban poverty can be constructed to the migration of rural poor to urban areas.

Although the percentage of population living in poverty has been reduced since the planning era, particularly since 1970's the progress made over a period of time has been uneven with the number of poor has continued to rise with the growth of the population.

**Table – 01: Percentage and number of poor below the poverty line:**

| Year    | Poverty Ratio % |       |       | Number of Poor (in Millions) |       |       |
|---------|-----------------|-------|-------|------------------------------|-------|-------|
|         | Rural           | Urban | Total | Rural                        | Urban | Total |
| 1973-74 | 56.4            | 49.0  | 54.9  | 261.3                        | 60.0  | 321.3 |
| 1977-78 | 53.1            | 45.2  | 51.3  | 264.3                        | 65.6  | 328.9 |
| 1987-88 | 39.1            | 38.2  | 38.9  | 231.9                        | 75.2  | 307.1 |
| 1993-94 | 37.3            | 32.4  | 36.0  | 244.0                        | 76.3  | 320.3 |

**Source: Planning commission, Tendulkar Committee report**

It is evident from the table-1 there is poverty reduction over a period of three decades. The figures indicate that there is a fluctuations in the reduction of poverty there is a slow down in late 1980's, probably due to decrease in agricultural production, unfavorable macro economics situations in 1991-92, crisis is balance of payments and decline in growth and stabilization measures.

The factors that reduce poverty based on the experience of countries, India in particular are faster growth in agriculture and allied sectors, development of infrastructure and Human development and the lower rate of inflation. Until economic reforms initiated by India in 1991 most of the anti-poverty programmes seem to have had little sustained impact on poverty reduction. Rural urban Migration also seems to have played only a small roll (Ravallion and Datt 1996, world bank 1998).

### REDUCTION IN POVERTY AFTER ECONOMIC REFORMS:

The Economic reforms initiated by India in 1991 following a Macro economic crisis will benefit the poor by reducing the poverty, improving food entitlements and access to other basic needs was the question. There are several features of India's economic reforms which raised the concern from the prospective of the poor and poverty reduction. Reforms emphasized on the growth of all sectors. It will generate employment opportunities both in agriculture and non-agriculture sectors.

**Table – II: Trends in poverty in India in Post Economic reforms period estimated on the methodology Recommended by Tendulkar Committee.**

| Year    | Number of Poor (Millions) |       |       | Poverty Ratio (%) |       |       |
|---------|---------------------------|-------|-------|-------------------|-------|-------|
|         | Rural                     | Urban | Total | Rural             | Urban | Total |
| 1993-94 | 328.6                     | 74.5  | 403.7 | 50.1              | 31.8  | 45.3  |
| 2004-05 | 326.3                     | 80.8  | 407.1 | 41.8              | 25.7  | 37.2  |
| 2009-10 | 278.2                     | 76.5  | 343.7 | 33.8              | 20.9  | 29.9  |
| 2011-12 | 216.5                     | 52.8  | 269.3 | 25.7              | 13.7  | 21.9  |

Source: Planning Commission, Government of India

India has made substantial progress in reducing absolute poverty since the Mid 1990's. Between 1993-94 and 2011-12, the percentage of people who were below the poverty line declined from 45 percent to 22 percent, around 130 million people are out of poverty. As Rural poverty fell from 50 percent to 26 percent and urban poverty from 32 to 14 percent. Improvement in these two decades is an acceleration of a long-term decline of both urban and rural poverty since the 1970's.

The National poverty rates indicates that the pace of progress has continued from 1990s. The poverty rate decreased from 45 percent to 37 percent between 1993-94 and 2004-05, fell further 15 percent between 2004-05 and 2011-12.

Seeing the trends in absolute numbers shows the scale of progress and at the same time scale of challenge. The number of poor people remained high at over 400 million in the eleven years between 1993-94 and 2004-05. Between 2004-05 and 2011-12 around 137 million people escaped poverty. Even then poverty remains widespread.

**FACTORS INFLUENCE IN POVERTY REDUCTION BETWEEN THE STATES:**

With the role of the Economic growth. India's poverty began to decline as GDP growth picked up from 3.5 percent. This growth of GDP per capital implied in India's Agricultural, Industrial and service sector development. The approach to poverty reduction by developing human resources in different states of India benefited to GDP growth rate.

Poverty reduction in India is uneven among different states. Some prosperous states managed to reduce poverty. While poorer states made less progress in poverty reduction. This differences in performance among states appears to have increased in the 1990's. Development in states influenced the efforts to reduce poverty.

**Table-III: Indian States Real per capital Income Growth Rates:**

| States                      | Growth Rates |           |           |
|-----------------------------|--------------|-----------|-----------|
|                             | 1981-1991    | 1991-2000 | 2000-2010 |
| <b>High Income States</b>   | 3.2          | 6.1       | 3.9       |
| Punjab                      | 3.3          | 2.8       | 3.1       |
| Maharashtra                 | 3.7          | 7.4       | 4.4       |
| Haryana                     | 3.9          | 2.6       | 3.2       |
| Gujarat                     | 3.3          | 8.6       | 4.2       |
| West Bengal                 | 2.1          | 4.9       | 3.2       |
| <b>Middle Income States</b> | 3            | 4.2       | 3.2       |
| Karnataka                   | 3.1          | 3.4       | 3.6       |
| Kerala                      | 2.2          | 4.9       | 3.0       |
| Tamil Nadu                  | 4.1          | 5.2       | 4.3       |
| Andhra Pradesh              | 2.6          | 3.8       | 2.9       |
| Madhya Pradesh              | 2.6          | 4.1       | 2.4       |
| <b>Low Income States</b>    | 2.8          | 1.8       | 2.1       |
| Uttar Pradesh               | 2.6          | 1.8       | 2.2       |
| Orissa                      | 0.9          | 1.5       | 1.6       |
| Rajasthan                   | 4.7          | 3.9       | 4.3       |
| Bihar                       | 2.6          | -0.7      | 1.0       |
| Average of 14 States        | 3            | 4.4       | 3.2       |

**Note: Using the 2012 based GDP series Source: CS0, World Bank 2012.**

Since 1991 High income states and Middle-Income States (Table-III) have accelerated their growth because of their initial leads in economic reforms, good governance, infrastructure and human resources. As a result, the gap in per capita income has widened since 1991. The growth also slowed down in High income states like Punjab and Haryana and Maharashtra.

These states were probably less able to take advantage of the new opportunities created by Central Government reforms, inadequate infrastructure and human resources and weak governance. This is the same reason for slow growing poor states.

The states need considerable reforms to improve their governance, civil services, inter-governmental fiscal relations, industrial incentives, and in their physical and social infrastructure. The policy environment changed significantly after 1991 with the Central Government's liberalization of the trade and investment regime. This allowed the states to play greater role and attracting investments. It is needed to accelerate labour – intensive development process to reduce the poverty. Better performance of the states also reduces the poverty.

## CONCLUSION:

Poverty level in India reduced since 1970's, it substantially decreased after Economic reforms in 1990's. However, poverty rates in rural areas declined marginally and in urban areas the decline is slowed down. Some states have benefited from economic reforms to increase their economic growth and reduce poverty. In some states, the poorer states in particular need to undertake fiscal reforms that would lead to further growth and poverty reduction.

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