

Poverty Reduction in India: Issues and Policies Comments

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Some questions...

- Very interesting and useful exposition of factors driving rapid fall in poverty headcounts
- Appears driven by increases in employment, in some periods more agriculture-related, others more manufacturing & services
- 1 Poverty reduction impact of ag twice that of non-ag; how does India differ from other countries and over time?
- 2 Are these jobs formal, semi-formal, or completely informal?
 - Relevant for sustainability, expected growth and risk profile over time, as well as for pushing over the poverty line with current income
- 3 Are people moving into the space between a dollar a day and two dollars a day and getting stuck?
- 2 How do factors explaining movements over two dollars a day differ from those presented here for moving over a dollar a day?
- Thus - Selecting the relevant Poverty line is important:

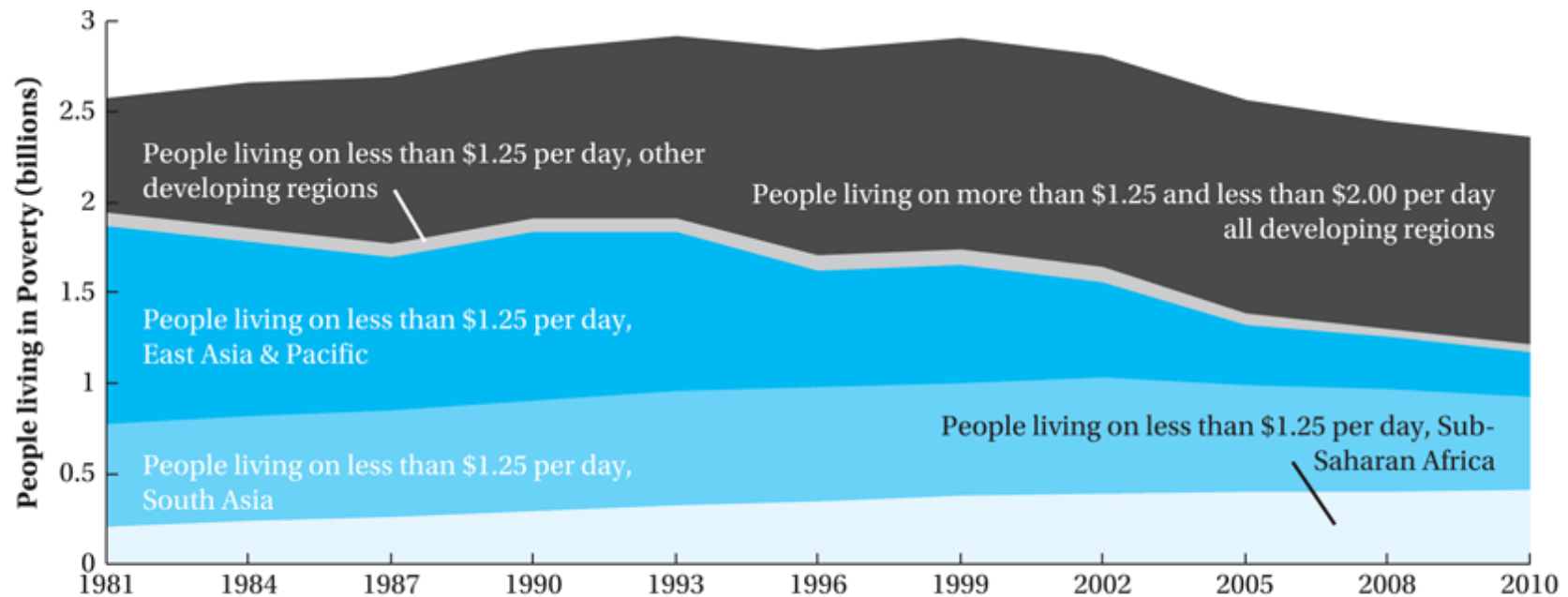
Selecting the *Income* Poverty Line – Response from the Proverbial Back of the Envelope

- Clearly, general trends in India's headcount poverty reduction are very encouraging and impressive and hold at several poverty lines examined
- However, it seems that the standard Poverty line – and sensitivity analysis adjustments of it – are quite low; from the back of my envelope this morning:
- 1060 Rps per month – average of the four commission poverty lines
- 12,717 yearly; about 34 Rps per day; at exchange rates, close to \$.50: ~34/~68
- We can debate the correct PPP ratio; maybe under 3, certainly not much over 3
- So this line is ~ \$1.50 – well below the \$1.90 (current adjusted “dollar a day”)
- In any case, less than 4/5 the international extreme poverty line – which already was defined based on poverty standards of the poorest dozen or so countries
- So the highest poverty-line sensitivity test, given as 25% above the line, actually brings us only up to to this global standard poverty line
- Traditionally we looked also at \$2 a day (now \$3.80 per day) as a poverty line
- And, India is hardly a least-developed country!
- As sensitivity tests I'd suggest also trends at a higher level than \$1.90: e.g., \$2.85 per day (i.e. 50% over the updated dollar a day), and or \$3.80 per day

Severe and Ultra-poverty

- “Below 50% PL we have less than 5% population”
- Is this a large or small number?
- Certainly seems to be a large number, given the severity of poverty that it represents
- If all these people are not pulled fully out of poverty India will not meet the SDG of zero poverty...
- Even as defined by the World Bank eliminating poverty is “up to 3%”
- Consider focusing on severity and or Ultrapoverty measures
- Headcount and severity may move in same direction with a line of \$1.50, but may not still hold using a line of \$3

Figure 5.13 Global and Regional Poverty Trends, 1981–2010

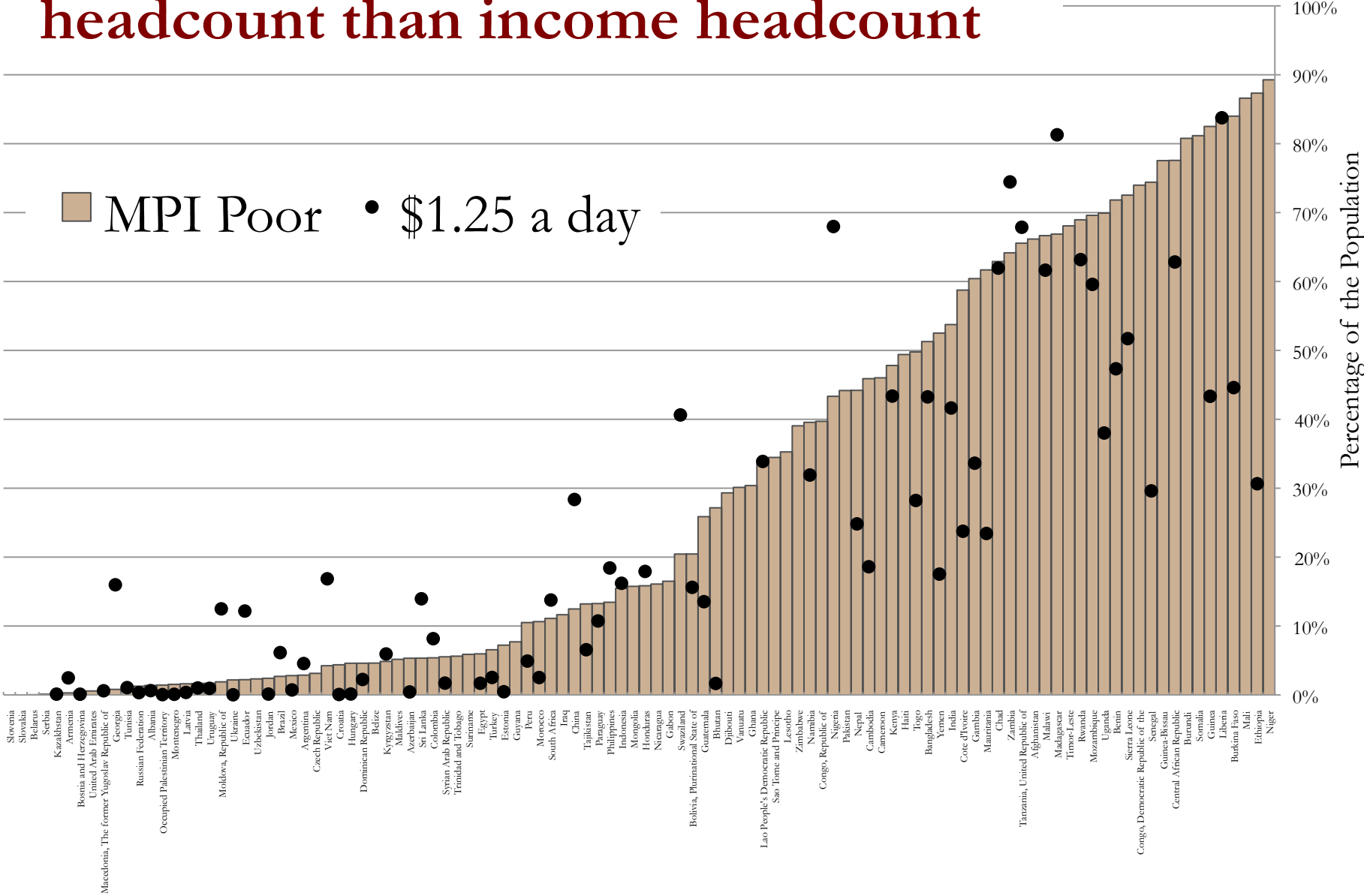


Source: Figure drawn using data from PovcalNet/World Bank; data downloaded 13 February 2014 from <http://iresearch.worldbank.org/PovcalNet/index.htm?1>.

Comparative MPI vs Income Poverty; MD Headcount vs MD Intensity

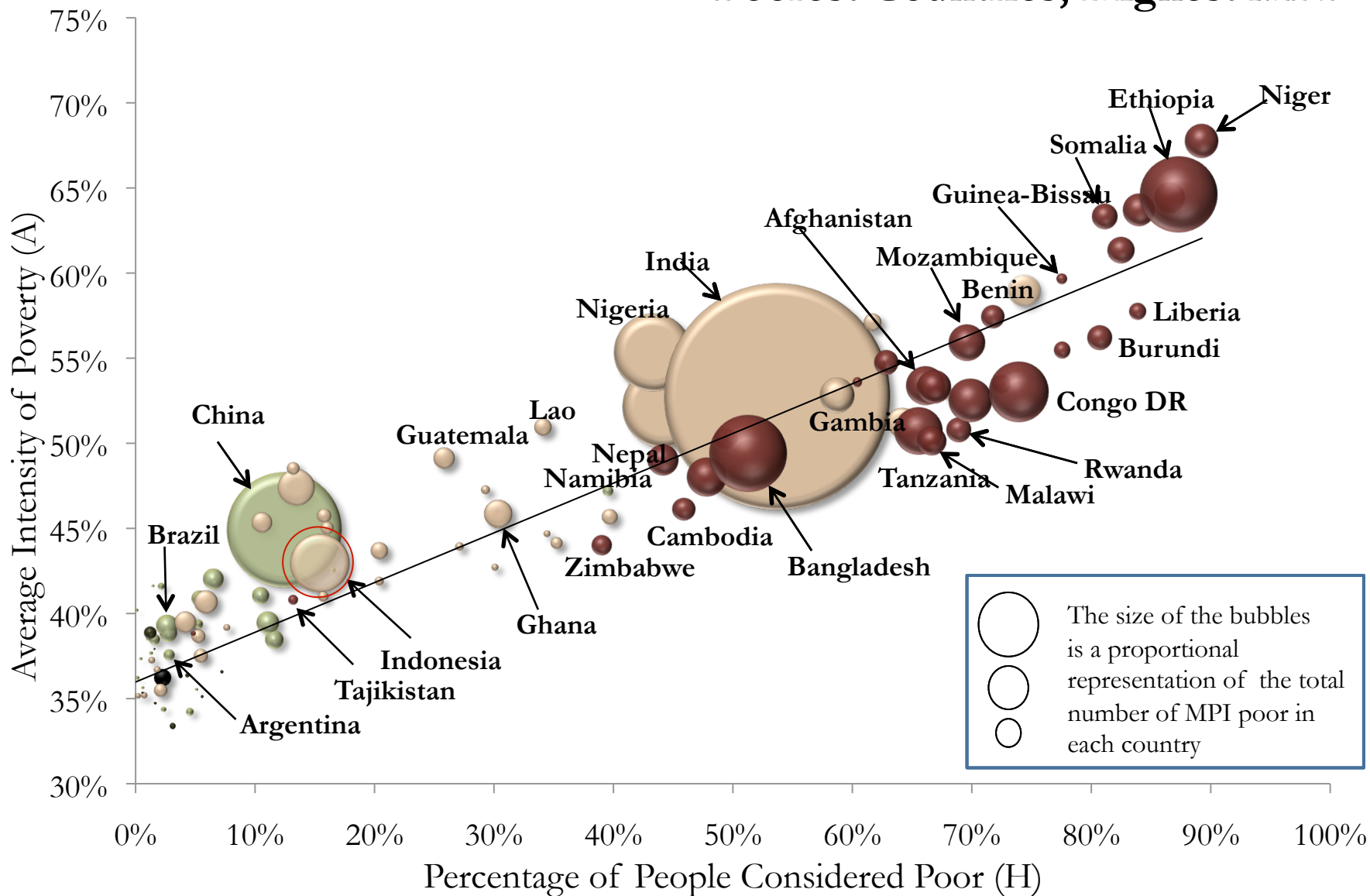
- Worth noting - India is a country with a significantly, if moderately, greater incidence of multidimensional poverty than income poverty
- And a somewhat higher intensity of multidimensional poverty than predicted by its headcount multidimensional poverty (globally)
- Note: Topics covered later in presentation, such as women's empowerment, would seem to be natural for a multidimensional measurement framework, though discussed in those sections in terms of income poverty line

OPHI data show India has a higher MD headcount than income headcount



Incidence and Intensity by Country: India somewhat worse performing on intensity trend

Poorest Countries, Highest MPI



Contribution of Agriculture:

Importance possibly *even stronger* than suggested

- As Prof. Dev Notes, ag important for nearly 50% of workers; while
- Small and marginal farmers who constitute 85% of the farmers.
- We can also note that today only a small fraction of India's workers are in *export oriented* manufactures (much smaller than total in sector)
- Domestic oriented manufactures production may not be better than focused agriculture development strategy
- With low base overall, still long time before could pull most out of poverty
- Also the demand side: if not focused on foreign markets, need higher domestic incomes, which may require agriculture productivity and incomes
- Even with growth rates like those of China, would be at least a couple of decades until could give less attention to agriculture in a poverty strategy
- Focus needed with other emerging shocks to productivity such as:
 - Falling groundwater tables
 - Salination and other soil deterioration
 - Climate change shocks: threats to monsoon patterns, loss due to high heat
- General reduction in growth rates of agricultural productivity globally

Value chain development also important

- Mentioned importance of raising food prices... this is tricky...
- This may harm the poorest
- Depending on how implemented such programs may reduce efficiency
- However, if point is to receive higher prices at farm gate (other than through inefficient price regulation) that is potentially different!
- Can be achieved by adding more value before sale
- Potential strategies to break monopsony power

Observations on Identifying the Poor... with Exclusion and Inclusion Criteria

- Some criteria-sets used for proxy means for income-poverty programs
- As used here it seems more explicitly multidimensional in intent
- (As with NGOs, e.g. Grameen 10 questions; BRAC TUP 3 and 5 criteria)
- Either way, their use raises questions for consideration:
- What are (what we could call) “criteria for exclusion criteria”?
- (And criteria for inclusion criteria; and for selecting other indicators?)
- Automatic inclusion: Why not e.g. Child stunting, malnutrition? (This is a widely discussed dimension in which India seems different)
- Why not at least included on list of 7 other deprivations for ranking?
- Other indicators striking by omission - child labor; Child not in school?
- How sensitive are results to other or additional indicators;
- e.g. what would adding child labor do to results?
- And, are the best indicators likely to be the same in all parts of India?
- E.g. in some states nutrition ok, education poor; others vice-versa

Very Informative and Important Work!

- Thank you!