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FINANCING HUMAN DEVELOPMENT FOR ALLEVIATION OF POVERTY : AN ASSESSMENT

Dr. R. Rajesh Kanna[1] V. Sujatha[2]

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Abstract

Besides the two major sectors of education and health, human development also depends on basic social infrastructure like shelter and water, while the overarching consideration is the extent of poverty that shuts off the poor from the benefits of all improvement opportunities – including those provided free – that require even small amounts of complementary private expenditure. Mainstream poverty alleviation programmes address some dimensions of poverty; in particular those arising from lack of employment opportunities, but these have to be supplemented by other welfare programmes targeted at specific groups of beneficiaries such as the old and the infirm, destitute, widows who cannot support themselves, particular groups of underprivileged citizens, and the disabled. In general, there can be a vicious cycle of poverty and low human development, each reinforcing the other. Even considering the narrow area of public finances, a high level of poverty usually implies large expenditure obligations but a small resource base.

Keywords: welfare programmes, employment, MDG goals, low human development, social welfare, labour welfare, rural housing, social security and welfare.

[1]Assistant Professor, Department of Economics, Vels Institute of Science, Technology, and Advanced Studies (VISTAS), Pallavaram, Chennai, Tamil Nadu, India-600117.
E-Mail ID: dr.rajeshkanna73@gmail.com
[2]Ph.D. Research Scholar (Full Time), Department of Mathematics,Vels Institute of Science, Technology, and Advanced Studies (VISTAS), Pallavaram, Chennai, Tamil Nadu, India-600117.
E-mail: sujivglobal@gmail.com

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1.1 Introduction

Besides the two major sectors of education and health, human development also depends on basic social infrastructure like shelter and water, while the overarching consideration is the extent of poverty that shuts off the poor from the benefits of all improvement opportunities – including those provided free – that require even small amounts of complementary private expenditure. Mainstream poverty alleviation programmes address some dimensions of poverty; in particular those arising from lack of employment opportunities, but these have to be supplemented by other welfare programmes targeted at specific groups of beneficiaries such as the old and the infirm, destitute, widows who cannot support themselves, particular groups of underprivileged citizens, and the disabled. In general, there can be a vicious cycle of poverty and low human development, each reinforcing the other. Even considering the narrow area of public finances, a high level of poverty usually implies large expenditure obligations but a small resource base. Tamilnadu does not have such a debilitating level of poverty, which is below that for the country as a whole, and half that of the highest level estimated for any individual state. As such, the state can, in some sense, afford to attack the problem of poverty (in all its aspects) more vigorously than some other states. As a matter of fact, Tamilnadu does incur substantial expenditure on poverty alleviation under social sector heads and rural development that complements central government expenditures for poverty alleviation through the state budget as well as outside the state budget through local bodies, nongovernmental organisations and special organisations like, societies and boards. There are also direct interventions under other economic categories like agriculture and industry in the form of subsidies or incentives. Though the entire public expenditures are intended to benefit the poor in one form or the other, some direct interventions for poverty alleviation are through expenditure under rural development and social welfare heads. Of the total expenditure on social services, expenditure on social welfare, labour welfare, rural housing, social security and welfare, and rural development are some of the heads of expenditure incurred by the government specifically towards people below poverty line and special groups.

1.2 Poverty Alleviation and Rural Development

Poverty is generally defined as the state or condition of having little or no money, goods, or means of support; condition of being poor; indigence. Synonyms are penury, destitution, need, want; these words imply a state of deprivation and lack of necessities. Poverty denotes a serious lack of the means for a proper existence. Thus, poverty is an economic condition, and is, to some extent, relative to the prevalent levels of general prosperity. Poverty line is a minimum income level used as an official standard for determining the proportion of population living in poverty. The present official poverty line is based only on calories and hence accounts for little else but the satiation of one's hunger. This, in actual practice, provides a large scope for programmes other than the official poverty alleviation programmes. Of course, at least some of the centrally sponsored programmes in this area are proposed to be based on multi indicator surveys, but the official poverty statistics continue to be based on a poverty line defined largely on the basis of a minimum calorie intake.

In 2004, the official poverty lines were Rs. 368 and Rs. 559 per person per month for rural and urban areas. However, it should be clear that the actual number of poor can be far larger than official estimates. There has been a lively debate on the methodology of estimating poverty and the resultant poverty estimates. Even official estimates are not always strictly comparable with each other because of different methodologies followed in both collection and estimation of data. Keeping this in view, we restrict our estimations of resource requirement for poverty alleviation to two alternatives – one taking the official estimates of 1999-2000 as the basis, and the other based on the extent of poverty in Tamilnadu worked out by us on the basis of NSSO data (60thRound – thin sample). Under rural development, major expenditures on poverty alleviation can be classified into wage-employment generating, self-employment generating and rural infrastructure creating schemes. Sampoorna Grameena Rojgar Yojana, Swarnjayanti Gram Swarojgar Yojana, Indira Awas Yojana, Drought Prone Area Programme, Desert Development Programmes and Augmented Rural Water Supply Programme are the prominent poverty alleviation programmes. Central transfers under these schemes are directly made to local bodies (panchayats/DRDA). Allocations made by the centre are now being transferred to local bodies directly since 1990-91 outside the state budget. Therefore, even as the state government incurs some expenditure on poverty alleviation, just looking at any states expenditure does not convey the entire picture.

The entire expenditure on poverty alleviation including that on social welfare as classified into various categories, such as, direct poverty alleviation (rural development) and other social service sectors like social welfare, rural housing is given in table 4.1. Per capita expenditure on poverty alleviation including welfare programes increased from Rs. 153 in 1990-91 to Rs. 370 in 1998-99 (not reported in the table); subsequently, it rose to Rs. 695 in 2004-05 and dropped a little to Rs. 529 in 2005-06. In real terms, there was little increase in the 1990s, while there has been some increase after that. The composition of this category of expenditures has changed over time; although rural development expenditures within this category outstripped social sector expenditures in the nineties, it reversed subsequently and the latter far outstripped the poverty alleviation expenditures by 2005-06. This could have happened partly because some of the poverty alleviation expenditures are not fully accounted for, being outside the budget (although we have included in the table such expenditures on the major schemes) and also because the reduction in poverty was substantial in terms of the official Planning Commission estimates. In contrast, expenditure on social services has increased since the pressure to expand coverage of social services usually increases as soon as the urgency of immediate relief from poverty diminishes; demand for basic services like education, health, and water supply are likely to increase with reduction in income poverty and deprivation in terms of food and shelter.

SGRY was one of the main programmes in poverty alleviation and constituted a major share of the total expenditure on poverty alleviation in a district. The detailed expenditure on poverty alleviation in a district is given in table 4.2. A similar pattern obtains for the state as a whole. Of the total expenditure on direct poverty alleviation programmes, wage employment programmes like SGRY and Food for Work constituted around 56 percent in 2003-04 and 40 percent in 2004-05. If one includes MPLAD and MLACDS, the percentage goes up substantially. Of all these, SGRY is the major programme for alleviating poverty through wage employment. In what follows, we concentrate on SGRY as the main scheme for poverty alleviation. Rural development expenditure under the centrally sponsored scheme, this scheme is a centrally sponsored wage employment generating programme with states sharing 25 percent of cash expenditure. Wages under this programme are paid in cash and kind. The minimum wage as per the provisions of the scheme in Tamilnadu during 2004-05 was Rs. 54 per day. Of this, the cash component was Rs. 25.75 and the remaining wage was paid by distributing 5 kg of rice at the price of Rs 5.65 per kg. The central government supplied the rice or wheat in addition to 75 percent of the cash expenditure. In 2004-05, all the three tiers of rural local bodies together generated employment amounting to 5.19 crore person days with cash expenditure of Rs. 309.6 crore in addition to food grains distributed. It is clear from table 4.3B that only 43 percent of total expenditure of Rs. 309.6 crore has gone into wages and the remaining 57 percent is absorbed by the material used in the works that are being taken up under these schemes.

1.3 Goals Ahead and Resource Requirements

The poverty lines as defined by the Planning Commission for the state of Tamilnadu were Rs. 07.64 Per capita per month in rural areas and Rs. 475.60 in urban areas during 1999-00. If we update this rural poverty line by consumer price index for agricultural commodities, 23 it works out to Rs. 368 per capita per month in rural areas in 2004-05. The MDG goals specify that half the proportion of people living below poverty line should be brought above the poverty line. The 10th Plan targets to reduce poverty ratio by 5 percentage points by 2007 (this might have been achieved, going by comparable estimates of poverty relating to 1999-2000 and 2004-05 that showed a reduction in that period of above 4 percentage points) and by 15 percentage points by 2012. Common Minimum Programme of the coalition government at the centre has laid down strategies through which poverty ratio can be brought down. Employment Guarantee Act works in this direction, by guaranteeing a minimum of 100 days wage employment in a year to tackle the unemployment in lean seasons of agriculture dominated rural India.

To achieve the 10th Plan target of reducing poverty ratio by 5 percentage points from the level of 2004-05 in 2007 i.e., from 76.5 lakh to 59.72 lakh people, around 16.78 lakh of the rural population had to be additionally covered under poverty alleviation programmes in Tamilnadu. To reduce it by 15 percentage points by 2012, another 33.55 lakh rural population has to be covered. To cover an additional 16.78 lakh population assuming a household size of 4.5, additional employment of (16.78 lakh/4.5 *100) 3.73 crore person days needs to be generated. With the present employment generation at 5.17 crore person days (that is expected to lift the beneficiaries above the poverty line by the end of the Tenth Plan), the first goal is assumed to have been met by now. To meet the second goal by 2012 of reducing the poverty level by 10 percentage points, an additional employment of 2.29 crore person days at the cost of Rs. 137.16 crore is necessary. Using the present official minimum wage of Rs. 60, the additional resources required can be derived as the product of the minimum wage and the additional person days of employment to be generated. The present employment generating scheme, SGRY is creating about 5 crore person days, with only 43 percent of cash expenditure going towards wages. Considering the poverty ratio of 2004-05, an additional (7.46-5.17) 2.29 crore person days need to be generated at a cost of Rs. 137.17 crore to achieve the second goal.

Employment generating programmes need to be strengthened and targeted more towards people below poverty line in rural areas. Since the self-employment generating programmes are directed toward the population closer to the poverty line, wage employment generating programmes need to be directed towards the poorest of the poor. Though information on implementation of SGRY/NREGS provides the extent of person days' employment generated, one needs to look at the number of households benefited and verify their status relative to the poverty line to ensure that the benefits are adequately targeted. As per our estimates, simply maintaining the past levels of expenditures should have achieved the short-term goal already and no additional resources would have been required. To achieve the long term goal, Rs.212 crore per annum will be needed to create wage employment to the poor. In addition to this, extant programmes towards self employment, rural housing and transfer payments to the aged and destitute people need to be continued to prevent swelling the ranks of the absolute poor.

1.4 Housing and Social Welfare

Public provisioning of various amenities like drinking water, sanitation, housing, and pensions for the aged and destitute persons are contributing factors to improve the well-being and, under certain circumstances, to eliminate poverty. In this section, we consider housing and social welfare issues.

1.4.1 Housing

The only available source for relatively recent information on housing conditions is Census 2001. In Tamilnadu, of the total population, nearly one lakh households are reported as living in dilapidated houses. If this number is juxtaposed against the number of houses being provided during a year, the task of covering these one lakh households does not appear to be a difficult one.

The major programme for provisioning of housing in Tamilnadu is the centrally sponsored scheme, Indira Awas Yojana (IAY). In 2003-04, nearly 57,000 houses have been constructed under IAY of which 33,000 houses for scheduled caste, 210 for scheduled tribe and the remaining for other communities. The Government of India provides Rs. 20,000 for SC and ST for each house constructed and Rs 10,000 for other communities. Total expenditure on provisioning of housing in Tamilnadu in 2003-04 was Rs. 119.89 crore. Even if the same level of expenditure were continued, the remaining population without proper housing should have been covered in the next two to three years. As such, there does not seem to be any additional requirement of resources in this area for Tamilnadu. In case there still remains a backlog, these can be taken care of within the normal expenditures. The only issue would then be, identification of appropriate beneficiaries; on this we have no new insight to offer.

1.4.2 Social Welfare

Pensions to the aged, destitute persons, and handicapped persons, and grants-in-aid to charitable institutions are the main expenditures under social security and welfare head. Of these, pensions are important in the context of social security. The 2001 census has shown that the elderly population of India aged 60 and above had reached 77 million. Of this number, nearly 25 percent in all states and union territories benefit from National Old Age Pension Scheme and Annapurna scheme. Nearly 50 percent of the elderly are dependent on others in Tamilnadu, usually their children or younger relatives. Most of the aged population who are unable to work and have been deserted by their children are covered under five different pension schemes in Tamilnadu. They are:

i) Old Age Pension Scheme (GoI sponsored);

ii) ii) Destitute Physically Handicapped Pension Scheme;

iii) Destitute Widow Pension Scheme;

iv) Destitute Agricultural Labourers Pension scheme; and

v) Deserted Wives Pension Scheme. The beneficiaries under these schemes are entitled to a pension of Rs. 400 per month provided they are not habitual beggars, not having a major son or have been deserted by their children, and have no means of subsistence. The Government of India now allocates Rs 400 (revised from Rs.75 and then Rs 200 paid earlier) per beneficiary per month towards these pensions under the first scheme called National Old Age Pension Scheme and allocates food grains. However, the Government of Tamilnadu has been paying Rs. 400 (revised from Rs. 200) per beneficiary to be on par with other state government sponsored schemes even before the rates were revised by the centre. While the total number of beneficiaries is around 12 lakhs, the expenditure is around Rs. 300 crore towards direct money transfers and another Rs. 50 crore towards other benefits. The Government of Tamilnadu claims 100 percent coverage of all the aged and destitute who qualify. Unless and until the state government further revises the rate of pension per beneficiary (note that the Government of India norm is now equal to the pensions granted by the Government of Tamilnadu), or expands coverage, additional funds should not be larger than the Rs. 300 crore that was required when the rate was half the current rate.26 However, it is generally recognised that for the elderly persons that are not supported by their family, the most important problem is often physical debilities that prevents them from undertaking even routine chores properly, something that the younger lot takes for granted. In other words, they require care and support, even when financial problems may not be as acute. This argues for establishment of homes for the elderly, of both ‘paid’ and ‘free’ variety. Such homes are apparently in short supply in the state, and the government could perhaps pay greater attention to this aspect of the care for the elderly, particularly in view of the twin facts of rising percentage of the elderly in the total population, and increasing life expectancy of those being categorised as the elderly.

Apart from the pension schemes for the aged, there are other welfare schemes for the organised and the unorganized sector. For the organised sector, the usual pension, insurance, and provident fund schemes are operated by the state government. For the unorganised sector also, there are several welfare boards that have been set up by the government. There are also survivor benefit schemes like Family Distress Relief Scheme and Accident Relief Scheme for the unorganised sector labour. In addition, there are other social welfare schemes such as marriage and maternity assistance for poor women. Most of these schemes have fairly low coverage, and the actual expenditure is small compared to the total government expenditure.

1.5 Conclusion

Poverty being a multidimensional concept, the measurement of poverty in terms of minimum nutritional requirements has been controversial ever since its inception. Even while accepting this basic premise, there are many more problems in applying this concept in a large country like India, with major differences in almost every parameter that one cares to look into between different regions. Application of the concept for actual implementation of policy to alleviate poverty naturally aggravates the related controversies, particularly when transfer of funds from one level of government to another is concerned. The official system has tried to respond to some of the critical observations, but the responses have generated further controversy. In this background, the policy tools for poverty alleviation have essentially consisted of either providing wage employment or facilitating asset ownership that could generate self-employment. For those with minimal assets, conditions were sought to be created through various schemes that would facilitate generation of a stream of earnings from those assets. Other schemes, usually with very short-term impact, included responding to the symptoms of poverty (free clothing, shelter, subsidies food etc.).

While each of these types of interventions have a place in the overall scheme of public response to the problem of poverty, sustained impact is probably the greatest on the poorest through the wage employment route, provided such employment is adequate and is available on a sustained basis for a minimum period of time. Else, its impact is temporary, and even those lifted out of poverty can relapse into poverty. The most successful schemes have been those effectively combining wage employment creation with creation of durable social assets like rural roads that actually cause an upward shift in rural incomes in general, and result in better access to other publicly provided services. It is thus not surprising that a programme like SGRY is the major thrust of poverty alleviation strategy. One important requirement for this scheme to have the desired impact, however, is full coverage of the identified poor. Otherwise, individual poor households cannot be targeted on a sustained basis; there is a likelihood that `A' gets the benefit today and `B' gets the benefit tomorrow and so on, with few of them getting enough out of the scheme to pull them out of poverty, and keep them out of it. In Tamilnadu, this task is now manageable, because the size of the problem that remains to be tackled has shrunk. In our estimates of resource requirements, we have tried to allow for complete coverage of the estimated poor. It should be fairly easy to build in synergy between poverty alleviation and policy interventions in other areas through the type of assets that is created. Apart from the rural roads mentioned above, other assets like drainage systems for better sanitation, and consequent improvement in health, water conservation tanks for better water availability and other environmental benefits, and construction of educational or health facilities can provide multiple benefits to the rural community.27 There is obviously a larger role for decentralisation in the choice of desirable assets to be created, apart from the identification of the beneficiaries and monitoring of actual implementation. In Tamilnadu, the success of interventions to reduce birth and death rates over a period has resulted in the phenomenon of aging of the population of the state and an increase in the dependency ratio. In this situation, it becomes important to devise interventions for the benefit of the aged, not only those who are poor, but also for those who can pay for the services. While the market can perhaps respond to the demand for the paid services, the concerned group is a vulnerable one whose welfare needs to be carefully monitored to prevent exploitation. For those who cannot pay, both financial and other kinds of help (like old age homes) are needed; the government should not consider its duty done by only providing financial assistance. Because of their vulnerability, financial assistance can easily be misappropriated.

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