

They are still dirt poor

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The preliminary estimates from the latest NSS thick sample of 2004-05 have laid to rest the controversy over the poverty numbers. They have also shattered the widespread belief that the incidence of poverty has declined rapidly in the recent years. The 1999-2000 NSS survey had estimated the percentage of population below the poverty line at 26%, down sharply from 36% in 1993-94. But the two numbers were not comparable because of a change in methodology in 1999-2000. The 2004-05 survey provides comparable numbers for the earlier and the new methodology. It shows that incidence of poverty at 27.8% according to 1993-94 method and 22% according to the 1999-2000 approach.

Clearly, while the incidence of poverty has declined, the rate of decline is very slow, 0.74 percentage points a year over 1993-9 to 2004-05, and at 0.79 percentage points during 1999-2005. As a result, there are nearly 300 million people who are still unable to afford the bare minimum of nourishment. Worryingly, much of the decline over 1999-2005 is because food prices have barely increased over this period. The root cause of the slow reduction in incidence of poverty is the poor growth in agriculture. This is also the reason why there are serious inequalities in poverty levels and the rates of reduction across states.

WEALTH OF NATION



PER CAPITA NET STATE DOMESTIC PRODUCT AT CURRENT PRICES

STATES	2003 - 2004
Chandigarh	57621
Goa*	53092
Delhi	51664
Pondicherry	50936
Haryana	29963
Maharashtra	29204
Andaman & Nicobar*	28340
Punjab	27851
Gujarat	26979
Himachal Pradesh	24903
Kerala	24492
Tamil Nadu	23358
Mizoram*	22207
Karnataka	21696
Sikkim	21586
West Bengal	20896
Andhra Pradesh	20757
Nagaland**	18911
Tripura*	18676
Meghalaya	18135
Arunachal	17393
Rajasthan	15486
Chhattisgarh	14863
Manipur	14766
Madhya Pradesh	14011
Jammu & Kashmir**	13320
Uttaranchal**	13260
Assam	13139
Jharkhand	12509
Orissa	12388
Uttar Pradesh	10817
Bihar	5780

* for 2002-03 ** for 2001-02 SOURCE: Economic Survey

The states with higher dependence on the primary sector have much higher level of poverty. The states that have managed to improve agricultural productivity have, however, made up for the lack of growth. These inter-state differences in incidence of poverty and the rate of reduction are validated by the differences in incomes and their rates of growth.

The predominantly agricultural states not only have the lowest incomes but also their income growth rates are among the lowest. Bihar, for instance, had a per capita net state product of Rs 5,780 in 2003-04, the lowest among all Indian states. And despite the low base, the compounded annual average growth over the preceding five years was a measly 5%. In contrast, over the same period, the per capita net state domestic product of Haryana grew at CAGR of 9%, that too off a four times higher base than that of Bihar.

The lack of bargaining power is keeping the landless agricultural labourers and the urban casual labour firmly rooted into poverty. Without adequate skill, more labour-intensive non-agricultural growth and higher agricultural output lower poverty and the reduced inequalities would be difficult to achieve.