

# **Towards an Inclusive Approach in Poverty Alleviation in India: *Evidences from Consumer Expenditure Data for Rural India***

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## **Introduction**

Poverty denies 'poor' of perceivably better amenities and livings enjoyed by others. Poverty is more often conditioned by the socio- political and economic 'environment' at a given space and time. Generally, following up of a country's development goals, which obviously try to ensure "perceivably better living standards" to all members living within the 'environment', necessitates measurement of poverty in the country. It may, however, be noted that in the long run, there is possibility that achievement in the "development goals" itself might induce changes in the 'environment' in relation to which the 'goals' were determined.

It is, thus, clear that the process of finding out the 'poor' or the process of determination of so-called poverty yardstick, usually has a reference to some general standards of living of the members of the same environment. The most common way of measuring poverty has been through the concept of the poverty line, which specifies minimum requirement for being 'non-poor' in terms of some fixed criteria – say calorie or income. It is, nonetheless, important to recognise that as the society develops, people's capacity tends to increase towards fulfilling these minimum requirements and gradually their desires or wants gets converted into their needs. Inter-temporal revisions of poverty lines, however, are accounted more for price variations rather than by this dynamism of peoples' wants and needs.

Keeping the cut off line at a bare minimum and ignoring the changes in the society's advancement, therefore, might worsen inequality. Inequality may occur when poverty eradication efforts subsidising the identified poor do not aim at improving their capacity to adapt to the changes resulted from society's advancement.

## **Definitional Issues**

By the word poor, for a long time, many have meant a lot. Very often one would see that he or she is 'poor' of housing, 'poor' of food, 'poor' of education, 'poor' of health etc. than people around him or her. Identification of poor in this fashion, though useful at times, has serious equity implications apart from having the classic problem of inter-personal comparisons of individual well-being. For instance, being "wealthier by health" (say by fulfilling the condition of being non-poor in

India) does not necessarily imply being "wealthier by enhanced capabilities" through education etc.

Broadly speaking, people may be 'poor' in terms of socio-economic and political status. More specifically, "economic status" here refers to the extent of cushion that the household's income and assets can provide against the shocks and hazards in the long run. On the other hand, "socially poor" implies inability to comply with certain social requirements deemed necessary for social development. For instance, when poor are unable send their children to schools but send them for manual work, immediate economic needs oust social needs. Hence, fulfilment of the socio-economic needs without compromising each other means something "near to removal of poverty", since reconciliation of economic and social needs is necessary but not sufficient in itself for complete removal of poverty. This is because mere fulfilment of socio-economic needs may reduce poverty but people still may remain vulnerable to risk, stress and shocks leaving a chance for them to regress back to their original position once again.

Let us take an example to illustrate the role of vulnerability mentioned above. It is often believed that poverty can be reduced by increasing investment. In these days, micro-finance has come as a solution to poverty. There is, however, a probability that a man becomes indebted if his capacity to repay the credit is not sustained. In such an event, reconciliation of socio-economic needs fails, which is, of course, the objective of micro-finance investment. Now, can a vulnerable section of people be equated with the poor?

Robert Chambers has come with a distinction between the 'vulnerable' and 'poor' (Streeten, 1995). According to him, if a man is poor then he is not vulnerable (vulnerability is seen as a function of external shocks, risks etc.), for, the poor does not have anything to loose from shocks except "death risks". It is worthwhile to note here that reconciliation of socio-economic needs and dispensing of vulnerability described above enhances scope and capability of people to exercise their political freedom, which has been considered as an important instrument of development (Sen, 2000).

It is, thus, useful to specify certain needs and the people deprived of those needs can be identified as poor. Although, all deprived (of the specified needs) are poor, it is practically impossible to identify all of them together. This invariably leaves a scope for some un-identified poor to remain in the society and, thus, conventional poverty alleviation programmes can only lead to a near poverty removal, not complete removal of poverty.

There are several factors that determine the extent of needs used as the cut off in identifying poor. Among those factors, important are will and capacity of the State to fulfil the needs and general standard of living in the society. However, faced with resource constraints, it is

undesirable for most of the developing countries like India, particularly in the liberalised regime, to increase the number of poor by extending the needs. This, further, puts a limit to the process of identification of poor in a society.

### **Contested Concepts**

In India, we have more of understanding of absolute poverty which is measured by requirements to physical survive than extensive strategy of basic needs (Streeten & Burki, 1978, Streeten, 1995) including other sphere of life. In India, poverty is defined by drawing a borderline at consumption of minimum input of calories expressed in terms of expenditure on a basket of food along with some expenditure on non-food items which a person needs to survive. The poverty line serves as a cut off line for separating the poor from the non-poor, given the size distribution of population, by per capita consumer expenditure class (Planning Commission, 1993). Population with per capita consumption expenditure levels below the level defined by the poverty line is counted as poor. Poverty measurement methodology in India follows biological approach to poverty although with calorie indicator unlike nutrients. If we accept the criticism against the poverty line to be granted then we have to accept another truth of something 'absolute' into poverty line construction below which level of living is unacceptable for us. However, criticism has been raised that the notion of absolute poverty is inadequate because relative poverty is also an equally important aspect of poverty (Planning Commission, 1993). More generally, the concepts of inequality and poverty need to be constantly viewed together as closely associated concepts. Identified poor in India is unable to command enough expenditure to buy bare necessities of life for physical survival, hence poverty in India can be termed as primary poverty, which reflect insufficient resources.

There are several conceptual and methodological issues, which are widely contested. In the first place, issues are related to the definitions of the various components of a standard of living and agreement on what constitutes a minimum acceptable level for each of these components (D'Silva & Bysouth, 1992). It is said that the estimation process in India ignores the multidimensional nature of poverty, holds a bias towards calorific-computation and restricts the measures to reflect economic deprivation at a very basic level (The Hindu, 2008).

Pranab Sen (2005) argues that the rupee value of the poverty line at current prices is insufficient for meeting the normative nutritional requirements. He has proved this fact by using NSS household consumer expenditure data for 1999-2000, which showed that in almost all the states comprising both rural and urban areas, the actual calorie intake of the poverty line was significantly below the calorie norm. The probable reason according to him, for this was the high cost of non-food requirements like health care etc. that compelled the poverty line class to spend only a fraction of their income for food. He also favours for a multi-dimensional measure of

nutritional adequacy forming the basis for a new poverty line rather than poverty line based only on calorie norm. Expert Group Report (1993) also admitted that due to change in food consumption pattern and food basket the gap between the poor as defined by the expert group poverty line and the number of persons below the calorie norm has been widening in the last ten years. The Expert Group further observes that – where these shifts in consumption pattern are predominant, the cost of requisite calories is becoming higher. There is thus, a decline in the average intake of calories across expenditure classes even though the real per capita expenditure has been rising.

Underestimation of expenditures on some basic necessities for improving quality of life (e.g. accessibility and affordability to health and education etc.) has been appeared as another major debatable issue. The minimum food requirements are derived on normative ground by calculating how much the minimum food requirements would cost but the non food items are incorporated in the poverty line by empirically observing how much people actually spend.

Although the expert group noticed the above quoted criticism in 1993, this still remain as a strong ground of criticism of poverty estimation procedure in India. India has one of the highest out of pocket household expenditure for health services (The Hindu, 2008). Researcher found that only 20 per cent of Indians are covered by public health care and the rest take recourse to the private sector (Ramados, 2004). Guruswami & Abraham (2006) argue that there is a need to redefine this poverty line in tune with basic needs such as proper nutrition, drinking water availability, shelter, hygiene, clothing and education as the present poverty line not only ignores important nutritional needs, but also the other basic needs of life. Calculating the cost of other basic necessities of life, they have proved that the present poverty line underestimates cost of survival. The poverty line in India will be in a much higher level had these costs of health care, education and shelter etc. were taken into account.

In this context, it is needs to be recognised the fundamental and underlying philosophy and principle upon which the poverty estimation in India rests. For instance, the Working Group constituted in 1962 for defining a poverty line in India for the first time excluded expenditure on health and education, “both of which are expected to be provided by the State according to the Constitution and in the light of its other commitments” (Planning Commission, 1993). The Expert Group Report (1993), however, categorically points out that “the poverty line provides the conceptual rationalisation for looking at the poor as a ‘category’ to be taken care of through targeted ameliorative programmes, ignoring structural inequalities and *other factors*, which generate, sustain and reproduce poverty” (emphasis added). This observation of the Expert Group assumes even greater significances under the changed characterisation of the notion of the so-called ‘welfare-state’ consequent upon market led, liberal regime.

Given these issues and arguments, an upward revision of the present “official poverty line” seems highly warranted. However, mere raising the poverty bar and exaggerating the numbers of the poor is not a solution (Dev, 2005). Merely raising the bar on the basis of exact deprivation in terms of food and non-food expenditures, ignoring the currently active social consumption of certain items like basic education and health, drinking water will obviously exaggerate the numbers. Besides, overlooking their self-sustaining upward mobility may result in resource wastage due to adoption of inefficient policy interventions. Clearly, therefore, an *inclusive approach* rather than *estimates of poor* is critical in breaking the vicious cycle of poverty. Identification of poor as a ‘category’ of people without having required *tendency* for “upward mobility” is central to such an approach. The *inclusiveness* of the approach lies in its capacity to accommodate people who according to ‘official’ poverty line are non-poor. Such criterion is justifiable on grounds of efficiency in the sense that it may rationalise leaving out even those identified poor having identifiable tendency for upward mobility, though such instances would possibly be rare. It may be mentioned in the context of efficiency that the typical poverty line procedure is further flawed by systematic under-reporting of income. Studies show that if families benefit from various welfare programmes when their incomes are low, they may have an incentive to understate their resources (Glewwe, 1990; Naga, 1994).

### **The Problem**

The problem, thus, revolves around two fundamental issues – first, whether people belonging to above the official poverty line share some commonality with the identified poor so that such an inclusive approach is at all feasible; and second, if it is feasible then how to characterise the shared commonalities with certain empirically observable indicators.

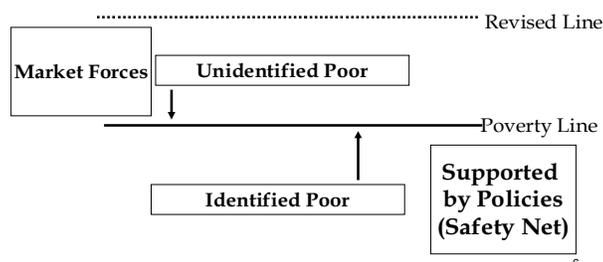
In this paper, an attempt has been made to address the first issue. In the subsequent sections, extent and possibility of categorisation of both officially identified poor and non-poor as “single identifiable group” is examined in a formal way. This is also followed by some field level observations to triangulate the results obtained in the formal analysis.

### **Poverty Cycle Revisited**

Admittedly, poor suffers regardless of their categorization. The identified poor often become the target of specific government programs and policies for poverty alleviation besides, general policy measures meant not only for them. Assuming that government support policies act as safety net to the market forces and distortions, especially for people below the poverty line, question arises

regarding the *inclusiveness* of the programs and policies, and its effect on upward mobility of the people.

### Poverty Cycle



Conventionally, people above the poverty line are considered as non-poor as they are supposed to fulfil *calorie requirement*, even if they might be similar to “identified poor” otherwise. This similarity, between the two classes of people i.e. BPL and *just above* the BPL, is sometimes supported by the kind of findings, which reveal that people *just above* the poverty line might significantly be deprived of even the required calorie norm (Sen, 2005). It is quite possible, and in reality many a time it is observed, that in the absence of adequate support policies, private assets and income generating activities, the market forces and shocks (natural hazards, diseases etc.) may drag the people above the poverty line back below the poverty line. Anirudh Krishna observed this kind of a *falling tendency* among a large number of households who were previously “non-poor” first in 12 villages of Rajasthan (2003) then in 20 villages in a “high growth” state of Gujarat (2003) and again in 36 villages of Andhra Pradesh (2004). He maintains that different reasons account for households escaping from poverty and those falling into poverty. In Rajasthan, people becoming poor again were mainly due to increased expenses on non food items like health care and repayment of debt. Characteristically, with an increase in purchasing power—either through income generating assets and activities or through lowering of prices, the households should be able to resist hunger and would show a tendency to move beyond the poverty line. Failing to cope with the market uncertainties, shocks and hazards expose them to various forms of vulnerabilities including indebtedness resulting in such a falling tendency. The presence of this kind of a poverty cycle hardly supports the inclusiveness of the identification process using calorie norm. Breaking this poverty cycle would, thus, critically require re-categorisation of poor and non-poor in terms of their capacity for upward mobility.

### Data and Analysis

In this paper, we will try to argue in support of the issues and points raised above both by formal analysis and field observations. For the purpose, we have used Household Consumer Expenditure Data (rural) quinquennially collected by the NSSO for three years 1993-94, 1999-2000 and 2004-05 (Report no 401, 454 and 508 respectively). In 1993, the survey format of the NSSO and the methodology of estimation of the poor have undergone several significant changes, which has led to important modifications in the official poverty line estimates of the country (see Report of the Expert Committee). The analysis is, therefore, carried out only for the period for which these changes have been applied. Usual way in which the consumer expenditure data are presented by NSSO is that it provides 12 MPCE (monthly per capita consumption expenditure) classes, which are formed on the basis of cumulative percentage frequency distribution of persons by MPCE for 5, 10, 20, 30, 40, 50, 60, 70, 80, 90, 95 and 100 percent of the population. Actual classes are revised in subsequent surveys to reflect the changes in the economy over time. The summary of the food and non-food expenditures (on broad groups of items) for the last three surveys for rural areas are given in Table 1. The Table 2 provides the respective MPCE classes for the three surveys while the rural poverty lines along with the official for the respective years are presented in Table 3.

The Table 2 and Table 3 reveal that for the years 2004-05 and 1999-2000, the fourth MPCE class contains the "official poverty line (rural)", while for the year 1993-94, it is the fifth MPCE class wherein the rural poverty line falls. This kind of observation is perfectly passable given the fact that MPCE classes describe the "cumulative percentage" of population falling in these classes. The Table 1 further tells us that as we move along the MPCE classes towards higher tail, all (average) expenditures - food, non-food and total gradually increases, indicating 'poor' being located at the initial few classes.

One very straightforward way to look at the calorie-based poverty line is to scrutinise food expenditure data of people. Notwithstanding the fact that food expenditure often tends understate the extent of inequality, a look at the inequality of food expenditure would provide general insights regarding existent inequality of calorie intake across different MPCE classes. The Gini coefficients as an indicator of inequality are calculated for the different MPCE classes based on Table 1. The results are presented in Table 4.

Two clear trends emerge from the Table 4. First, it could be seen that in lower MPCE classes, the extent of inequality in food as well as non-food expenditure among the MPCE classes (adjacent both above and below) is very minimal compared to the higher classes. Second, towards the lower MPCE classes, the inequality gap between the food and non-food expenditure is also minimum compared to the higher MPCE classes. Noticeably, these trends are found almost stationary over time.

This follows, then, – as we progress along the MPCE classes, degree of inequality increases for both food and non-food expenditure. Inequality worsens in case of non-food expenditure more than food expenditure (Table 4). Striking here, however, is the fact that the inequality, particularly with respect to food expenditure, amplifies at a declining rate when we include (recall the cumulative nature of MPCE classes) more and more people from the lower echelons of MPCE, and after a particular class (here the 7<sup>th</sup> class as it will be seen later), inequality widens at an increasing rate. The increments in inequality, thus, assume a U-shape; however, with flatten lower tail(s) in case of non-food expenditure.

In order to illustrate this the difference of Gini coefficients both for food and non-food expenditures over subsequent MPCE classes for all three reference periods are provided in Table 5 below followed by two graphs derived based on it.

Significance of these results rests on suggesting two essential issues –first, there is a particular point (or a MPCE class) where onwards we observe a visible transition (or reversal) of the situation – like that of transition from declining inequality to increasing inequality of food expenditure; and, second, the transitional points approximate to a singular value (either point or class) in both the cases of food and non-food expenditure. This transitional point, in effect, also marks an observable ‘substantive’ or ‘significant’ gap between food and non-food inequality. Table 6 supplies these inequality gaps between the food and non-food expenditure across the MPCE measured in terms of Gini coefficients and figure 3 presents them in the form of a graph.

We may then summarise the main observations like this – as per official estimates (Table 3) fourth for 2004-05 and 1999-2000 and fifth MPCE classes for 1993-94 (Table 2) contain the Indian rural poverty line. The inequality of food consumption expenditure up to the “poverty class” people and people above two to three classes above the poverty class, in fact, declines and then reaches the minimum (Table 5 and Figure 1). Further, the extent of inequality of non-food expenditure is also observed similar up to the two to three classes above the so-called poverty class (Table 5 and Figure 2). Also, the gap between the food and non-food expenditure becomes substantive only after the two to three class above the poverty class (Table 6 and Figure 3).

Given these observations, we can now possibly argue that official poverty line in India identifies the poor no doubt, but it leaves out a sizable percentage of population who are ‘broadly’ similar to the identified poor. This, however, is testable by some rigorous statistical procedures, which we would try to attempt in the following sections.

Much celebrated Engel's law suggests that for an increase in income, expenses on food item increases but increases at a decreasing rate. The basic argument of the law is that there exists a satiety level of consumption of food after which income elasticity tends rapidly towards zero. The law has particular implications when placed in the context of poverty – 'significant' decline in the proportion of expenditure on food might indicate "certain level of affluences". The Table 7 presents proportion of expenditure across the MPCE classes for the three study periods.

Interestingly, proportions of expenditure on food decline through out the MCPE classes in all the three time periods. Since fourth MCPE class contains the relevant official poverty lines for the years 2004-05 and 1999-2000, and fifth class contains the poverty line in the year 1993-1994, ideally then, declining proportion of food expenditure should have appeared beyond the fourth MPCE class indicating some amount of 'affluences' in the higher MPCE classes. However, declining food expenditure as percentage of total expenditure has been found in the below poverty classes as well, therefore, it is required to find out the class, which marks a "significant decline" in the food expenditure suggesting some level of 'satiety'.

Critics argue that there is a change in the pattern of consumption expenditure, and share of consumer goods in rural consumption expenditure is rising (Mahanti, 2004). The amount generated by lowering food expenditure is spent on items other than food across all classes of people, of course with varying degrees. The decline in food expenditure even in the lower MPCE classes has attracted researchers. The visible decline may be due to - (a) improvement(s) in rural infrastructure leading to availability of variety of "urban goods and services" in rural areas resulting a decline in *cereal* consumption (Rao, 2000). He, however, observed that a reduction in the intake of food-grain (*cereals*) should not be taken as deterioration in human welfare. (b) The striking decline in *cereal* consumption can be attributed to changes in *consumer tastes and preferences* from food to non-food items, within the food group from cereals to non-cereals and from 'coarse' to 'fine' cereals (Radhakrishna & Ravi quoted in Radhakrishna et. al., 2004).

Besides, it can be stated that rise in average level of income tends to raise the price of different goods thus raising their cost to the poor, especially to the urban poor and subsistence farmer in rural areas (Streeten, 1995). Consequently, increasing cash need by the people of lower MPCE classes together with increase in price of food item is a real cause of concern. Thus, lack of purchasing power among these sections of people inevitably results in declining food expenditure. Importantly, therefore, declining proportion of food expenditure in the lower levels of the MPCE does not necessarily mean satiety level of consumption; rather this might be the consequence of fixity of income in these MPCE groups.

#### Case 1

*In a village called Syamthaibari under Dotoma block of Kokrakhar district of Assam the incapability to receive the benefits under Antyodaya scheme due to income paucity was*

*observed. One beneficiary household handed over the card to village headman for the household could not afford the amount required to get the allotted amount of subsidised rice. The village headman told the beneficiary "you do not have money. Give me the card. Otherwise no one will get the subsidized rice. When you have money to buy I will return the card to you". This is indicative of the fact that a minimum amount of purchasing power is required even to receive the benefits of safety net schemes.*

Next, we will attempt at finding out the MPCE class that in effect, marks the "significant fall" in the proportion of food expenditure, based on Engel's ratio. At the risk of excessive generalisation, we may consider average expenditures as representative of the consumption behaviour of people of respective MPCE classes. It is then possible to fit an Engel curve to the expenditure data as given in the Table 1. Although, the liner form of the Engel curve is only a first approximation to a regular curve, we will try to fit a linear Engel Curve to the data. The equation of a linear Engel's Curve is given by

$$e = \alpha + \beta Y + u \quad \dots (1)$$

Where  $e$  is the *average* expenditure on food and  $Y$  is the *average* total expenditure,  $u$  being the disturbance term with usual properties.  $\beta$  gives the Engel's coefficient commonly interpreted as income elasticity of food expenditure. Now  $\beta$  can be estimated by applying ordinary least square (OLS) method.

If decline in the food expenditure is stable across the MPCE classes than there should not be any difference in  $\beta$  for the MPCE below the poverty line and that of the above poverty line. Typically, the poverty line should capture a "structural break" in the estimated  $\beta$  for ideally, the non-poor should follow the Engel's law i.e. the Engel Coefficient ( $\beta$ ) for non-poor should be "significantly lower" than that of the poor. Such "structural breaks" or "equality of coefficients" can be identified or tested for a set of coefficients of linear regression(s) through Chow test (Chow, 1960). The results of the Chow test for equation (1) are presented in Table 8.

The results of these formal sets of tests, thus, indicative of two things – first, the official poverty line mostly fails to adequately detect any structural break in the Engel's coefficient around it and second, significant breaks are detected one or two classes above the identified poverty class. These results, when put in the perspective of earlier observations regarding the inequality of consumption expenditure, justify the inclusive approach as advocated in this paper.

### **Problem of Identification**

The BPL Census (2002) carried out in India relied on a 13 score-based indicators. Scholars have elaborately criticised this score-based approach of identifying poor (Sundaram, 2003). Following the methodology of the Expert Group set up for the purpose the BPL survey (2002) included 13

definite indicators relating mainly to land holding, house type, clothing, food security, sanitation, ownership of consumer durables, literacy, means of livelihood, indebtedness and preference of assistance etc. Although the official poverty line is based on monthly private consumption expenditure, the BPL survey methodology used in 2002 has not included per capita expenditure as an indicator. This clearly indicates a mismatch between the processes of estimation and actual identification of poor. Again, the identification of the poor by the BPL survey is constrained by the notification of the Planning Commission not to exceed the estimated number of poor (Sundaram, 2003). Since the Planning Commission itself imposes a restriction of not increasing the number of poor by the BPL survey, hence the shortcomings of estimation procedure creeps into the process of actual identification.

Sundaram (2003) argues that the ranking of the household based on total score obtained with respect to the 13 indicators does not help any specific programmes like Antodaya or IAY targeted towards the downtrodden people. According to him, even when ranking of households on a specific deprivation could have been useful for certain schemes e.g. Antyodaya, Annapoorna etc, a ranking on the aggregate score on 13 indicators may become utterly irrelevant. The ranking based on the aggregate score on 13 indicators can be, thus virtually useless for the implementation, monitoring and evaluation of specific programmes.

It can further be added that following the procedure of BPL survey targeting for specific schemes based on specific deprivation may become practically problematic. For instance, selecting potential beneficiaries for schemes like Antodaya based on the criterion of "availability of meal per day" might produce confusing outcomes. Large disagreement of NSS data regarding poverty and hunger (or food security) has already started creating such overwhelming confusions (Dev and Ranade, 1997).

A major disadvantage of BPL survey (2002) is that it outrightly rules out the possibility of inclusion of persons who may subsequently become poor once the list is finalised, accepted and endorsed by *Gram Sabha* (Sundaram, 2003). Apart from the criticism about the indicators used in the survey, poverty being a process of transition, this single fact indirectly rationalises an inclusive approach to accommodate people lacking upward mobility.

### Case 2

*In village Bosabil under Kachugaon block of Kokrakhar district of Assam it was found that the village decided after judging the economic situations of the household by the villagers to reallocate the PDS subsidized ration received by the BPL households amongst the household they considered to be poor to give the benefit of subsidy. While asked how they judge the status of a poor they replied that-income, land, number of days of employment, physical assets were the determining factor. Maintaining peace among the distressed households of the village was also considered with special importance. On enquiring what makes them to do this they said that some BPL households after improvement of their*

*economic condition continued to hold the card and get the benefits. However, at the same time some other households (due to division of joint family, shocks, and natural calamity) are becoming poor. The villagers, therefore, initiated this system of redistributing rice. Interestingly, only the PDS rations of the BPL are redistributed and very poor card holders were exempted.*

## **Conclusion and Implication**

The paper started with the argument that though the poverty line separates the poor from the non-poor in relation to some definite criteria yet, any single criterion is incapable of identifying *all* poor at the same time. It tried to prove the point by using three rounds of consumer expenditure data for rural India collected by NSSO. The paper shows that there is a possibility that quite a substantive number of people remain as “disguised poor” who are usually excluded from the poverty alleviation measures. In addition, in the absence of appropriate and adequate support policies together with their incapability to move upward, this section of people always remains vulnerable and has a chronic downward tendency. This is one of the fundamental causes as to why vicious cycle of poverty persists in India despite constant and continuous efforts. The rigidity of the existing process of estimation and identification of poor further puts a limit to the effectual poverty alleviation in the country.

Implication of such a finding can be seen in upholding an inclusive approach towards understanding the vicious cycle of poverty. Given the multi dimensional and multi faceted character of human poverty this kind of argument is, however, not really new. The Expert Group in its report (1993) categorically mentions about “supplementing the poverty line approach with indicators and information on various aspects of the conditions of the poor”. This, perhaps resulted in indicator based BPL surveys first in 1992 and then in 1997 and 2002. Many scholars have also argued in favour of multiple indicator approach of identifying poor (Naga, 1994; Dev and Ranade, 1997; Rao *et. al*, 1998). The major problem encountered in multiple indicator approach is that of aggregation to arrive at a conclusion because some would cross the poverty threshold in one space but not in other spaces (Naga, 1994). It may, however, be recognised that increasing the number of indicators would simply fulfil the interests of non-poor.

Critical implication of this paper lies in putting the central focus on potential upward mobility rather than on currently observable economic conditions of people. Such considerations are evident in Capability Poverty Measures attempted by the UNDP (UNDP, 1996) and NCAER (1996; quoted in Dev & Ranade, 1997). Dev and Ranade (1997) also talks about “non-income indicators of human development and qualitative change”. The paper suggests that there should be a convergence of indicators reflecting current economic status (CES) and potential upward mobility (PUM) of people. This convergence can generate four plausible outcomes: poor in CES but non-poor in PUM; poor in CES as wells as PUM; non-poor in CES but poor in PUM; and non-poor in

both CES and PUM. Present procedure includes first and second but leaves out third category of poor. While second should remain at the centre of all policies, continuation with the first after a certain point may result in inefficiency. The paper argues that third category of people are grossly excluded from the policies, which is contributing to recurrence of poverty. The inclusive approach advocates in favour of inclusion of this section of people. There is a chance that this would stress budgetary allocations but recognition of the first should partly help in efficient and effective utilisation of resources for poverty eradication. ■

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*Table 1: Average monthly expenditure per person across 12 MPCE classes*

MPCE	2004-05*			1999-2000**			1993-94**		
	<i>Food</i>	<i>Non-food</i>	<i>Total</i>	<i>Food</i>	<i>Non-food</i>	<i>Total</i>	<i>Food</i>	<i>Non-food</i>	<i>Total</i>
1	136.6	63.0	199.5	128.6	62.3	190.8	73.1	27.3	100.4
2	170.5	83.4	253.8	161.4	80.3	241.6	95.8	34.9	130.7
3	196.8	99.8	296.6	183.9	94.7	278.6	111.6	41.3	152.9
4	221.8	120.6	342.4	207.9	112.9	320.8	128.6	48.9	177.5
5	248.1	139.6	387.7	233.4	127.2	360.6	143.1	56.9	200.0
6	271.9	160.1	432.1	255.1	144.6	399.7	156.4	65.7	222.1
7	296.7	184.9	481.6	279.6	165.4	445.0	173.2	76.3	249.5
8	326.6	216.7	543.3	306.4	190.3	496.6	189.9	91.6	281.5
9	365.7	264.7	630.4	341.8	224.7	566.5	213.0	111.9	324.9
10	417.9	357.1	775.0	395.1	290.6	685.8	245.9	152.4	398.3
11	498.0	501.9	999.9	465.6	385.7	851.3	285.4	214.9	500.3
12	659.1	1297.5	1956.5	622.0	721.7	1343.8	370.5	501.9	872.4

*\*Table 5R, Report 508, NSSO (61<sup>st</sup> Round, 2004-05); \*\*Table 7R, Report 454, NSSO (55<sup>th</sup> Round, 1999-2000); \*\*\*Table 5R, Report No 401, NSSO (50<sup>th</sup> Round, 1993-94)*

*Table 2: Rural MPCE Classes (in Rs.) for 2004-05, 1999-2000, 1993-94*

MPCE Classes/Years	2004-05	1999-2000	1993-94
1	Less than 235	Less than 225	Less than 120
2	235 – 270	225 – 255	120 – 140
3	270 – 320	255 – 300	140 – 165
4	320 – 365	300 – 340	165 – 190
5	365 – 410	340 – 380	190 – 210
6	410 – 455	380 – 420	210 – 235
7	455 – 510	420 – 470	235 – 265
8	510 – 580	470 – 525	265 – 300
9	580 – 690	525 – 615	300 – 355
10	690 – 890	615 – 775	355 – 455
11	890 – 1155	775 – 950	455 – 560
12	1155 above	950 above	560 above

Table 3: Official Rural Poverty Lines for the respective years  
(Rs per capita per month)

Year(s)	2004-05	1999-2000	1993-94
Poverty Line (Rural)	356.30	327.56	205.84
Poverty Ratio (Rural)	28.30	27.09	37.27

Table 4: Gini coefficients of food, non-food and total expenditure across MPCE classes

Year	2004-05	1999-2000	1993-94
<i>For all 12 MPCE Classes</i>			
Food	0.2455	0.2457	0.2476
Non-Food	0.4806	0.3892	0.4710
Total	0.3579	0.3061	0.3357
<i>For First 11 MPCE</i>			
Food	0.2056	0.2051	0.2121
Non-Food	0.3336	0.2944	0.3401
Total	0.2581	0.2398	0.2552
<i>For First 10 MPCE</i>			
Food	0.1808	0.1809	0.1904
Non-Food	0.2790	0.2491	0.2839
Total	0.2190	0.2065	0.2199
<i>For First 9 MPCE</i>			
Food	0.1626	0.1617	0.1717
Non-Food	0.2362	0.2131	0.2384
Total	0.1901	0.1804	0.1919
<i>For First 8 MPCE</i>			
Food	0.1480	0.1477	0.1579
Non-Food	0.2088	0.1900	0.2084
Total	0.1701	0.1628	0.1726
<i>For First 7 MPCE</i>			
Food	0.1361	0.1360	0.1468
Non-Food	0.1877	0.1708	0.1823
Total	0.1544	0.1482	0.1569
<i>For First 6 MPCE</i>			
Food	0.1251	0.1243	0.1353
Non-Food	0.1689	0.1529	0.1610
Total	0.1403	0.1342	0.1425
<i>For First 5 MPCE</i>			
Food	0.1127	0.1120	0.1252
Non-Food	0.1506	0.1361	0.1399
Total	0.1257	0.1203	0.1292
<i>For First 4 MPCE</i>			
Food	0.0972	0.0956	0.1114
Non-Food	0.1291	0.1187	0.1168
Total	0.1079	0.1034	0.1129
<i>For First 3 MPCE</i>			
Food	0.0797	0.0778	0.0915

Non-Food	0.0999	0.0911	0.0902
Total	0.0863	0.0822	0.0911
<i>For First 2 MPCE</i>			
Food	0.0552	0.0565	0.0672
Non-Food	0.0697	0.0631	0.0611
Total	0.0599	0.0587	0.0656

Table 5: Difference of Gini coefficients between successive MPCE classes

MPCE Classes/Years	Food			Non-food		
	2004-5	1999-2000	1993-94	2004-5	1999-2000	1993-94
Up to 3 and 2	0.0245	0.0212	0.0243	0.0302	0.0279	0.0291
Up to 4 and 3	0.0175	0.0178	0.0199	0.0292	0.0276	0.0266
Up to 5 and 4	0.0155	0.0164	0.0138	0.0214	0.0175	0.0231
Up to 6 and 5	0.0123	0.0123	0.0102	0.0184	0.0168	0.0211
Up to 7 and 6	0.0110	0.0117	0.0114	0.0187	0.0178	0.0214
Up to 8 and 7	0.0119	0.0117	0.0111	0.0211	0.0192	0.0260
Up to 9 and 8	0.0146	0.0140	0.0139	0.0274	0.0231	0.0301
Up to 10 and 9	0.0182	0.0193	0.0186	0.0428	0.0360	0.0454
Up to 11 and 10	0.0247	0.0241	0.0217	0.0547	0.0453	0.0562
Up to 12 and 11	0.0400	0.0406	0.0355	0.1470	0.0948	0.1309

Table 6: Inequality Gap between the Food and Non Food Expenditure

MPCE Class / Year	2004-05	1999-2000	1993-94
Between 3 and 2	0.0056	0.0067	0.0048
Between 4 and 3	0.0118	0.0098	0.0067
Between 5 and 4	0.0059	0.0010	0.0093
Between 6 and 5	0.0060	0.0045	0.0109
Between 7 and 6	0.0077	0.0062	0.0099
Between 8 and 7	0.0092	0.0075	0.0149
Between 9 and 8	0.0128	0.0091	0.0162
Between 10 and 9	0.0245	0.0168	0.0268
Between 11 and 10	0.0299	0.0211	0.0345
Between 12 and 11	0.1070	0.0542	0.0954

Table 7: Percentages of Food and Non-food Expenditure across the MPCE classes

MPCE Class	2004-05		1999-2000		1993-94	
	Food	Non-food	Food	Non-food	Food	Non-food
1	68.45	31.55	67.38	32.63	72.81	27.19
2	67.16	32.84	66.78	33.22	73.30	26.70
3	66.35	33.65	66.01	33.99	72.99	27.01
4	64.78	35.22	64.82	35.18	72.45	27.55
5	63.99	36.01	64.73	35.27	71.55	28.45
6	62.94	37.06	63.82	36.18	70.42	29.58

7	61.61	38.39	62.83	37.17	69.42	30.58
8	60.11	39.89	61.69	38.31	67.46	32.54
9	58.02	41.98	60.33	39.67	65.56	34.44
10	53.92	46.08	57.62	42.38	61.74	38.26
11	49.80	50.20	54.69	45.31	57.05	42.95
12	33.69	66.31	46.29	53.71	42.47	57.53

Table 8: Results of formal Chow Test for Structural Break in Engel's Ratio

<i>Estimates</i>	<i>2004-2005</i>	<i>1999-2000</i>	<i>1993-94</i>
Constant ( $\alpha$ )			
Estimated $\alpha$	136.04	75.52	65.32
Standard Error of $\alpha$	21.03	11.91	11.36
t value of $\alpha$	6.47	6.34	5.75
Coefficient ( $\beta$ )			
Estimated $\beta$	0.30	0.43	0.39
Standard Error of $\beta$	0.03	0.02	0.03
t value of $\beta$	10.83	21.83	12.44
Standard Error of Regression	44.05	21.23	22.12
R-squared	0.92	0.97	0.93
Adjusted R-squared	0.91	0.97	0.93
Chow Test for Structural Break: Null=No structural Break			
At poverty line F (2,8)	3.99	4.26	7.22*
At one class above poverty line F(2,8)	6.33*	7.76*	10.81**
At two class above poverty line F(2,8)	9.48**	11.58**	--

\* Significant at 5 percent, \*\* Significant at 1 percent

(The results are generated by **gretl** software package)

Figure 1: Differences of Gini Coefficients between the MPCE classes (Food expenditure)

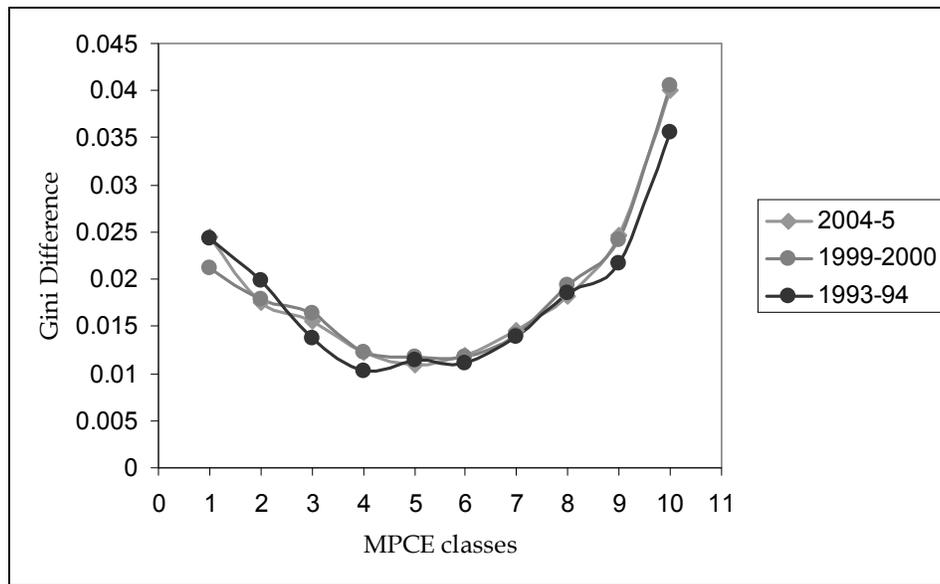


Figure 2: Differences of Gini Coefficients between the MPCE classes (Non-food expenditure)

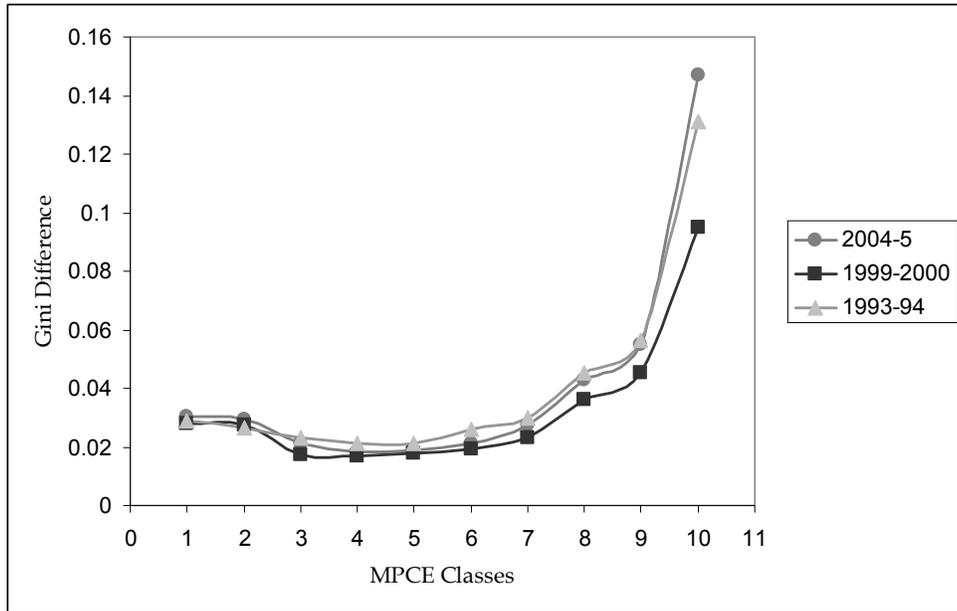
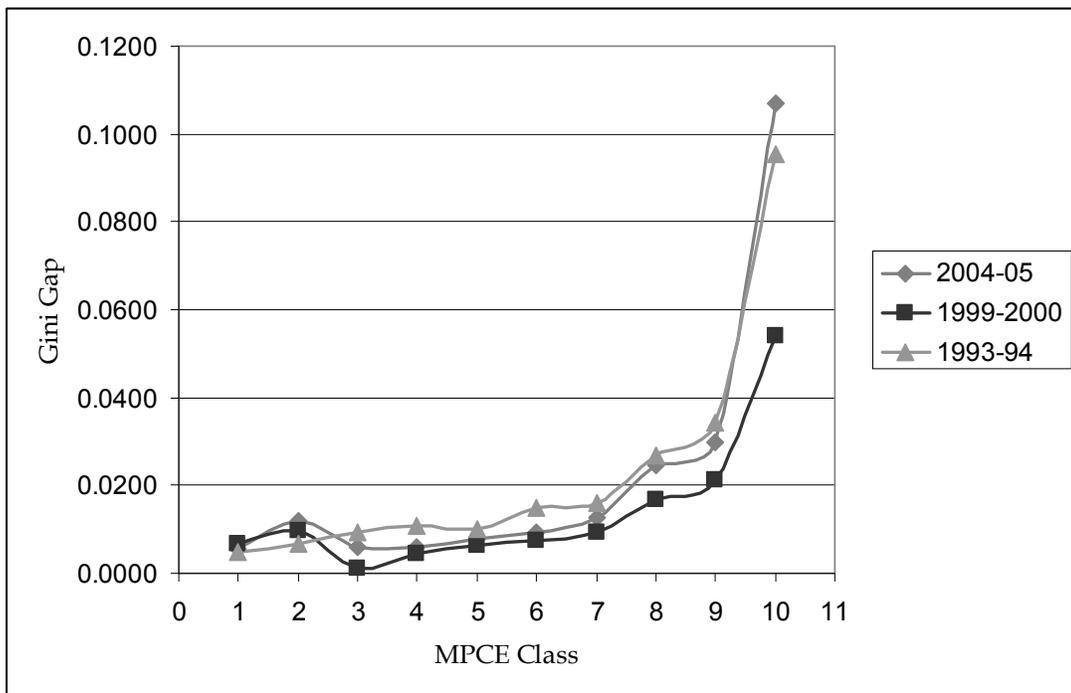


Figure 3: Gini gap between Food and Non-food Expenditure across MPCE classes



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