An Empirical Study on the Impact of Indian Political Administration in Poverty Alleviation

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Abstract

This paper attempts to study how Indian political dispensation effects the poverty alleviation through administration of alleviation programs. In India, the poor and disadvantaged castes vote proportionally more than the rich and the upper castes, and often more than those in developed democracies. Similarly, voter turnout is generally higher in rural areas than in cities. Not all elected state governments have pro-poor policies, but the poor have higher expectations of the state than the rich. This faith of India’s poor and marginalised in the democratic process stems from their expectations of the state, which is required by law to provide fair opportunities to every citizen irrespective of caste, creed, religion, and economic status, and to actively work to eliminate these barriers. The nature of politics in India means that poverty alleviation is not just an economic imperative but a political necessity. However, the state is also constrained both by the political process of governance and by economic and social institutions. Unlike political institutions, these reflect the existing inequalities and are dependent on the markets. The democratic system does imply some degree of equality in the form of universal franchise irrespective of economic position, giving the poor a space to make their voices heard. But this does not necessarily translate into a state committed to justice and equality. In fact, developing-country democracies do not have a good track record in reducing poverty, compared to non-democracies such as China.

Still, the nature of politics in India means that poverty alleviation is not just an economic imperative but a political necessity for elected politicians. To achieve this, the state needs to mediate between various institutions, ensure fair play through the efficient regulation of markets, and implement transfer and taxation policies to redistribute resources from rich to poor. The anti poverty programmes have been reoriented to improve their efficacy. The restructured programmes have been in operation from 1st April, 1999 and their effectiveness in achieving the objectives set for them would need to be evaluated after a period of 2-3 years.

Key words: Capitalist, Development, Marginalized, Post-Colonial, Redistribution, political administration, poverty alleviation.

Introduction

Over much of the period between 2003 and 2018, India experienced one of the fastest growth rates in the world when the state had implemented a set of economic reforms that may be labelled as neo-liberal. Though contested in terms of magnitude and spatial spread, this was also a period that witnessed reductions in absolute poverty, as defined by official poverty lines. Contrary to conventional assumptions that globalisation
under neoliberal growth regimes will undermine social welfare provisioning, there is growing evidence worldwide to suggest that the outcomes are more complex. Welfare spending does not necessarily decrease everywhere, despite other policy shifts that are indicative of neo-liberalisation (Rudra and Haggard 2005)1. In fact, Barrientos and Hulme (2009) point to a quiet revolution unfolding in the poorer countries with the rapid spread of social protection measures.

Importantly, as Ferguson (2015) points out, such protection involves a set of non-contributory transfers, unbound to employment. Since 2000, India too, despite the neoliberal tilt, has seen a series of policies legislated by the state, aimed at expanding the domain of welfare, some of which were of a non-contributory nature (Ruparelia 2013; Mooij 2014). This chapter provides a critical overview of the drivers, design and implementation of two important poverty reduction strategies in India, a national public rural employment guarantee programme, under the Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA), and the public provision of subsidised food grains through the Public Distribution System (PDS). There are clear overlaps between the interventions in the domain of income security through public employment assurances and the domain of food security through public provisioning of food grains. Among the range of poverty reduction strategies launched in post-colonial India, these are, arguably, the two most significant in terms of coverage and impact. The primary responsibilities for their delivery, as with other social welfare programmes, rest with the sub-national (state) governments. After establishing the historical antecedents of the two policies, we briefly review the politico-economic context of the emergence of the two initiatives in India, emphasising the proximate drivers of the two policies; this includes the political and civil society imperatives that shaped the design and implementation of the schemes. Based on secondary data, we then review performance of the two programmes over time, and across sub-national regions. We offer some explanations for the trends observed based on both existing literature and interviews with key informants in the bureaucracy, with political actors and civil society activists. To understand regional variations better, we then move onto a discussion of the implementation processes in two select states, Rajasthan and Tamil Nadu, occupying different locations on the human development indices spectrum in the country. The final section draws together the observations made to identify a few critical factors that shape poverty reduction policies, outcomes and implications for such policy interventions elsewhere.

Objective:

This paper intends to explore and analyze economic environment in terms of logic of the existing socio-political structure, on performance of various poverty alleviation programs, which were introduced by successive governments from time to time in post-colonial India.
Poverty and inequality post-1991

The economic policies India pursued after independence gave the state the role of allocating resources across sectors and federal states, and made it a major instrument of redistribution. However, since the onset of economic reforms in 1991 the state has been reduced to a merely political instrument, while the allocation of resources and even their redistribution are seen as the outcome of market-based policies. This withdrawal of the state from the essential function of shaping economic outcomes has eroded its role as an instrument of social inclusion. Recent years have seen a rise in allegations of crony capitalism, and the reduced role of the state in reducing barriers to equality of outcomes.

However, in the last decade, pro-poor democratic politics have been strengthened through the recognition of various rights, such as the right to education, to information, to food security (through the National Food Security Act), to employment (through the Mahatma Gandhi National Rural Employment Guarantee Act), and to land (through the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act). While the legal recognition of these rights demonstrates that the government is responsive to the needs of the poor, these developments must be seen in the context of India’s increasingly free-market economic policies.

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The fact that the two trends – increasing inequality, and gains to the poor in terms of legal rights – have occurred during the same period is a reflection of the strength of India’s democratic processes. As in other developing countries, India’s citizens are not equal before the market. The unequal nature of endowments and opportunities available to citizens and the subordination of markets to existing social and political institutions perpetuates inequality. However, the public debate engendered by democracy means that the state has remained responsive to the demands for redistribution. India’s experiments with social security measures can be traced back to the colonial period, with the initiation of famine relief measures in the late 19th century. Involving a combination of a public works programmes and the introduction of a rudimentary urban public distribution system, these measures, in response to the changing political economy, have since then been reworked and revamped in post-colonial India. Persistence of rural poverty despite a degree of economic growth and accompanying rural unrest, has been a critical driver of the initiation of further social welfare programmes, particularly since the mid-1960s.

Furthermore, the inability to generate increases in productive employment has been compensated by a series of governmental measures that seek to provide a degree of social protection for the economically excluded. Between 1999–2000 and 2004–05, “formal” employment that ensures access to social security benefits and a degree of employment security accounted for less than 10% of the total employment in India and has further
reduced since the initiation of liberalising reforms from the 1990s (Papola 2013; Sood, Nath and Ghosh 2014). Agriculture continues to account for the bulk of employment absorption and includes a large number of marginal landholders who combine self-employment with waged work to meet their livelihood requirements. Rapid reductions in the national income share for the agricultural sector has not been matched by corresponding reductions in the workforce employed in agriculture, reflected in the persistence of rural poverty. Though unemployment rates are not too high, underemployment continues to prevail.

The Annual Employment-Unemployment Survey, 2013–14 showed that the unemployment rate was 4.9% (Labour Bureau 2014). However, among those in the labour force, only 60.5% could find employment for the entire 12 months. Employment augmentation through public works programmes, support through subsidies and the promotion/protection of various kinds of self-employment – such as handloom weaving – innovations in the PDS and social security pensions for the marginalised are key components of such social protection measures initiated in India. The Constitution of India does not ensure a judicially enforceable fundamental right to work. However, the right is a part of the directive principles of the Constitution, which provide guidelines for the government to frame policies. Although they cannot be enforced judicially, they allow for the formulation of laws that can, in turn, be made enforceable. The MGNREGA, Right to Education Act and the National Food Security Act are examples of possibilities envisaged in the directive principles to ensure a degree of social protection, and how that can be translated into enforceable rights (Harriss 2013; Ruparelia 2013; Mooij 2014; Jenkins and Manor 2017). Public works programmes in India have a long history. Among them, the Maharashtra Employment Guarantee Scheme (EGS), run by the Maharashtra government from 1972, is the most comprehensive and closest to the MGNREGA in terms of a rights-based construction. While most other programmes had a shelf-life of no more than a few years, this programme was re-constituted into a rights-based entitlement and continued for 20 years, inviting the attention of both policymakers and the academic community (Dev 1996; Hirway and Terhal 1994; Patel 2006; Jadhav 2006; Joshi and Moore 2000). Originally launched as a drought relief programme in the early 1970s, it was soon rescaled as an anti-poverty programme and granted a statutory basis through a law passed in the Maharashtra Legislative Assembly in 1977.

The rise of populism

Governments that have adopted pro-poor policies have been increasingly successful in India in recent years. Parties referred to as “populist” have competed to provide basic amenities to the poorer sections of the population, not only in central but also in state governments. However, while this has brought more people into the economic mainstream, particularly the disadvantaged, it is a political response to the symptoms of inequality rather than a solution. The fundamental nature of India’s economic system, which perpetuates rather than reduces inequality, has not been questioned either by the state or by the political parties.
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Redistributive policies are not enough. While inequalities based on differences in initial endowments are certainly responsible for the way the poor participate in the economy, inequality of opportunity is also governed by political, social, and cultural institutions such as gender, caste, and religion, which marginalise the poor and exclude them from economic processes. Of particular importance are inequalities in access to education and nutrition, and how they are shaped by social structures. The lack of social mobility of disadvantaged Scheduled Caste and Scheduled Tribe households, along with Muslims, continues to pose problems for their inclusion in society. To address this, the government has to regulate the markets but also make a political commitment to secularism, gender empowerment, and affirmative action in education as well as public sector employment.

But it is here that the engagement of the poor and marginalised communities with the political process is a double-edged sword. The ascent of caste- and religion-based politics has not only given rise to aspirations and demands for inclusion by disadvantaged castes but also has allowed the political processes to be hijacked by vested interests. In particular, the rise of backward caste movements, and their increased representation in political institutions, has not changed the basic structures of caste and class oppression, nor altered the way economic production is organised. At the same time, the disjuncture between the process of political empowerment and the process of economic empowerment has led to a weakening of the state as mediator and regulator of economic institutions.

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An unfortunate outcome of this is that the process of economic empowerment is not only seen as anti-free market but is increasingly classified as “populist” – implying that it is based on political opportunism. In recent years, economic indicators on growth and inequality clearly indicate the eroding authority of the state either as a facilitator of economic growth or as the primary instrument of redistribution. This is not only because issues such as redistribution are seen as secondary objectives for central government, but also because neoliberal ideologies limit the ability of the state to intervene to ensure better social outcomes. While a large part of this is due to changes in domestic policies, the nature of financial flows in a globalised world also plays a part. Some states undertook substantive PDS reforms such as the rejection of BPL/APL distinction in entitlements, expansion of coverage at state’s expense, reduction in issue price, introduction of pulses and edible oils at subsidised prices, de-privatisation of ration shops, doorstep deliveries and computerisation of PDS transactions (Khera 2011). In 2006, Tamil Nadu universalised the PDS and removed the BPL/APL distinctions in accessing subsidised food grains, and 20 kg of rice was supplied at Re 1/kg. In 2011, Tamil Nadu went even further, and 20kg of rice was given free-of-cost to households who opted for
the PDS. There was an expansion of the PDS in Chhattisgarh, Odisha and Rajasthan by increasing the number of BPL cards per fair price shop (FPS). The commission paid to FPS dealers was increased in Rajasthan and Andhra Pradesh, which reduced the incentive for corruption. Furthermore, Tamil Nadu installed end-to-end computerisation of the PDS, which enabled better monitoring (Khera 2011). Regional variations on different aspects of the PDS are thus evident. Table 6 demonstrates the differences in households’ access to the PDS. The PDS tends to work well in states that are predominantly rice consuming and particularly among the South Indian states, which have had a long history of a functional PDS. It is also interesting to note that Tamil Nadu, despite relatively lower poverty levels, demonstrated a stronger commitment to food security compared to poorer states; Rajasthan performs poorly on the PDS.

Reclaiming the state

In India, as in Europe, the ability of national governments to provide subsidies to the marginalised and excluded is increasingly being determined by the extent of fiscal discipline it has imposed on its budget. In Europe, national governments have cut down on basic social-sector expenditure in order to bail out profligate and irresponsible financial institutions. The Indian government has used similar logic to bail out irresponsible private-sector companies such as Satyam (2009), Kingfisher (2012), and others at the expense of the public exchequer, while attempting to justify cuts in public spending on health and education. However, in both cases, since governments are still accountable to the people, rising levels of inequality have created a pressure on the government for redistribution.

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In India, this reaction to rising inequality has come in both democratic forms (for example, the nationwide protest movement against corruption in 2011) and violent forms (the Naxalite communist guerrilla movement, which is active in most states). In turn, governments at national and state level respond to these protests in various ways. The recent move by the Indian state to guarantee the legal right to basic entitlements such as food, education, livelihood, and health may help reduce the inequalities that threaten political stability and the sustainable growth of the economy.

However, there is a growing middle-class constituency that sees the enforcement of these rights as handouts, or “doles”, and therefore as unsustainable. This is largely because civil society and political parties continue to treat these demands as part of a redistributive agenda and not as an issue of changing the structure of the economy itself. An unfortunate result of this is the growing polarisation and fragmentation of the society across caste, class, and religious lines.
Role played by social protection schemes in poverty reduction

For the poor and the marginalised, democracy is not only about universal franchise and participation in the electoral process, but about reclaiming the state. Their increased participation has strengthened the democratic process itself in India, though it is too early to say whether this will be successful in reducing inequality and addressing the bias in economic and social institutions. For the poor and the marginalised, democracy is presented as a Hobson’s choice – there is no other option but to take it up. Apart from inter-state variations in the efficacy and coverage of PDS and employment generated under MGNREGA, there are also variations in the extent and nature of schemes developed and implemented by regional governments. Explanations are to be therefore sought in regional political economy, as suggested by Harriss (1999). Harriss categorised states based on the source of political power that ruling parties draw from and the extent of their stability and argued for the importance of the two factors in shaping social protection policies of sub-national governments. Based on this scheme, he attributes the emergence of more pro-active welfare regimes in states such as Tamil Nadu, Kerala and West Bengal, compared to other states, to the source of political power in lower caste and class mobilisation over a long period. Drèze and Sen (2013) too stress the role of “public action” in explaining Tamil Nadu’s relatively high achievements in the domain of human development and poverty reduction. The role of socialist movements in Maharashtra and Karnataka in the implementation of state-specific employment generation schemes also suggest the importance of collective regional action. State capacity is another major factor in better implementation. Based on an analysis of unit level NSSOs’ 66th round data, Datta et al (2012) suggested that unmet demand was higher in poorer states due to fiscal constraints, poor administrative capacity and lower degree of empowerment among the poor. Among all the states, Tamil Nadu has the highest number of government staff per 1000 population at 14 per 1000 (Interview with NC Saxena, March 2016), indicating the importance of such capacity. Lack of skills to ensure quality of assets created is another area of concern cited in interviews. This in fact largely explains the phenomenon of work completion. In order to beef up capacity, there has been an increase in the share of MGNREGA budget from 2% to 6% for employing additional staff. Another important issue that needs to be factored is that not all states may have the fiscal leeway to expand their social welfare programmes, hinting at the importance of revenue mobilisation as a constraining factor in instituting such state-level welfare measures. In the case of PDS too, the importance of fiscal capacity to ensure provisioning more than that allowed for by the central government becomes critical, even in instances where there is a strong political demand for such provisioning. The central government supplies a fixed quantum of grains to the states at subsidised rates, which, however, may be insufficient if the regional government wants to move from a targeted to a universal PDS. To understand the sources of regional variations better, we explore some of these issues in the case of two states through primary fieldwork among national and state-level bureaucrats as well as civil society and political actors.
During the last two decades, India has implemented several social protection programmes with the aim to improve living standards, and these have helped the Indian government in poverty reduction. Existing evidence suggests that there is a strong correlation between urban economic growth and poverty reduction (Datt et al. 2016); implementation of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) since 2006 has significantly increased household consumption and accumulated more nonfinancial assets (Deininger and Liu 2018). Furthermore, the Public Distribution Systems (PDS) and other Centrally Sponsored Schemes (CSS) of the Indian government (Sen and Himanshu 2013), and increased labour earnings (Balcázar et. al 2016) have played significant roles in poverty reduction. In addition, the Prime Minister Jan Dhan Yojana and biometric identity cards under Aadhar have also transformed the anti-poverty programmes by replacing the current cumbersome and leaky distribution of benefits under various schemes using the Direct Benefit Transfers (DBT) programme (NITI Aayog 2016). This evidence suggests that poverty reduction is shaped mainly by structural transformation and increased spending on social protection programmes.

Problems with social protection programmes

From a critical lens, certainly, each social protection programme and CSS suffers from an array of difficulties – such as rigidity, non-adaptability to local conditions, late disbursement of funds, reallocation of funds to unrelated recurring expenditure, and wide-ranging rent-seeking practices. In many cases, the proportion of funds reaching the intended beneficiaries is well under 50%. As against the guarantee of 100 days of wage employment to one person in each rural household annually, MGNREGA’s average achievement has been less than 55 days (NITI Aayog 2016). As mentioned earlier, with the introduction of the DBT in MGNREGA and other social protection programmes, things have begun to move rapidly. Though the objective was to enhance the transparency and faster transmission of transfers to beneficiaries, the DBT has been criticised by well-known economists and social scientists. While the case was contested in the Supreme Court of India, the verdict in September 2018 proclaimed that Aadhar-linked DBT is necessary for MGNREGA and many other government schemes in India.

Conclusion

The role of anti-poverty programmes to supplement the growth effort not only is valid in the post-reform period but becomes even greater to protect the rural poor against adverse consequences of economic reforms. While the experience with such programmes is not as encouraging as one envisaged, there have been pockets of good performance which give enough reason to be hopeful. The Ninth Plan recognised the need to restructure such programmes for effective implementation and for enhancing the productivity of the beneficiaries in the rural areas. A major weakness in the implementation of poverty alleviation programmes has been the lack of participation by the people for whom the programmes are meant. There are enough
success stories that indicate that whenever people have organised themselves into small homogenous groups for a common cause, the results have been far superior to programmes thrust upon them by bureaucratic apparatus.

Such efforts at micro level need to be further strengthened to improve the efficiency of anti-poverty programmes. Strong local governance such as expected from Panchayati Raj Institutions – responsive to the needs of beneficiaries, one which encourages mobilisation of the rural poor and is open to social audit -- promises better delivery system of the poverty alleviation programmes. Side by side, the rural financial system should be so reorganised and re-oriented that it treats the rural poor as credit-worthy clients and not as recipients of doles from the Government. Going forward the implementation capacity of States, particularly across the poorest districts, will play a crucial role in determining the success of MNREGA and GKRA schemes. Furthermore, India needs to ramp up MGNREGA, introduce a guaranteed urban employment scheme, and boost further cash transfers to poor households. There is no dispute that poverty in the country will worsen, but the question is, by how much?

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