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# The State of India's Urban Poverty

**Om Prakash Mathur**

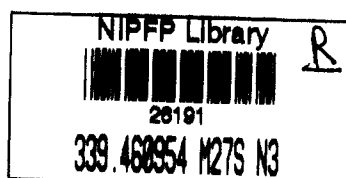
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The Governing Body of the Institute does not take any responsibility for the views expressed in the report. That responsibility belongs primarily to the author.

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## INTRODUCTION

During the course of the past two decades, the incidence of poverty has declined in India. Indeed, if we use the official data on poverty incidence without any form of adjustment, the decline would appear to be dramatic, with the headcount index having dropped from a high of 51.5 per cent in 1972/73 to a low of 29.9 per cent in 1987/88, and the absolute numbers of the poor from 291.6 million to 237.67 million during the same period.

Although this decline in poverty incidence in India is in line with trends similarly observed in many Asian countries, it is significant in India's case, for its economic performance measured in terms of the growth in Gross Domestic Product (GDP) during the period 1972/73 to 1987/88 was, at best, moderate, compared to that achieved by other countries. India's GDP during the 1970s, for instance, rose by an annual average growth rate of 3.3 per cent as compared to 6.4 per cent for Asia as a whole; GDP growth in India accelerated during the 1980s but in per capita terms, it lagged far behind that of Asia, especially countries like the Republic of Korea and Thailand.

**Table 1**  
**GDP and GDP Per Capita, India and Asia**

Years	India		Asia	
	GDP growth rate (per cent per annum)	GDP per capita growth rate (per cent per annum)	GDP growth rate (per cent per annum)	GDP per capita growth rate (per cent per annum)
Average for 1971/80	3.3	1.0	6.4	4.1
1981	6.6	4.1	6.2	4.5
1983	7.7	5.6	7.8	5.9
1985	7.6	5.5	7.0	5.3
1987	4.4	2.4	8.1	6.3

**Source:** Asian Development Bank, Asian Development Outlook, 1989.

The decline from 41.2 to 20.1 per cent in the headcount index of *urban* as distinct from *rural* poverty during 1972/73 to 1987/88 is even more dramatic as it coincided with a period of relatively rapid urbanization and urban population growth. Between 1971-81, for instance, urban population in India increased by a record 46 per cent, and although this rate of increase subsided in the subsequent decade of 1981-91 it was still high enough to cause sufficiently large population pressures.

**Table 2**  
**Urbanization Trends in India, 1971-91**

Years	Urban Population		
	Million	Decadal Variation %	Annual Average growth rate exponential %
1971	109.1	--	--
1981	159.5	46.14	3.83
1991	217.2	36.19	3.09

**Source:** Census of India 1991, Paper No. 2 of 1991 (p.13).

The decline is dramatic also for the reason that it took place during a period when the labour market conditions in the country were highly depressed; for instance, employment in the factory sector instead of posting an increase registered a fall in absolute terms, while the formal (organized) sector employment rose only marginally, by a mere 2.11 per cent annually, during the period 1972/73 to 1987/88.

**Table 3**  
**Employment Growth in Formal (Organized) and Factory Sectors, India**

Period	Growth Rate of Employment (per cent per annum)	
	Formal Sector	Factory Sector
1972-73 to 1987-88	2.11	NA
1983-84 to 1987-88	1.36	-0.48

**Source:** 1. For Formal Sector, see, Planning Commission 1990, "Employment Past Trends and Prospects for 1990s", Working Paper, p.2.

2. For Factory Sector, see, Central Statistical Organization, Annual Survey of Industries, 1987-88.

This decline in the incidence of urban poverty amidst trends that would normally be expected to lead to greater pressures and marginalization raises a number of important issues. First is the issue of the definition and methods(s) of measurement of poverty. How is poverty, and specifically urban poverty, defined in India, and how is it measured and aggregated to yield ratios like the headcount ratios and poverty gaps? To what extent is the existing definition and method of measurement able to capture the nature and magnitude of poverty in the urban areas? Could the reduction in the incidence of urban poverty be attributed to, or explained by, the way in which poverty is defined and measured? Or could the decline be just a statistical jugglery and illusion?

The second issue is concerned with the relationship between poverty and income growth and distribution? Is the reduction in urban poverty that the country experienced during 1972/73 to 1987/88, in any way, attributable to income/GDP growth and its distribution? Is it at all possible that the annual average GDP growth of 3.3 per cent during the 1970s and 5.5 per cent during the 1980s (upto 1988-89) could have resulted in a fall of 20.1 per cent points in urban poverty? Could it be explained by the changes in the share of different population quintiles, especially of the bottom quintile, in incomes or expenditures?

The third issue concerns the policy framework for poverty reduction. What is the existing macro and sectoral policy framework for poverty reduction, and could this, in any way, explain the recent fall in poverty incidence? Could it be the result of any shift in the pattern of investments in sectors such as health and education, or of



any changes in policies concerning shelter and services which have a direct bearing on poverty? Was it the result of programmes especially designed for and targeted at this class of population?

Note should be taken of the fact that issues relating to urban poverty, having till recently been out of intellectual swings, are beginning to acquire increasing attention in India.<sup>1</sup> For one thing, although a certain proportion of the country's total population has always been urban-based, it is only in recent decades that the pressures of urbanization in terms of the numbers have begun to be felt and recognised. These pressures have been noted to be particularly severe in cities of over 500,000 where the increase in absolute numbers has been daunting. According to recent forecasts, such pressures are expected to rise both on account of the continuing high natural growth rate and rural-to-urban migration. These pressures could well mean more poverty in the urban areas.

Secondly, as a direct consequence of population growth, urban areas in India are witnessing massive strain on the labour market, and on the availability of shelter, infrastructure and services. If we take into account the existing deficits and extend them into the future, the proportion and number of persons without access to

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1. Issues relating to poverty have long been studied in India. Lipton and Ravallion refer to a study made by D. Naoroji in 1901, Poverty and Un-British Rule in India, and another study of a village Pimpla Saudagar which focused on identifying and counting the poor. See, Michael Lipton and Martin Ravallion, "Poverty and Policy", a preliminary draft of chapter 42 of the Handbook of Developing Economics (Volume 3), undated. However, urban poverty is a comparatively new field of study.

productive employment, shelter and services will increase phenomenally and lead to large scale marginalization and deprivation. This fact, combined with the fears that the inaccessibility may have adverse impact on economic productivity will necessitate greater attention to urban poverty issues in the country.

Finally, the recent push for macroeconomic reforms and stabilization policies involving a possible reduction of direct and indirect support to social services sector that bear on the poor has added to the Indian space a new dimension. If the experience of countries that have gone through such reforms and adjustments is any guide, then the poor, particularly the urban poor, are most likely to be adversely affected.<sup>2</sup> In India's context as well, reforms have brought the issue of the poor to the forefront, fuelling speculation on its likely effects on the poor. Will the urban poor in India be adversely affected as a result of these reforms and be worse off? Or, will they be better off? Will there be a transition period during which they will need to be protected and simultaneously prepared to use the market to uplift themselves? How long will this transition be?

This study entitled *THE STATE OF INDIA'S URBAN POVERTY* attempts to respond to these concerns and issues.

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2. Michael A. Cohen (1990), "Macroeconomic Adjustment and the City", in CITIES, The International Journal of Urban Policy and Planning, Butterworth-Heinemann, Oxford.

The study is divided into three parts. The first part deals with the nature and magnitude of urban poverty in India. This part - Section 1, begins with a brief discussion of the "definition" of poverty line, and then proceeds to analyse the urban poverty trends in India. For this purpose, it uses both the official estimates and estimates made by individual scholars.

In Section 2, we analyse the pattern of regional/spatial<sup>3</sup> distribution of urban poverty, specifically probing into questions such as: where is the incidence of urban poverty high or low?; to what extent is it associated with the level and pace of urbanization?; to what extent is it related to income growth and income distribution?; and to what extent is poverty in the urban areas a geographical transfer from the rural areas?

Although poverty is essentially measured in India in terms of calorie intake, it has several other manifestations such as the degree of *access* to productive employment, shelter and services. Section 3 of this part examines the issue of access in order to obtain a wider assessment of the levels of deprivations that exist in the urban areas of the country.

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3. Regions for purposes of this study refer to "states" of India. India is a union of twentyfive states and seven territories directly administered by the central government.

Section 4 of this part deals with the profile of the urban poor where we present their demographic and socioeconomic characteristics. Drawn from a number of microlevel studies, this section specifically examines questions such as: what demographic characteristics are found in households who are poor or carry the risk of poverty? Who, among members of the households, males, females, children, bear the burden of poverty? Is it shared equally or unequally? What kinds of other risks do the poor face? How large is the incidence of unemployment or underemployment in the poor households?

Part II of this paper deals with the policy framework for poverty reduction in the country. It opens with a brief description of how poverty alleviation as a specific development goal has increased in importance over the successive five year plans (Section 5). The importance of sound macroeconomic policy and sustained growth for poverty reduction has long been recognized; even so, the poor face a variety of barriers caused by various kinds of institutional structures and regulations. Section 6 attempts to selectively discuss policies that hamper the access of the poor to the labour and land markets. This section then examines the investment flows into health and education sectors - the two sectors that have a critical bearing on poverty, with a view to ascertain if these sectors have in any way been used to reduce poverty incidence in the country. Finally, this section provides an overview of the various programmes that have been taken up as a part of the strategy to directly attack the problem of urban poverty. It examines the principal underpinnings of such programmes, and analyses the process by which these are designed to reach the poor.

The last section of the part (Section 7) raises issues relating to the impact of stabilization and structural reforms on the urban poor. Although the process of adjustment in India began in early 1980s, it picked up pace only during the past two years; in this sense, its impact is still obscure in a quantitative sense. The section, besides presenting some data on the possible effects of such policies on employment and unemployment, suggests how the effects of reforms on the different income groups might be assessed.

Part III sums up the discussion on the state of India's urban poverty, and indicates its possible implications for future initiatives. It also relates the discussion to the role of international organizations such as the Asian Development Bank in poverty alleviation.

## PART ONE

### THE NATURE AND MAGNITUDE OF URBAN POVERTY

#### SECTION 1 - DEFINITION, MEASUREMENT AND TRENDS

##### (i) The Poverty Line

An extraordinarily large amount of work has been done in India during the past three-four decades on what poverty is, what measures it, and what distinguishes the poor from the non-poor.<sup>4</sup> A review of this work shows that while the subject continues to be highly contentious, there exists a broader acceptance of the view that poverty reflects the inability of an individual to satisfy certain basic minimum needs.<sup>5</sup> The inability is generally expressed in terms of a level of expenditure that is considered necessary to satisfy those minimum needs: those who are not able to attain that level of income or expenditure are counted as poor and others as non-poor. In this sense, poverty is discrete: either one is poor or non-poor.

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4. See in particular, the seminal contribution of V.M. Dandekar and Nilkantha Rath, Poverty in India, Indian School of Political Economy, Bombay, 1971.

5. That different measures can lead to the selection of different groups as poor, and consequently to the design of very different policy measures have been emphasized by several scholars. Paul Glewwe and Jacques van der Gaag, in their study of Cote d' Ivoire shows that the percentage of population identified as poor can vary between 8.70 and 26.08, depending on what measures one is using. They used nine different measures for determining the poverty levels. See their article: "Identifying the Poor in Developing Countries: Do Different Definitions Matter", in World Development, Vol. 18, No. 6, 1990, p. 803-814.

Among the recent attempts that have been made to determine what these minimum needs are, and what is the monetary equivalent or the level of expenditure corresponding to those needs, those made by the Nutrition Expert Group of the Indian Council of Medical Research (1968) and the Task Force on the Projection of Minimum Needs and Effective Consumption Demand (1979) deserve to be especially mentioned, as these have come to be extensively used in estimating the incidence of poverty. The Nutrition Expert Group has laid down the per capita calorie norms for population, making appropriate allowance for their ages, sex and the nature of their work, i.e., whether it is heavy, moderate or sedentary (Table 4).

The Task Force on the projection of Minimum Needs and Effective Consumption Demand have used these norms to work out the average calorie requirements, separately for rural and urban areas, taking into account the distribution of population in terms of age, sex, and activity. The average calorie requirements as estimated by the Task Force work out to 2435 calories (rounded off to 2400) for rural areas, and 2095 calories (rounded off to 2100 calories) for urban areas.<sup>6</sup> These calorie requirements represent the minimum biological needs averaged over different categories of population.

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6. Note that the average requirements are subject to changes as the distribution of population in terms of age, sex, activity and place of residence changes. However, the average requirements of 2400 and 2100 calories have continued to be used since the beginning of the Sixth Five Year Plan (1980-85) in all work relating to poverty estimation.

**Table 4**  
**Average Calorie Norms**

Ages	Average Calorie Norms Per Capita per day	
	Male	Female
1	700	700
1-3	1200	1200
4-6	1500	1500
7-9	1800	1800
10-12	2100	2100
13-15	2500	2200
15 plus		
i.heavy workers	3900	3000
ii.moderate workers	2800	2200
iii.sedentary and non-worker	2499	1900

**Source:** Report of the Nutrition Expert Group (1968).

The Task Force has further worked out the monetary equivalents of these average calorie requirements by using the household consumption expenditure data of the 28th round (1973-74) of surveys conducted by the National Sample Survey Organization (NSSO).<sup>7</sup> Using appropriate conversion factors and applying the inverse linear interpolation method to the data on average per capita monthly expenditure and the associated calorie content of food items, the Task Force estimated that on an average,

7. The National Sample Survey Organisation is the principal agency in India for conducting on a regular basis household surveys in the rural and urban areas. Between 1951/52 and 1972/73, it conducted household surveys on an annual basis which in 1973/74 were converted into quinquennial surveys. These surveys cover a sample of approximately 120,000 households. Since 1986/87, NSSO has started conducting, on an annual basis, a thin survey involving 20,000-30,000 households also.



Rs. 49.09 per capita per month satisfied a calorie requirement of 2435 per capita per day in the rural areas, and Rs. 56.64 per capita per month satisfied a calorie requirement of 2095 per capita per day in the urban areas, both at 1973-74 prices. These levels of expenditure have formed the basic poverty lines in the country, and been used in all *official* estimates of poverty with suitable adjustments for price changes. The adjusted values for the reference years as used in this paper, are shown in Table 5. It needs to be noted that in the official estimates, no adjustments are made in the poverty line on account of variations in prices in the different parts of the country which, as we shall see later, is one of the controversial issues in poverty estimation in the country.

**Table 5**  
**Monetary Equivalent of the all-India Poverty Line**

Year	Monetary Values (Rs.)	
	Rural	Urban
1973-74	49.09	56.64
1972-73	41.00	47.00
1977-78	60.60	69.90
1983-84	101.80	117.50
1987-88	131.80	152.13

**Source:** S.R. Hashim, "Monitoring Poverty: The Indian Experience", Planning Commission, mimeo, undated.

**(ii) Data Base**

There are two sets of data on household consumption expenditure in India. One set consists of data on household consumption expenditure on food, non-food and other items such as rents, taxes and cess for different population groups as collected by the National Sample Survey Organisation (NSSO). This data is obtained through surveys carried out once in five years in all states and Union Territories. These surveys are carried out separately in the rural and urban areas, and provide the principal source of data for estimating the poverty incidence.

The second set consists of the estimates of total private consumption expenditure, made by the Central Statistical Organisation (CSO). Forming a part of the National Accounts Statistics (NAS), these are available for the country, with no breakdown for either the states, or for the rural and urban areas. The two sets of estimates vary partly on account of the coverage of certain types of expenditures, and partly on account of the different methods employed by them.<sup>8</sup>

In the official estimates of poverty in India, the NSSO consumption estimates are adjusted to the estimates of consumption in National Accounts Statistics. The adjustment is pro-rata which amounts to increasing/decreasing the NSS expenditure by an adjustment factor for all categories of households. In effect, since the NSSO

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8. The estimates of household consumption expenditure as made by NSSO do not include the expenditures on consumption of services provided by the private non-profitable institutions and the imputed rents of households living in own dwellings. See, S.R. Hashim, *Ibid.*

estimates have been uniformly lower than the CSO estimates, the process of adjustment has meant shifting the NSS consumption distribution to the right without disturbing the overall mean as given out in the National Accounts Statistics. The difference between the two was relatively small in the 1960s and 1970s, but has grown since then, and constitutes today yet another controversial theme in all work relating to poverty estimation.<sup>9</sup>

**(iii) Estimates of Urban Poverty: All India**

We present here four sets of poverty estimates:

- a. the official headcount estimates of the poor for urban areas, for all-India and major states of the country. As pointed out above, these are based on the household consumption expenditure data of NSSO as adjusted by the National Accounts Statistics, and the all-India poverty line as given in Table 5. The official poverty line assumes that the relationship between the calorie intake and expenditure is the same over time and across different states of the country. These estimates are later in the paper (Section 3) used to examine questions such as: where and in what kinds of regions/states is urban poverty concentrated?; and is urban poverty a geographical transfer of poverty from the rural areas?
- b. the estimates of urban poverty using the NSSO household consumption expenditure without adjusting it with the National Accounts Statistics. These estimates relate to (i) the headcount index, given by the percentage

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9. The difference, i.e. the NAS estimates of household expenditure as a percentage of NSSO data, varied between -2.3 to 13.4 per cent during the 1960s and 1970s. Today, the NAS estimates of private consumption are higher by 25-30 per cent, which are attributed to (i) the change in the base year of national accounts, and (ii) the improved methodology and coverage. See for explanation, S.R. Hashim, *Ibid.*

of population having a per capita consumption of less than the poverty line; (ii) the poverty gap, i.e., the depth of poverty, measured as the aggregate poverty deficit of the poor in relation to the poverty line; and (iii) the severity of poverty by using the Foster-Greer-Thorbecke method. The severity of poverty is defined as the mean of the squared proportionate poverty gaps. POVCAL - a computer software has been used for making these estimates.<sup>10</sup>

- c. the estimates of urban poverty made by Gaurav Datt and Martin Ravallion. They have used a different poverty line for estimating the poverty incidence, it being Rs. 18.86 per capita monthly expenditure for urban areas which corresponds to the poverty line of Rs. 15 per capita monthly expenditure at 1960-61 all-India rural prices.<sup>11</sup>

10. The equations for headcount index, poverty gap index, and Foster-Greer-Thorbecke index are known but are reproduced for purposes of convenience:

**i. Headcount index (H)**

$$H = q/n$$

Where H is the headcount index, q are people who are below the poverty line in a population of size n.

**ii. Depth of poverty or poverty gap (PG)**

This is based on the aggregate poverty deficit of the poor relative to the poverty line, and is written as under:

$$(PG) = \sum_{i=1}^q (1-y_i/z)/n$$

where z denotes the poverty line and y is consumption. In this case, PG is the mean proportionate poverty gap in the population and the non-poor have zero poverty gap. This reflects the average distances of the poor below the poverty line, and gives a better idea of the depth of poverty.

**iii. Severity of poverty (P<sub>2</sub>)**

$$(P_2) = \sum_{i=1}^q (1-y_i/z)^2/n$$

Under this measure, aggregate poverty is equal to the population weighted sum of poverty levels in the various subgroups of the society. This is a weighted sum of the poverty gaps where the weights are the proportionate poverty gaps themselves.

See for details, Martin Ravallion, Poverty Comparisons, (p. 40-41), undated; and Michael Lipton and Martin Ravallion, Poverty and Policy, Ibid.

- d. the estimates of urban poverty made by Minhas, Kansal and Jain. Their estimates are noteworthy in that firstly, they allow for variations in the cost-of-living indices for different states - thus meeting the principal weakness in the official estimates which use a single poverty line for all states and, secondly, they do not make any adjustment between the NSS consumption expenditure data with that of NAS. Unlike in the case of official estimates which assume the relationship between the calorie intake and expenditure to be constant over time, Minhas et. al. have assumed this to vary over space and time.<sup>12</sup>

11. Datt and Ravallion have preferred to use the classic Bardhan-Dandekar-Rath poverty line of Rs. 15 per capita monthly expenditure at 1960-61 all-India rural prices. This is equivalent to a per capita monthly expenditure of Rs. 18.86 at 1960-61 all-India urban prices. See, Gaurav Datt and Martin Ravallion, "A New Time Series of Poverty Measures for India", The World Bank, June 1992, mimeo.
12. Minhas et. al. have taken the position that the procedure for pro-rata adjustment of the NSS with NAS data is questionable, and have in their work used the observed NSS size distribution of consumer expenditure without pro-rata adjustment in deriving the estimates of poverty incidence. They have also criticized the use of a single all-India poverty line for estimating the levels of poverty for different states. They note "In spite of the pronounced variation in climate, topography and prices in different states of this vast country, no state-specific norms of poverty have either been derived or suggested by the planning authorities. This poses a serious limitation in the estimation of the incidence of poverty in different regions/states". See, B.S. Minhas, S.M. Kansal and L.R. Jain "Incidence of Urban Poverty in Different States 1970-71 to 1983", Indian Statistical Institute, Technical Report No. 8902, January 1989. Scholars like Kanbur have argued that disputes regarding what the poverty line should be are common since the standard of living is a multidimensional concept, and calls for specification of a minimum acceptable level and its aggregation to form a poverty line. He further suggests that disputes also arise because the poverty line is a sharp divide between poor and non-poor. See, S.M. Ravi Kanbur, "Measurement and Alleviation of Poverty".

According to the most recent *official* estimates (1987-88), 20.1 per cent of the total urban population or 41.7 million persons are below the poverty line. In other words, they do not have the level of expenditure to be able to obtain 2100 calories per day and meet the expenditure on other essential non-food items. The 1972/73 to 1987/88 period witnessed in India what would appear to be a massive decline in urban poverty both in percentage terms as well as in absolute numbers. The number of the urban poor registered a marginal increase from 47.3 to 53.7 million in the first quinquennium only to consistently decline in the subsequent periods. The decline in the proportion and absolute numbers of the urban poor coinciding with a period of moderate-to-rapid urbanization is claimed to be a notable feature of the process of urbanization and economic development in India.

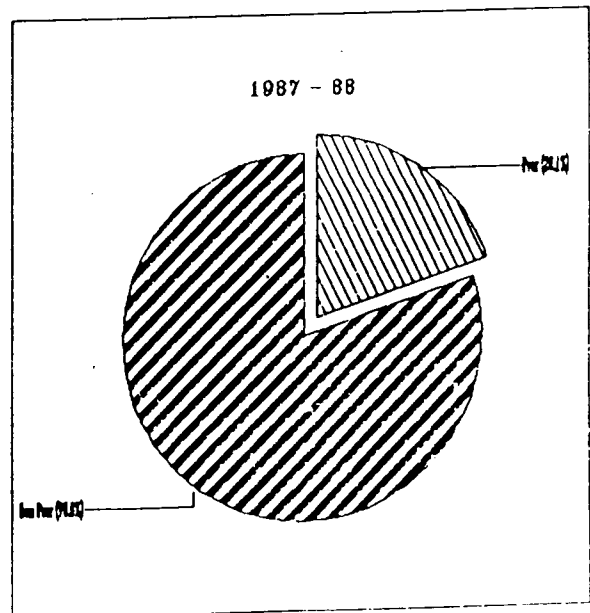
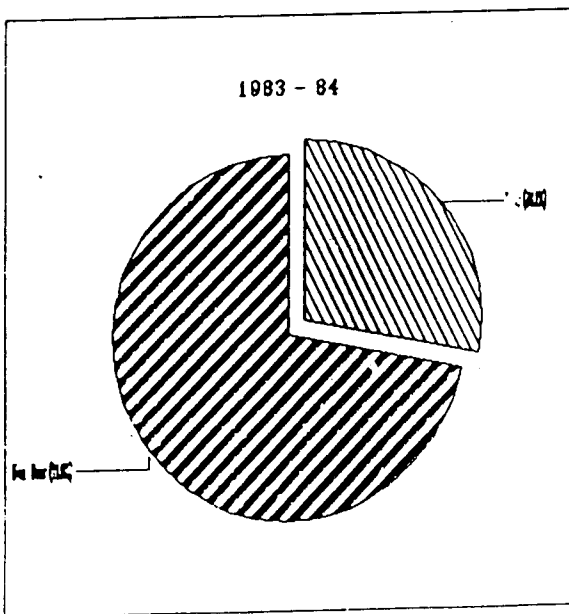
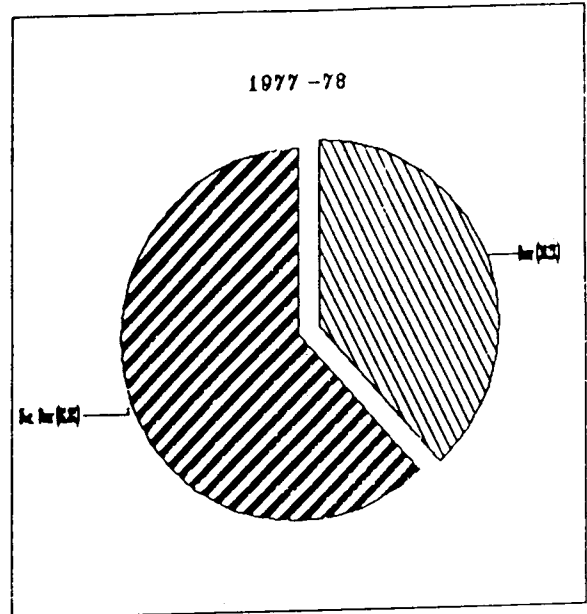
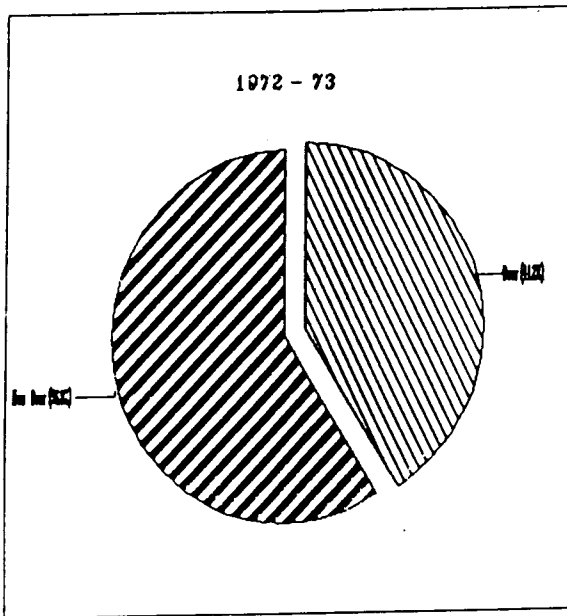
**Table 6**  
**Trends in Urban Poverty (Estimate I: Official)**

Years	Urban Population Below the Poverty Line	
	Numbers (million)	Per cent to the total urban population
1972/73	47.33	41.2
1977/78	53.70	38.2
1983/84	49.50	28.1
1987/88	41.70	20.1

**Source:** Planning Commission, New Delhi.

Chart 1

Incidence of Urban Poverty (Estimate I)



The optimism as displayed in the official statistics indicating a reduction in the incidence of urban poverty, stands grossly tampered when it is measured either without any adjustment of NSSO data (estimate 2), or using a different poverty line as has been done by Datt and Ravallion (estimate 3), or adjusting it with the state-specific cost-of-living indices (estimate 4). Using the NSSO data on household consumption expenditure without any form of adjustment places the incidence at 33.7 per cent in 1987/88 as against the official estimate of 20.1 per cent. At the same time, it is important that poverty incidence estimated this way also shows a decline over the 1972/73 to 1987/88 period, although the rate of decline is far less compared to that in the official estimate. That there was an improvement in the poverty situation is also borne out by other measures as well. For instance, the poverty gap showing the aggregate poverty deficit of the poor relative to the poverty line, as also the severity of poverty ( $P_2$ ) also registered a decline during the period 1972/73 to 1987/88. In 1972/73, the poverty gap was placed 13.53; in 1987/88, the gap declined to 8.65 per cent. The severity of poverty ( $P_2$ ) measured by Foster-Greer-Thorbecke method also plummeted from 5.32 to 2.96 signalling that whichever way poverty incidence is measured, there was, in fact, an overall improvement in this respect in the country.

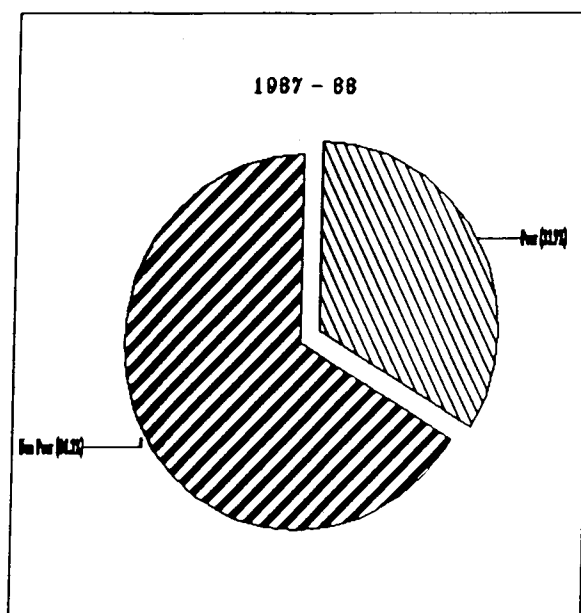
**Table 7**  
**Trends in Urban Poverty (Estimate II)**

Year	Incidence of Poverty		
	Headcount index %	Poverty gap index %	$P_2$
1972-73	45.38	13.53	5.32
1977-78	43.81	13.18	5.28
1983-84	41.31	11.74	4.45
1987-88	33.70	8.65	2.96

**Note:** Based on unadjusted NSS consumption expenditure data.



**Chart 2**  
**Incidence of Urban Poverty (Estimate II)**



Datt and Ravallion have used, as stated earlier, a poverty line of Rs. 15 per capita monthly expenditure at 1960-61 all-India rural prices, equivalent of Rs. 18.86 at 1960-61 all-India urban prices. From the estimates worked out on the basis of this norm, they conclude that there was an increase in poverty in the early 1950s; between mid-1950s and mid-1970s poverty fluctuated without a trend; and during 1977/78 to 1987/88, poverty decreased significantly with signs of levelling off thereafter. Further, the overall temporal profile of poverty is similar for all three poverty measures. However, compared to rural poverty, the initial increase in poverty during the early 1950s and later fall during the 1980s is less marked for urban areas. With urbanization, the share of the urban poor in the total number of the poor has, however, doubled from 15 to 30 per cent over the period.

**Table 8**  
**Trends in Urban Poverty (Estimate III)**

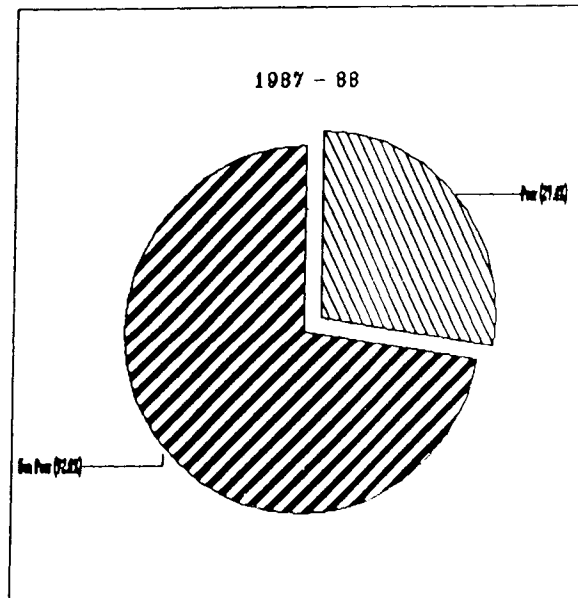
Year	Incidence of Poverty		
	Headcount index %	Poverty gap index %	P <sub>2</sub> %
1950-51	28.75	8.31	3.22
1972-73	36.55	9.62	3.39
1977-78	32.07	8.32	2.91
1983-84	27.88	6.50	2.04
1987-88	27.42	6.24	1.91

**Note:** Long-term trends on urban poverty are shown in an Annexure Table.

**Source:** Gaurav Datt and Martin Ravallion, Ibid.

**Chart 3**

**Incidence of Urban Poverty (Estimate III)**



There are several factors that influence the level and extent of poverty, important among them being the food habits, the pattern of wages, and the behaviour of prices. The main criticism of the official poverty line - as alluded to earlier, is that it is based on a consumption basket which is uniform across states, both in terms of its composition and price. Since the official poverty line does not incorporate the interstate differentials in either the pattern of consumption or the prices of commodities entering the consumption basket, several scholars have derived the state-specific poverty lines by using the interstate price differentials for different groups of commodities. Minhas, Jain and others have derived these price differentials both for urban and rural population and the middle group of urban and rural population. Using these price differentials and state specific price indices, they have obtained the state-specific poverty lines, and used them to estimate the prevalence of poverty.

Estimates of urban poverty by using the state-specific cost of living index are shown in the following table. Like in the earlier cases, these estimates also suggest a decline in the headcount ratio from 38.3 per cent in 1983-84 to 36.5 per cent in 1987-88, and by another estimate made by Minhas, from 46.5 per cent in 1972-73 to 42.9 per cent in 1977-78.<sup>13</sup> However, the number of the urban poor has risen markedly during the reference period, from 50.1 million in 1970/71 to 74.96 million in 1987/88.

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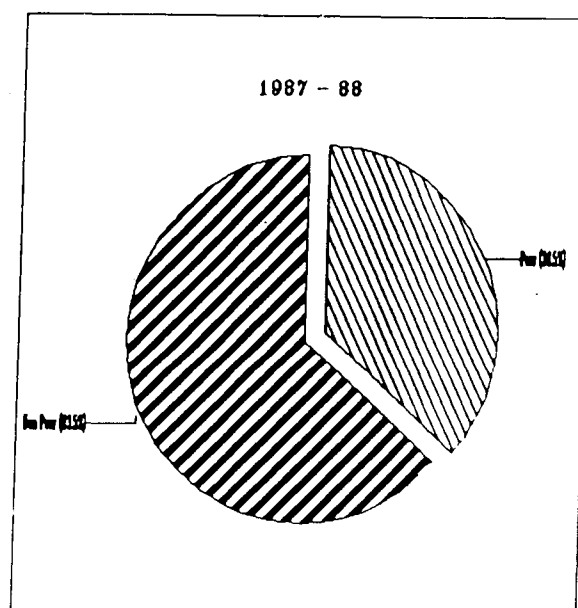
13. See, for #, B.S. Minhas, L.R. Jain and S.D. Tendulkar, "Declining Incidence of Poverty in the 1980s: Evidence versus Artifacts", in Economic and Political Weekly, 6-13 July 1991. (Table 3, p. 1675), and for \*, B.S. Minhas, S.M. Kansal, and L.R. Jain, *Ibid.* NA means that the authors have not given the absolute numbers of the poor.

**Table 9**  
**Trends in Urban Poverty (Estimate IV, Minhas et. al.)**

year	Urban Population below the poverty line (%)	
	(%)	Number(Million)
1972-73*	46.5	NA
1977-78*	42.9	NA
1983#	38.3	65.96
1987-88#	36.5	74.96

**Note:** For sources of (\*) and (#), see the following footnote.

**Chart 4**  
**Incidence of Urban Poverty (Estimate IV)**



The four sets of estimates provide different dimensions of the magnitude of urban poverty in India. The official estimates of poverty placing the number of the urban poor at about 41 million (1987/88) are significantly lower than the other three estimates. The estimates made by Minhas and others by using state-specific cost of living indices, on the other hand, indicate that poverty in the urban areas is widespread and although it is declining, there is no evidence of the absolute number of the poor having declined over time. According to their estimates, nearly 75 million persons constituting approximately 37 per cent of India's urban population do not have a level of expenditure that would enable them to satisfy the poverty-linked calorie requirements and meet out other related essential non-food needs. In between the low incidence (official) and high incidence (Minhas et al) lies the other two estimates.

Two points need to be emphasized by way of conclusion. First, that there has been a decline in the incidence of urban poverty can not be denied. This conclusion stands substantiated by whatever measure one uses for assessing the incidence of poverty. Second: the fall in poverty incidence is nowhere as high as it is shown by official statistics. The adjustment of consumption expenditure data with an upward revision of the NSSO data explains much of the fall. Other sets of data reveal a more modest reduction in poverty incidence, and possibly present a more realistic picture on the ground.

## **SECTION 2 - DISTRIBUTION OF URBAN POVERTY: WHERE?**

### **(i) Regional Spread of Urban Poverty**

It is widely accepted that poverty incidence is unequally distributed over space and regions: there are regions where it is high and regions where it is low. It is also accepted that poverty, being a function of a multiplicity of factors does not rise or fall over space and time in any specific order. Apart from the issue of its regional spread, there are many important questions with respect to the nature of regions which have high or low incidence and the nature of regions where poverty pressures have increased or decreased over time. Is the incidence of poverty high in comparatively poorer states or better off states? Is it high in states that have registered rapid urbanization as is commonly alleged, or in states where the pressures of urbanization are low? Is there any discernible pattern in such relationships? This section of the paper addresses such questions.

It is necessary to reiterate at the outset that the pressures of urban poverty are highly uneven in the different parts of the country, these being particularly severe in the states of Bihar (30%), Uttar Pradesh (27.2%), Andhra Pradesh (26.1%), Karnataka (24.1), Orissa (24.1%), and Madhya Pradesh (21.3%) (Table 10). These six states are major concentrations, accounting for 55 per cent of the total number of the urban poor in the country. The share of these states in total urban population is 41 per cent, indicating that relative to the levels of urbanization, poverty pressures in these states are severe; the only other state where relative to the level of urbanization the pressure is high, happens

to be Rajasthan.<sup>14</sup>

The other extreme is represented by the states of Gujarat, Haryana and Punjab and the northern hilly states of Himachal Pradesh and Jammu & Kashmir where the poverty incidence is low, in fact, noticeably low compared to the all-India average of 20.1 (1987-88). The poverty-urbanization coefficients in these states are less than one.

**Table 10**  
**Ranking of Major States by Incidence of Urban Poverty, 1987-88**

Major States	Percent of urban population below the poverty line, 1987-88	State's share in total urban population 1991*
Bihar	30.0	8.6
Uttar Pradesh	27.2	18.0
Andhra Pradesh	26.1	10.2
Karnataka	24.2	8.1
Orissa	24.1	2.6
Madhya Pradesh	21.3	7.4
West Bengal	20.7	8.7
Tamil Nadu	20.5	9.2
Rajasthan	19.4	4.6
Kerala	19.3	2.8
Maharashtra	17.0	11.3
Gujarat	12.9	4.1
Haryana	11.7	1.1
Assam	9.4	0.6
Jammu & Kashmir	8.4	0.3
Punjab	7.2	1.0
Himachal Pradesh	2.4	0.02

**Note: \*** The totals may not add up to 100 per cent since there are other smaller states which are excluded from this total.

**Source** Planning Commission, Ibid (for poverty data) and the Census of India, for data on population share, Ibid.

14. Analysis in this section is based on the official statistics.

An important aspect of the regional spread of urban poverty relates to the change in poverty levels over time, and the consequent change in the relative rankings of states by poverty incidence. Estimates of poverty given in Table 11 show that in percentage terms, the incidence of poverty has declined in all states, although the rate of decline varies sharply between them. States such as Tamil Nadu, Kerala and Jammu and Kashmir have achieved substantial reduction in poverty levels during 1972/73 - 1987/88; others, because of the low level of reduction have become relatively poorer. In absolute numbers, however, urban poverty shows an upward trend in Bihar, Orissa, Uttar Pradesh, Andhra Pradesh and Rajasthan, and a downward trend in others. Many states have succeeded in reducing the number of the poor, alongwith, of course, the headcount ratio. Downward trends are particularly marked in the hilly states of Jammu & Kashmir and Himachal Pradesh.



**Table 11**

**Change in Urban Poverty levels in Major States  
1972/73 to 1987/88**

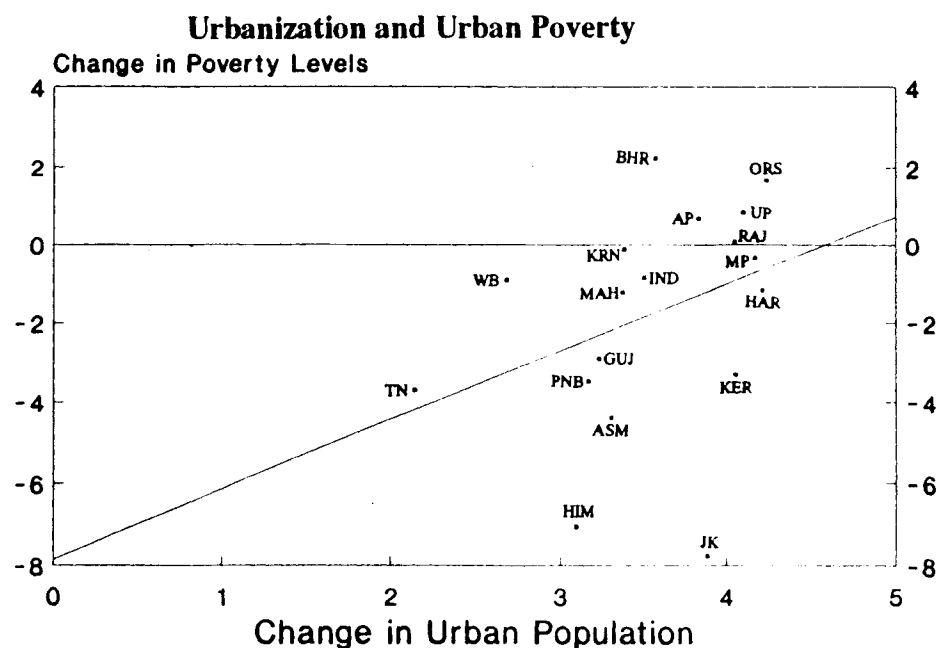
State	Number of the Urban Poor (Million)			Incidence of Poverty	
	1972/73	1987/88	Percent variation	1972/73	1987/88
<b>A. States where the number of the poor increased</b>					
Bihar	2.58	3.61	39.38	43.40	30.00
Orissa	0.85	1.09	28.24	43.30	24.10
Uttar Pradesh	6.64	7.52	13.25	51.60	27.20
Andhra Pradesh	3.85	4.26	10.65	43.80	26.10
Rajasthan	1.88	1.90	1.06	39.30	19.40
<b>B. States where the number of the poor decreased</b>					
Karnataka	3.48	3.37	-1.75	45.80	24.20
Madhya Pradesh	3.25	3.09	-4.92	44.80	21.30
West Bengal	4.16	3.63	-12.74	35.90	20.70
Haryana	0.56	0.47	-16.07	29.90	11.70
Maharashtra	5.67	4.72	-16.75	35.30	17.00
Gujarat	2.66	1.71	-35.71	34.00	12.90
Kerala	1.92	1.16	-39.58	52.70	19.30
Punjab	0.72	0.43	-41.10	21.80	7.20
Tamil Nadu	6.78	3.85	-43.22	52.20	20.50
Assam	0.49	0.25	-48.98	33.80	9.40
Himachal Pradesh	0.03	0.01	-66.67	12.50	2.40
Jammu & Kashmir	0.47	0.14	-70.21	51.60	8.40

Source: Planning Commission, Ibid.

## (ii) Poverty and Urbanization

Is urban poverty the result of rapid urbanization and urban population growth? Is it the consequence of the inability to effectively manage urbanization and absorb the incremental urban population? The Indian data in this respect are mixed as the poverty incidence is low in high-urbanized states like Maharashtra, Gujarat and Punjab, and high in low-urbanized states such as Bihar, Uttar Pradesh, Orissa and Madhya Pradesh. At the same time, poverty incidence is low in the moderately urbanized states of Andhra Pradesh and Karnataka, and low in several low-urbanized states, Himachal Pradesh and Jammu and Kashmir being among them. Closer examination of data over time would show that in the aggregate urbanization pressures have increased poverty in the country. This is reflected in a positive correlation, albeit a weak one (+0.346), between urbanization and poverty incidence (see Table 12). It would tend to suggest that urban poverty is not only a function of urbanization or urban population growth; rather, it owes itself to a multiplicity of factors.

Chart 5



Note: Change in urban population is the annual compound rate between 1971 and 1981, while the change in poverty levels is the annual compound rate between 1972/73 and 1987/88.

**Table 12**

**Urbanization Pressures and Change in Urban Poverty Levels**

States	% change in urbanization pressures, 1971-91	% change in poverty levels, 1972/73 to 1987-88
<b>Category I: High urbanization pressure and increase in poverty levels</b>		
Orissa	4.24	+1.67
Uttar Pradesh	4.10	+0.83
Rajasthan	4.04	+0.07
<b>Category II: Moderate urbanization pressure and increase in poverty levels</b>		
Andhra Pradesh	3.83	+0.68
Bihar	3.57	+2.24
<b>Category III: High urbanization pressure and decrease in poverty levels</b>		
Haryana	4.21	-1.16
Madhya Pradesh	4.17	-0.34
Kerala	4.06	-3.30
<b>Category IV: Moderate urbanization pressure and decrease in poverty levels</b>		
Jammu & Kashmir	3.89	-7.75
<b>Category V: Low urbanization pressure and decrease in poverty levels</b>		
Karnataka	3.38	-0.11
Maharashtra	3.37	-1.21
Assam	3.31	-4.39
Gujarat	3.23	-2.90
Punjab	3.17	-3.47
Himachal Pradesh	3.09	-7.06
West Bengal	2.68	-0.90
Tamil Nadu	2.14	-3.70

**Source:** i. Planning Commission, Ibid.  
ii. Census of India, 1991, Ibid.

**Note:** Percentage change is shown as annual average compound rate.

### **(iii) Poverty and Income Growth and Distribution**

The issue whether income growth is an essential condition for poverty reduction is currently in the forefront of many discussions on development economics. To what extent does it stand substantiated by the Indian data? Is the poverty incidence low in high income states? Has the incidence risen in states which have registered low income growth rates? We present below the Indian position on urban poverty and per capita domestic product for major states.

The incidence of urban poverty is high in Bihar, Uttar Pradesh, Orissa and Madhya Pradesh whose per capita SDP is low in relation to the national average SDP, and where the rate of growth of SDP during 1972-73 to 1987-88 was also low. In contrast, low poverty incidence is a dominant characteristic of high SDP and moderate-to-high growth states such as Maharashtra, Gujarat, Haryana and Punjab. There are several states, however, which do not reveal any such clear pattern of relationships, although if we exclude states like Himachal Pradesh and Jammu & Kashmir, it is possible to argue somewhat more definitely that income level and income growth are critical conditions for poverty reduction. There seems to be fewer examples in the country where any state has been able to achieve substantial reduction in poverty in the absence of income growth. The two happens to be in an inverse relationship, with a correlation coefficient of -0.373. Similar conclusions emerge when income growth and poverty data are plotted for two time periods (see Chart 6). Poverty levels have declined over time in those States that registered higher growth rates in incomes. It shows itself in an inverse correlation (-0.1476), although the correlation is not significant.

**Table 13**

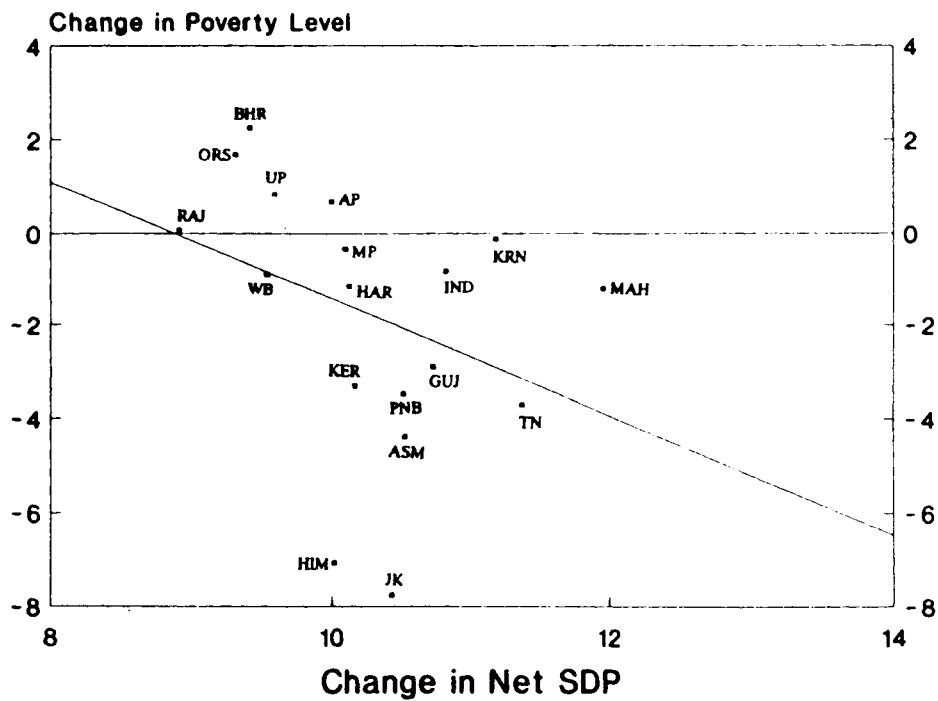
**Changes in Net State Domestic Product and Urban Poverty Levels**

States	% change in net domestic product: 1972 to 1987	% change in poverty levels: 1972/73 to 1987/88
<b>Category I: High increase in SDP and decrease in poverty levels</b>		
Maharashtra	11.95	-1.21
Tamil Nadu	11.36	-3.70
Karnataka	11.18	-0.11
<b>Category II: Moderate increase in SDP and decrease in poverty levels</b>		
Gujarat	10.73	-2.90
Assam	10.53	-4.39
Punjab	10.51	-3.47
Jammu & Kashmir	10.43	-7.75
Kerala	10.16	-3.30
Haryana	10.12	-1.16
Madhya Pradesh	10.09	-0.34
Himachal Pradesh	10.01	-7.06
<b>Category III: Low increase in SDP and decrease in poverty levels</b>		
West Bengal	9.53	-0.90
<b>Category IV: Low increase in SDP and increase in poverty levels</b>		
Andhra Pradesh	9.99	+0.68
Uttar Pradesh	9.59	+0.83
Bihar	9.41	+2.24
Orissa	9.30	+1.67
Rajasthan	8.89	0.07

**Source:** i. Planning Commission, Ibid.  
 ii. Central Statistical Organisation (1989), "Estimates of Net Domestic Product", New Delhi.

**Note:** i. Net SDP figures are at current prices.  
 ii. Percentage change is shown as annual average compound rate.

**Chart 6**  
**Per Capita GDP and Urban Poverty**

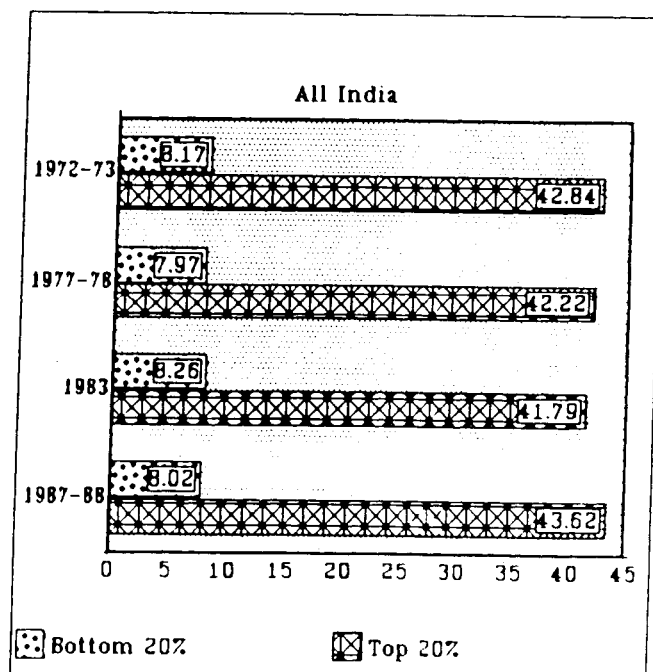


One of the more difficult questions in any poverty analysis relates to the effects of income distribution on poverty reduction. Income distribution data in India, like in most developing countries, are, however, most unreliable; therefore, we use the expenditure distribution data of NSSO as a proxy and examine if the incidence of poverty is, in any way, lower in states where the expenditure distribution has improved over the years. It is necessary to point out at the outset that in India, while poverty incidence is high, income or expenditure inequalities are low in relation to many Asian and other developing countries. The distribution pattern of consumption expenditure has

changed marginally during the 1972/73 to 1987/88 period, with the share of the bottom 20 per cent in the total household expenditure declining from 8.17 per cent to 8.02 per cent and that of the top 20 per cent rising from 42.84 per cent to 43.62 per cent. The middle quintile groups have suffered during this period, although the degree of sufferance as measured by their share is not high. Such results are substantiated by the GINI coefficient for all-India (urban) which stood at 32.3 per cent in 1987-88, having shown a consistent fall from the initial reference year of the study.

**Chart 7**

**Share of the Bottom 20% and Top 20% in Household Consumption Expenditure**



The shares of different quintiles in total consumption expenditure for major states are shown in table below. The table shows that currently (1987/88), the share of the bottom 20 per cent is low in the case of Kerala and Maharashtra (7.24 and 7.29 per cent respectively), and high in the case of Punjab (9.66 per cent). In Andhra Pradesh, Karnataka, Uttar Pradesh and Madhya Pradesh which are high poverty states, the poverty situation appears to have worsened during 1972/73 and 1987/88, owing to the dual effect of the falling share of the bottom 20 per cent, and rising share of the top 20 per cent in household consumption expenditure. The high poverty incidence can, in such cases, be attributed, at least in part, to the worsening of expenditure distribution.

The low levels of poverty in Punjab and Maharashtra are possible to be explained, by higher SDP, higher growth rates, and improved expenditure distribution. Bihar and Orissa, the otherwise typical poor states with high urban poverty incidence have today a better distribution of expenditure as compared to 1972/73.



**Table 14**

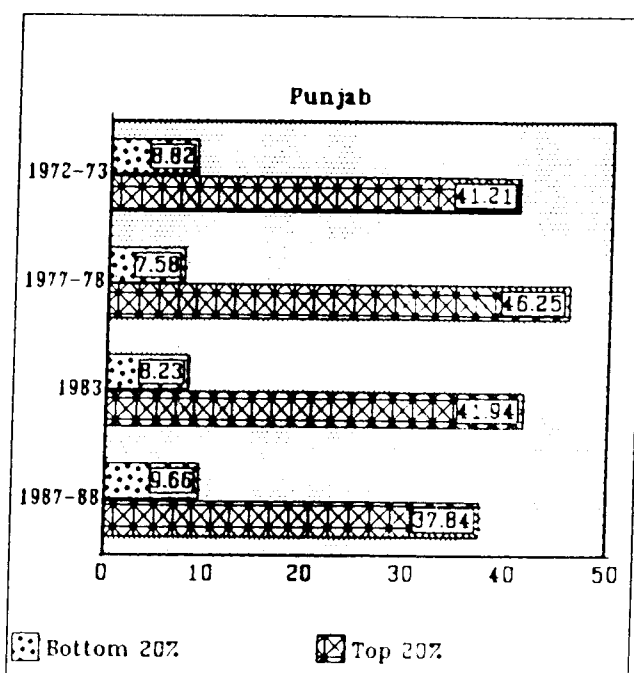
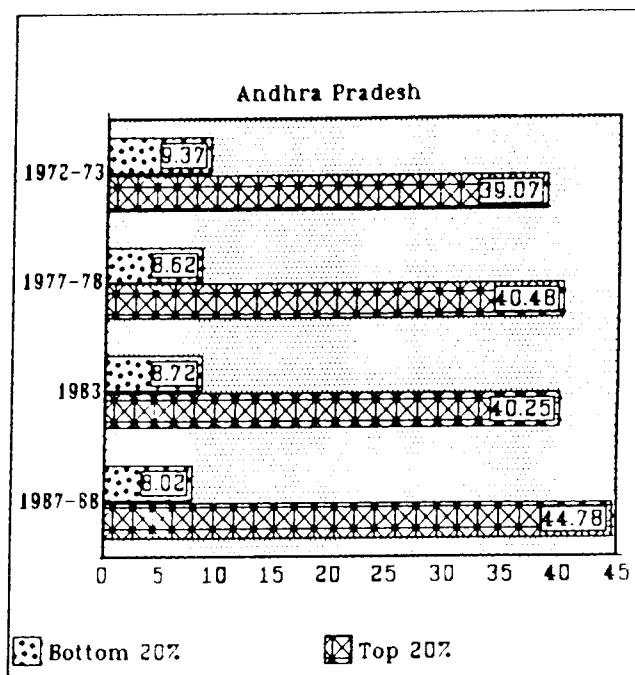
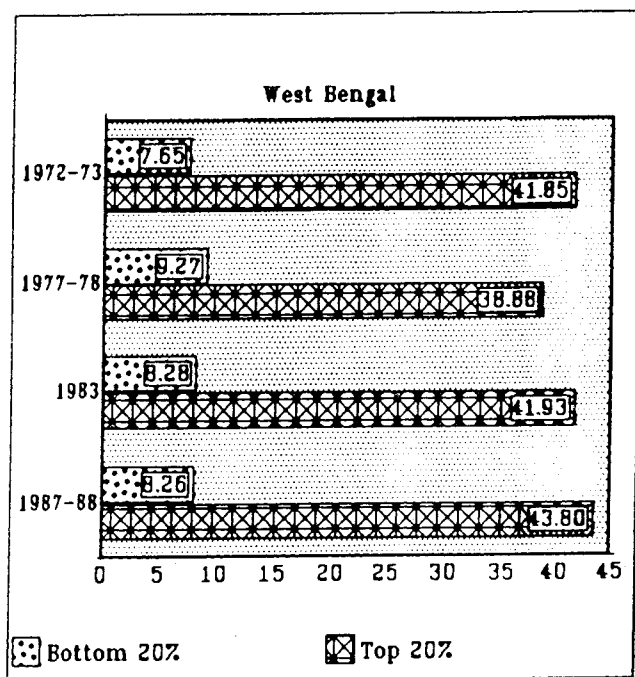
**Share of the bottom 20% in household consumption - Urban**

State	1972/73	1977/78	1983/84	1987/88
<b>Category I:</b>				
<b>Declining Share of bottom 20% coinciding with rising share of top 20%</b>				
Andhra Pradesh	9.37	8.62	8.72	8.02
Assam	10.40	9.14	10.20	9.35
Gujarat	10.88	9.34	10.34	9.73
Jammu & Kashmir	10.98	10.35	11.33	9.61
Karnataka	8.68	8.09	7.83	8.38
Uttar Pradesh	9.12	7.58	8.97	8.45
Himachal Pradesh	-	8.60	8.38	7.53
Tamil Nadu	9.00	8.20	7.20	7.92
<b>Category II:</b>				
<b>Declining share of bottom 20% coinciding with the falling share of top 20%</b>				
Madhya Pradesh	8.68	7.90	9.50	8.46
<b>Category III:</b>				
<b>Rising share of bottom 20%, coinciding with rising share of top 20%</b>				
Kerala	6.98	6.47	7.40	7.24
Rajasthan	8.43	9.27	8.81	8.58
West Bengal	7.65	9.27	8.28	8.26
<b>Category IV:</b>				
<b>Rising share of bottom 20% coinciding with declining share of top 20%</b>				
Bihar	8.47	9.04	9.24	9.63
Maharashtra	7.08	7.07	7.71	7.29
Orissa	7.94	8.24	9.18	8.40
Punjab	8.82	7.58	8.23	9.66

**Source:** National Sample Survey Organisation, Quinquennial Surveys of household consumption expenditure.

**Chart 8**

**Share of the Bottom 20% and Top 20% in Household Consumption Expenditure, Urban (Selected States)**



**(iv) Urban-Rural Poverty nexus**

Is urban poverty an outflow of poverty from the rural areas? This question has long been debated in urban literature and continues to divide the scholars into two groups: One group led by Dandekar and Rath has attempted to suggest that "the urban poor are only an outflow of the rural poor into the urban area. Fundamentally, they belong to the same class as the rural poor".<sup>15</sup> This position has been contested by the other group comprising Michael Greenwood, Biswajit Banerjee and S.M. Kanbur, Ursula Sharma and others who have shown that the "poor are less likely to migrate from village to town"; that "rural poverty acts as a deterrent to migration", and "prosperity is more conducive to migration than poverty".<sup>16</sup>

In this subsection, we present time series data on urban and rural poverty for all-India and major states, and show that urban poverty is both an independent phenomenon as also a phenomenon which is closely associated with rural poverty. Here, it needs to be reiterated that the period 1972/73 to 1987/88 witnessed a noticeable fall in the incidence of both urban poverty and rural poverty. This fall is evident from the official data as also from the data presented by individual scholars like Minhas and

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15. V.M. Dandekar and Nilakantha Rath (1971), Poverty in India, Ibid.

16. Michael Greenwood (1971), "A Regression Analysis of Migration to Urban Areas of a less developed country: The case of India", in Journal of Regional Science, 11(2). Biswajit Banerjee and S.M. Kanbur (1981), "On the Specification and Estimation of Macro Rural-Urban Migration Functions: With an Application to Indian Data", Oxford Bulletin of Economics and Statistics, 43(1); and Ursula Sharma (1977), "Migration from an Indian Village: An Anthropological Approach", Sociologia Ruralis, 17(4).

others. State level movements in the poverty levels are, however, instructive in addressing the main question of the link between urban and rural poverty. For this analysis, it is possible to envision four typologies:

- i. states where the incidence of urban and rural poverty has risen, although at different rates;
- ii. states where the incidence of both urban and rural poverty has declined, again at different rates;
- iii. states where the incidence of urban poverty has risen but the rural poverty incidence has registered a decline; and
- iv. states where the incidence of urban poverty has declined, but the rural poverty incidence has risen.

**Table 15**

**Trends in Urban and Rural Poverty, All India**

Years	Official Estimates %	
	Urban	Rural
1972/73	41.20	54.10
1977/78	38.20	51.20
1983/84	28.10	40.40
1987/88	20.10	33.40

Admittedly, these are not discrete typologies and in reality, there are large scale rural-urban population movements adding to the complexity of the problems.<sup>17</sup> Table 16 gives these typologies, showing that Bihar is the only state where the incidence of poverty has increased in both the rural and urban areas. On the other hand, there has occurred an overall improvement in the urban and rural poverty status in Gujarat, Maharashtra, Haryana and Punjab, the typical progressive states in the country.

In the states of Orissa, Rajasthan, Uttar Pradesh and Andhra Pradesh, the incidence of rural poverty has declined and the incidence of urban poverty has increased. Similarly, as may be seen in Table 17, in at least three states, the rate of decline in rural poverty is significantly larger than in urban poverty where it is noted to be marginal. It is this group of states where it is possible to see a more direct link between urban and rural poverty, and to suggest that urban poverty may be an overflow or transfer of poverty from the rural areas.

This section of the paper brings out three points:

- i. the spatial/regional distribution of poverty in the country is highly uneven. Some states, however, have achieved significant reduction in poverty levels; others have lagged behind considerably;
- ii. linkages between the rate of urbanization, the rate of growth of state domestic product, and poverty levels are weak, and far from robust, testifying to the complexity of the phenomenon of poverty; and
- iii. urbanization is both a transfer of poverty from the rural areas as also an autonomous phenomenon.

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17. It is perfectly conceivable that the incidence of urban poverty may rise even in the absence of any transfer of poverty from the rural areas. The conclusions, therefore, reached here should be read with this general reservation.

**Table 16**  
**Urban-Rural Poverty Nexus**

States	Percent change in the Number of the Poor between 1972-73 and 1987-88	
	Urban	Rural
<b>Category I:</b> <b>Increase in urban and rural poverty</b>		
Bihar	39.38	49.25
<b>Category II:</b> <b>Decrease in urban and rural poverty</b>		
Assam	-48.97	-26.96
Gujarat	-35.71	-35.33
Haryana	-16.07	-26.63
Himachal Pradesh	-66.67	-13.73
Jammu & Kashmir	-70.21	-40.42
Kerala	-39.58	-64.85
Maharashtra	-16.75	-12.85
Punjab	-41.10	-57.52
Tamil Nadu	-43.21	-24.58
<b>Category III:</b> <b>Increase in urban and decrease in rural poverty</b>		
Orissa	28.24	-15.68
Rajasthan	1.06	-23.24
Uttar Pradesh	13.25	-9.68
Andhra Pradesh	10.65	-26.07
<b>Category IV:</b> <b>Marginal decrease in urban and substantial decline in rural poverty</b>		
Karnataka	-1.75	-13.73
Madhya Pradesh	-4.92	-12.73
West Bengal	-12.74	-37.89

Source: Planning Commission data on urban and rural poverty, see Annexure Tables.

### **SECTION 3 - EMPLOYMENT, SHELTER AND SERVICES: THE ISSUE OF ACCESS**

Assessment of the magnitude of poverty by using only the criterion of calorie intake or its money equivalent has attracted widespread criticism in recent years. It is argued that poverty -- in particular, urban poverty, is much more than undernourishment, and is a function of the access of population to what has generally been referred to in literature, the human development or quality of life indices involving stable employment, shelter, health, and education. The number of people who do not have adequate access or who are unable to secure access to, or participate in, the labour market, and shelter and such services either because they are disadvantaged vis-a-vis others, or because of supply rigidities, it is held, are poor and deprived. This is yet one more form of deprivation that indicates the existence of poverty. Several explanations as to why certain groups of people remain disadvantaged have been advanced -- the dualism, discrimination, and the segmented markets, being a few of them. In this section, we have put together evidence on the extent of access of urban population to (i) labour market, (ii) land and shelter, and (iii) basic services.

#### **(i) Labour Market**

It is useful to point out at the outset that the size of the labour market - more appropriately, the labour force in India, is both small and segmented. It is small as in 1991, only about 35 per cent of the total urban population of over 7 years of age constituted what the Census of India refers to as "workers". It is segmented as the labour

market has come to be seen in terms of formal/informal, wage/non-wage, regular/casual, and tradeables/non-tradeables categories. These segments or categories are common in labour market studies. What is important to note is that the urban poor have come to be identified with certain "segments" - informal, non-wage, casual and non-tradeables being their common traits.

The size of the labour market has grown very slowly in the country as compared to the growth of population in the relevant age-groups, and left out in the process a significant proportion of population from securing access to gainful employment. According to the Census of India, the percentage of workers has changed only marginally over the decades: 29.4 per cent in 1971 to 28.4 per cent in 1981, and 29.0 per cent in 1991, showing major labour market rigidities.<sup>18</sup>

Labour market rigidities show themselves more robustly firstly, in the tardy growth of employment in the organized sector; secondly, the increasing informalization and casualization of the labour market, and thirdly, rising urban unemployment. According to the NSS surveys, organized sector employment has not grown fast enough in the country to absorb the increasing labour force; during the period 1972/73 to 1987/88, employment increased by a bare 2.11 per cent per annum, and employment elasticities, in fact, registered a fall from 0.61 in the 1970s to 0.38 in the 1980s.<sup>19</sup> This limited growth of organized sector employment has led, on the one hand,

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18. These percentages are to total urban population.

19. Employment elasticities are measured as the ratio of employment growth to the growth of value added. See, T.S. Papola, "The Question of Unemployment", in Bimal Jalan (Ed.), The Indian Economy: Problems and Prospects, Penguin 1992.



to an expansion and proliferation of employment in the unorganized informal sectors which are at best, casual and irregular, and, on the other hand, to rising urban unemployment.

**Table 17**

**Organized Sector Employment**

Year	Annual average growth rate of employment	Employment elasticities
1972/73 to 1977/78	2.48	0.61
1977/78 to 1983/84	2.42	0.55
1983/84 to 1987/88	1.36	0.38

**Source:** T.S. Papola, 1992, Ibid.

"Casualization", meaning an absence of stable or regular employment is an important indicator of the growing rigidities of the urban labour market and a manifestation of increasing marginalization. In 1987/88, 14.6 per cent of the male work force and 25.4 per cent of the female work force were reported to be "casually employed". In 1972/73, these percentages were lower as may be seen from the following table:

**Table 18**

**Percentage of Casually Employed Workers, Urban**

Percentage	1972/73	1977/78	1983/84	1987/88
Male	10.1	13.2	15.4	14.6
Female	23.7	25.6	28.4	25.4

**Source:** Sarvekshana, Special Issue, September 1990.

The percentage of households classified as dependent on casual labour is higher in low expenditure households, indicating the vulnerability of such households to the labour market conditions and pressures. In fact, non-wage, casual employment as opposed to regular and wage employment seems to be the hallmark of households falling in low per capita household expenditure categories.

**Table 19**  
**Percent Distribution of Households by Household Type**  
**in Different Monthly Per Capita Expenditure Classes, 1987-88**

Household monthly per capita expenditure classes	Casual	Wage salaried
0-90	31.5	25.3
90-110	31.1	22.3
110-135	23.0	28.6
135-160	17.2	35.0
160-185	13.9	40.5
185-215	11.3	44.8
385-520	5.5	58.5
520-700	3.3	60.5
700 & over	2.3	59.3
All Expenditure Classes	12.7	44.2

**Source:** Sarvekshana Special Issue, Sept. 1990.

**Note:** The balance is accounted for by self employed, others and no-response, entries.

These are not the only indicators of the growing constraints within the labour market; equally important is the rising unemployment in the urban areas. The NSSO data show that open unemployment rates in the urban areas are 6.1 for males and

8.5 for females. Although these may appear to be modest in comparison with rates in several developing countries, the fact that these have risen since 1972/73, indicates the new pressures on the urban labour market. Cumulatively, the statistics in respect of the proportion of people unable to gain access to the labour market, the proportions who have access to employment of a casual nature, and very low growth of the organized sector employment point to gross deprivations in so far as employment is concerned.

**Table 20**  
**Urban Unemployment Rates 1972/73 to 1987/88**

Years	Unemployment Rates	
	Males	Females
1972/73	4.8	6.0
1983/84	5.9	6.9
1987/88	6.1	8.5

**Source:** Sarvekshana, Special Number, September 1990.

**(ii) Shelter**

Much importance has come to be placed in the developing countries on the provision of shelter. Absence of shelter is seen as an expression of denial of basic human rights. Moreover, recent studies on shelter have heightened its importance by suggesting that it has vital linkages with economic productivity, and its absence can have serious consequences for urban productivity.

The problem of shelter shows itself graphically in the rising number of slum and squatter settlements and the number of people living in them. However, reliable estimates on slum population are scarce and dated, forcing us to rely on the NSS surveys conducted during July 1988-June 1989. These surveys place the slum population in the country at 14.7 per cent of the total urban population which, prima facie, seem to be a gross underestimate judging by the fact that in 1981, slum population accounted for 17.03 per cent of the total urban population and there is no indication of any decline in the slum population since then.

Slum population is significant in several states. In Maharashtra which is a high-income state, 25.4 per cent of the total urban population live in slums and bustees as these settlements are often referred to; the same percentages are 19.07 for Orissa, 18.23 per cent for Andhra Pradesh, 18.09 per cent for Madhya Pradesh, 15.72 per cent for Bihar, and 17.6 for West Bengal. These high proportions of slum population suggest gross inabilities on the part of urban households to gain access to the housing market, and consequently resort to slum living. It also means slow growth of urban housing, caused by a host of policy-related factors. These will be discussed later in this study.

The inability of the urban population to gain access to the housing market is also reflected equally in the percentage of households living in temporary (katcha and semi-pucca) structures. In Andhra Pradesh, almost 39 per cent of urban households live in temporary and semi-temporary structures; in Bihar, Karnataka, Madhya Pradesh, Orissa, and Tamil Nadu, over one-third of urban households live in such structures exposing themselves to various kinds of risks and hazards. The percentage of

households living in temporary structures is noticeably high in low expenditure household categories, adding yet another disability to the numerous disadvantages such households already suffer in the urban areas.

**Table 21**  
**Percentage Distribution of Households living in Slums, and Temporary and Semi-Temporary Structures, 1988/89**

States	Percentage of Households living in slums	Percentage of Households living in temporary & semi-temporary structures
Bihar	15.72	33.42
Uttar Pradesh	9.53	26.70
Andhra Pradesh	18.23	38.26
Karnataka	16.94	37.33
Orissa	19.07	46.80
Madhya Pradesh	18.09	44.96
West Bengal	17.60	26.73
Tamil Nadu	9.23	35.93
Rajasthan	8.06	12.89
Kerala	4.28	31.46
Maharashtra	25.42	25.31
Gujarat	10.86	18.23
Haryana	4.90	6.53
Assam	12.02	44.72
Jammu & Kashmir	2.57	24.03
Punjab	6.28	11.03
Himachal Pradesh	4.31	30.16
<b>All India</b>	<b>14.68</b>	<b>28.96</b>

**Source:** Sarvekshana, Ibid.

Poverty levels and the proportion of households living in slums and in temporary and semi-temporary structures are closely associated. Bihar, Andhra Pradesh, Karnataka, Orissa and Madhya Pradesh have both higher levels of poverty and higher percentage of households living in slums and temporary structures, an additional evidence of urban poverty being a multifaceted phenomenon.

### (iii) Services

Deprivations in the form of the non-availability of essential and basic services, such as health, water supply, sanitation, and primary education are widespread in India's urban areas. It needs to be pointed out that there has occurred in recent decades a massive improvement in the availability of water supply and sanitation services as well as educational services. Yet, the coverage of urban population by such services continues to be in an unsatisfactory state, pointing to the persistence of yet another type of poverty in the urban areas. According to the more recent data, approximately 12 per cent of the urban population have no access to water supply, and nearly 57 per cent do not have any access to sanitation. In several states - generally those where the poverty incidence is high, the percentage of population without access to water supply and sanitation is extremely high. In the lower fractile groups, the proportion of population dependent on river, canals and tankers for supply of water is high; over 60 per cent of those who use river and canals for water and 70 per cent of those who use tankers belong to fractile groups of less than Rs. 40. Similarly, nearly 50 per cent of households in the fractile groups of less than Rs. 40 have no access to latrines, as opposed to about 10-12 per cent in the fractile groups of over Rs. 80. A very

significant proportion of the urban population stands deprived of any education, falling in the category of illiterates. According to the 1991 Census, 49.03 million or 26.9 per cent of the total urban population of over 6 years of age stand bypassed even the primary education, placing them in the category of "illiterates".

**Table 22**  
**Percentage of Urban Population without Access to  
Water Supply, Sanitation, and Education**

State	Percentage of urban population without access to		
	Water Supply 1988	Sanitation 1988	Literacy 1991
Bihar	30.23	61.21	43.95
Uttar Pradesh	30.44	85.95	49.49
Andhra Pradesh	28.25	80.01	43.19
Karnataka	00.40	42.81	26.27
Orissa	62.20	66.22	28.38
Madhya Pradesh	19.00	89.68	41.18
West Bengal	30.49	67.82	33.51
Tamil Nadu	11.49	42.22	31.90
Rajasthan	01.41	23.78	45.93
Kerala	31.79	68.22	18.87
Maharashtra	00.30	37.60	31.82
Gujarat	08.13	22.49	35.19
Haryana	00.00	00.00	38.38
Assam			
Jammu & Kashmir	04.43	92.95	
Punjab	28.82	47.64	38.35
Himachal Pradesh	00.00	80.28	26.29
<b>All India</b>	<b>11.76</b>	<b>56.10</b>	<b>28.22</b>

**Sources:** 1. Ministry of Urban Development  
2. Census of India, Paper 2 of 1991.

If we look at the entire statistical evidence of this chapter, the overall poverty situation in India's urban areas appears to have assumed disconcerting proportions and complexity. The number of the urban poor and those who are deprived in terms of employment, shelter and services are phenomenal. The cumulative effect of the absence of adequate employment opportunities, lack of shelter, and inadequacies in respect of essential services is, at the least, grim. Moreover, the absence of direct linkages between poverty, urbanization, income growth and income distribution has made the issue complex and multifaceted. A number of points are, however, exceptional and, therefore, worth noting:

- Irrespective of how poverty is measured, the trend is towards its decline. It is thus possible to argue that even a modest income growth can lead to reduction in poverty provided income/expenditure distribution does not worsen.
- Most high-urbanized states have lower incidence, and low-urbanized states have high incidence. At the same time, the fact that the rate of urbanisation has cast pressures on poverty levels cannot be altogether ignored.
- Deprivations in respect of productive and regular employment, shelter and services are large, putting the deprived into a state of acute poverty. Market responses to fast growing demand have continued to be extremely weak.



## SECTION 4 - A PROFILE OF THE URBAN POOR

There is considerable ambiguity in literature on the profile and characteristics of the urban poor; the title of Rakesh Mohan and Nancy Hartline's widely quoted study, "The Poor of Bogota: Who they are, What they do, and Where they live?" being a clear example of the prevailing ambiguity.<sup>20</sup> On the one hand, there are the historically accumulated perceptions about the urban poor which have come to suggest that the urban poor usually have large-sized families; the unemployment rate among them is high and consequently they have lower incomes; those who are employed work in small and unenumerated establishments and on earnings which are lower than the minimum wages; like their rural counterparts they too have no assets which make them vulnerable, and that they live in slums and squatter settlements which are high risk and spatially disadvantaged settlements. Many of these perceptions have grown out of studies of the poor in rural areas; others seem to be rooted in the research work of the 1960s and early 1970s which equated urban poverty with slums.

Recent studies on urban poverty, on the other hand, have produced evidence which tend to both support and refute the above perceptions. In this section, we present this evidence. Taken from a number of recent microlevel surveys an attempt is made here to present a portrayal of the urban poor by focusing on their demographic and socioeconomic characteristics, e.g., the size of households, the pattern of employment,

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20. Poverty line captures only the consumption dimensions of poverty. For greater policy relevance, data are needed on how the poor live and the economic environment in which they work.

income levels, and expenditure composition.<sup>21</sup> The questions that we have addressed in the analysis are: what relationship exists between the size of a household and the likelihood that it will be poor? Given the number of persons in a household, how is the risk of poverty shared between members of different ages and sex? How large a factor is unemployment or underemployment in poor households? What is the nature of their employment? What are the main sources of incomes of the poor? How variable are the incomes of the poor?<sup>22</sup>

**(i) Demographic Characteristics**

Is poverty the cause of large household size or does the size of the household determine the standard of living or its poverty (affluence) status? This is one of the standard questions which has been looked at in literature in a highly polarized fashion. It has been shown that larger households tend to get poorer; it has also been shown that the poor households are driven to get larger.

Poverty studies in India show a close link between the incidence of poverty and size of households, implying that the size of a household affects its capacity to earn, and consequently the poverty status of the household. The National Sample

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21. There are virtually no microlevel surveys that have focused on only the poor, i.e., as defined by the official poverty line. Most surveys have been carried out in the low-income, slum and squatter settlements.

22. Many of these questions are borrowed from Box 1.3: titled as Poverty Profile Checklist given in the World bank (1992), Poverty Reduction Handbook, Washington, D.C.; also see, Michael Lipton (1983), Demography and Poverty, World Bank Staff Working Papers, No. 623, The World Bank, Washington, D.C.

Survey, 1983 shows that the average size of a household is larger in lower monthly per capita expenditure classes as compared to that in the higher expenditure classes. The average number of members per household varies between 5.79 and 5.62 in the expenditure classes of less than Rs. 125; the household size falls consistently in the higher monthly per capita expenditure classes, from 5.62 to 3.06, the size being only 3.06 in the highest expenditure class of over Rs. 300. The average size of households is 4.85 members. This pattern of distribution is noted in the other NSS surveys also, lending credence to the view that the household size and poverty are closely inter-related.

**Table 23**  
**Average Size of Households in Different Expenditure**  
**Categories and Fractile Groups, 1983, 1986-87**

1983		1987	
Expenditure Classes (Rs.)	Size of households (Number)	Expenditure fractile classes (Rs.)	Size of households (number)
0-30	3.75	0-5	6.4
30-40	5.79	5-10	6.4
40-50	6.49	10-20	5.7
50-60	6.11	20-30	6.1
60-70	6.43	30-40	5.8
70-85	6.05	40-50	4.7
85-100	5.82	50-60	5.2
100-125	5.62	60-70	4.2
125-150	5.28	70-80	4.1
150-200	4.68	80-90	3.6
300-250	4.11	90-95	3.2
250-300	3.71	95-100	2.7
300 & over	3.06	nr	5.0
All expenditure classes	4.85	All expenditure classes	

**Source:** Sarvekashna, Ibid.

The household surveys conducted by the National Institute of Urban Affairs yield more or less the same kinds of results.<sup>23</sup> These surveys which were carried out in the slum and squatter settlements in cities of different population sizes show the average size of a household to be 5.9, as compared to 5.2 in non-poor households. The same surveys show that approximately 60 per cent of the households falling below the official poverty line have between five to seven members; very large (over 8 members) or very small households (under 3 members) are not common among the urban poor households.

Poor households have larger proportions of adult females and children. This statistical finding which is based on the NSS data is important as it suggests that the burden of poverty is unequal, with larger burdens falling on adult females and children. Data in this respect are contained in Table 24, which show that the proportion of adult females and children in the expenditure classes of less than Rs. 125 (an expenditure of Rs. 117.5 per capita per month is the cut-off point between the poor and non-poor households) varies between 68.9 and 77.7; in the higher expenditure classes, it declines to a low of 54.2 per cent.

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23. National Institute of Urban Affairs (1989), Profile of the Urban Poor: An Investigation into their Demographic, Economic and Shelter Characteristics, Research Study Series No. 40, New Delhi.

**Table 24**

**Composition of Urban Households in  
Different Expenditure Classes, 1983**

Monthly per capita expenditure classes	Composition %		
	Adult Males	Adult Females	Children
0-30	27.2	29.1	43.7
30-40	22.3	25.9	51.8
40-50	23.7	25.6	50.7
50-60	25.2	26.5	48.3
60-70	26.3	27.4	46.3
70-85	27.6	27.8	44.6
85-100	29.0	28.7	42.3
100-125*	31.1	29.7	39.1
125-150	32.6	30.3	37.1
150-200	35.0	31.2	33.8
200-250	37.5	31.9	30.7
250-300	41.0	32.3	26.7
300 & above	45.8	32.4	21.9
All Expenditure classes	33.2	30.1	36.7

**Source:** Sarvekshana, Ibid.

**(ii) Employment and Income Profile**

The relationship between poverty and labour market, as we saw earlier, is essentially one of access - access conditioned by the homogeneity of the market, institutional mobility, labour demand - supply balance, and the levels of skills, education and capital. Access is hampered when the markets are stratified, mobility is restricted, and where the labour supply is in excess of demand. This is then reflected in the pattern of employment, unemployment and underemployment. In this sub-section, we have

brought together some evidence on this aspect, focusing on questions such as: is the pattern of employment in poor households any different from that in the non poor households? Do poor households have high unemployment rates? To what extent is unemployment the main factor underlying poverty among certain households? Addressing such questions with a high degree of confidence is, however, hampered by the fact that there are few studies on the pattern of employment/unemployment among only the urban poor households. Either the studies relate to employment pattern in the urban areas covering the poor and the non-poor households, or the poor households in both the rural and urban communities. This apart, the existing studies suffer from various types of definitional issues, in particular, the definition of a "worker", with the result that the participation rates in such households turn out to be either highly understated or overstated. The sensitivity of participation rates to definitions is best illustrated by the difference in the estimates put out by the Census of India on the one hand, and the National Sample Surveys, on the other.

Despite the limitations of the existing definitions, the evidence from recent studies of low income households is revealing in respect of the employment/unemployment characteristics of the urban poor. Firstly, the participation rate in households who are below the poverty line is about 4 per cent points higher than in the non poor households. This finding is in line with Gunnar Myrdal's widely quoted dictum that unemployment is a bourgeoisie luxury. Secondly, the age and sex profile of workers in the poor households is different from that in the non-poor households, the difference being reflected in the high incidence of female employment and child employment. This is a common feature among most urban poor households.

Participation rate among males in poor households is consistently low.<sup>24</sup>

**Table 25**

**Age and Sex Profile of Workers in Urban Poor Households**

Age Groups	Poor Households		
	Male	Female	Total
5-14	174	121	295 (9.4) (8.2)
15-59	2625	649	3274 (54.6) (91.9)
60 +	15	8	23 (8.5) (0.7)
Total Sample	2814	778	3592 (34.3) (100.0)

**Source:** National Institute of Urban Affairs, Ibid.

The same sets of studies show that there are 1.8 workers per household and the dependency ratio is 2.9 in the case of poor households and 3.0 in the case of households below the poverty line. The dependency ratio rises with the household size, peaking to 3.6 and then stabilizing at 3.3.

24. Many males preferred to simply report "doing nothing" during the surveys. However, indepth investigations showed this to be due to the fact that many males were engaged in socially undesirable activities.

Other studies which have focused on female employment point out to a large variation in the participation rates (17.0 per cent and 69.5 per cent). Such a large variation is attributed to a multiplicity of factors - including city size, cultural differences between different regions, and, of course, a host of economic factors including the severity of poverty.

The urban poor are engaged in a wide variety of occupations, although a majority of them are self-employed and casually employed, carrying the risk of fluctuations in incomes. A little over three-fifths are engaged in occupations that are described as "low-end jobs", and to which entry is easier.<sup>25</sup> It has been found in studies that since sectors of employment with unrestrained entry are few, the poor enter into the unorganized and informal sector via kinship ties and community organization.

A little over 70 per cent of the workers work long hours, exceeding in many cases, to 12 hours per day. Only 23.5 per cent of the poor workers reported work of less than eight hours. When this evidence is read in conjunction with the number of days they work in a year, it would seem that the poor do not lack work; rather they are overworked in low productivity occupations.

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25. The fifteen most dominant occupations of the poor, according to a recent NIUA survey are: weavers (8.3%), sweepers (6.5%), unskilled labourers (6.3%), street vendors (5.4%), construction workers (5.3%), rickshaw pullers (5.3%), Peons (4.1%), domestic servants (3.5%), petty shopkeepers (3.2%), agricultural labourers (3.0%), rag pickers (2.8%), bidi makers (2.7%), drivers (2.6%), petty salesmen (2.2%), and clerks (1.9%).



**Table 26**  
**Hours of work among workers in Poor Households**

Hours worked	Poor Households		Households below the Poor Households	
	Number	%	Number	%
7 and below	844	23.5	397	27.3
8-9	1614	44.9	607	41.7
10-11	642	17.9	253	17.4
12 and above	385	10.7	168	11.5
Not fixed	107	3.0	30	2.1
Total	3592	100.0	1455	100.0

**Source:** NIUA, Ibid.

As pointed out earlier, most surveys have been carried out in slum and squatter settlements, the premise being that such surveys can capture the characteristics of poor households who are otherwise difficult to identify.<sup>26</sup> It is important to note that even among such households, considerable variations are observed in the levels of their earnings, with mean earnings exceeding the poverty line by about 15.5 per cent. In another large scale survey of slum households, the mean income is higher than the poverty line by about 9 per cent.<sup>27</sup>

26. This position is in contrast with what Edwin Mills has taken in his paper, Urban Poverty in Selected Asian Countries. According to Mills, higher urban densities and the residential segregation of the urban poor make the urban poor easier and cheaper to identify. I disagree on the ground that the residential segregation that he refers to - I assume, the slums and squatter settlements, contain no more than 40-60 per cent of households who are "poor", according to the official definition. The balance of the poor live outside of such settlements, perhaps in a scattered manner through the cities.

27. National Institute of Urban Affairs, Basic Services and the Urban Poor, Research Study Series No. 46, April 1991. This survey was carried out in small and medium-sized towns which indicates that the poverty level there is slightly higher than the large cities.

Income data from these surveys show that anywhere between 41-50 per cent of households who live in slum and squatter settlements are below the poverty line of Rs. 122 at 1984-85 prices, and 11 per cent of them have incomes just above the poverty line. This group runs the risk of being pushed below the poverty line. The poverty gap among these households compares reasonably well with the gap worked out on the basis of unadjusted NSS data.

**Table 27**  
**Monthly Per Capita Income Groups**

Income Groups	Percentage of Households	
	Survey (1)	Survey (2)
Less than 25	0.05	1.2
25-50	0.50	9.4
50-75	8.01	14.5
75-100	12.00	16.2
100-125	20.20*	11.2
125-150	11.20*	11.7
150-200	19.71	14.1
200 & over	28.6	21.7

**Source:** Survey 1, NIUA, Research Study Report No. 40.  
Survey 2, NIUA, Research Study Report No. 46.

The income groups in survey 1 are Rs. 100-122 and Rs. 122-150, Rs. 122 is the poverty line distinguishing the poor from the non-poor.

The unemployment rates among households living in slum and squatter settlements are consistently low. One survey places the unemployment rate in the 15-59 age group at 9.2 for males and 2.5 for females; the other survey places these rates to be 6.0 and 3.0 per cent for males and females in the age group of over five years. The same

set of data shows that there is virtually no open unemployment in nearly 88 per cent of the poor households; in the remaining households, the number of unemployed per household varies between 1 and 5, although the number of households having more than three members as unemployed is small.

The pattern of unemployment among the urban poor shows that the rate of unemployment is decisively higher among the more educated than among the illiterates. Illiterates, as a general rule, seem to have lower rates of unemployment. Most of the unemployed fall in the age group of 15-29 years. The surveys reveal that the educated unemployed, while seeking employment, are not willing to take up jobs of any kind; they have a preference for wage employment.

### **(iii) Consumption Pattern**

It has all along been known that the share of expenditure on food declines with the increase in incomes. Studies on the pattern of household expenditure confirm this finding. The NSS surveys show that while in the aggregate, expenditure on food accounts for 59 per cent of the total household expenditure, in the lower household expenditure classes, it ranges between 66 per cent and 75.2 per cent. The surveys of poor households reveal a much higher percentage of expenditure on food items - 94 per cent in the expenditure category of less than Rs. 30 per capita per month. In the higher expenditure categories, the non-food component exceeds that of the food component; in the poor households, food invariably accounts for a higher proportion of expenditure. The surveys further show that 18 per cent of households in the monthly expenditure

class of less than Rs. 85 spend between 78 per cent and 98 per cent of their incomes on food alone, and their daily expenditure on food ranges from 0.89 paise to Rs. 2.00 per capita. In households belonging to the high expenditure class, the daily expenditure on food ranges from Rs. 4.81 to Rs. 7.24 per capita, which is several times higher than the expenditure on food in the low per capita expenditure classes.

**Table 28**

**Value of Consumption on Food and Non Food Items by  
Monthly Per Capita Expenditure Class, 1989**

Monthly Per Capita Expenditure class	Value of Consumption (Rs.)		
	Food	Non-Food	% of food to total
0-30	26.67	1.67	94.1
30-40	32.30	3.71	89.7
40-50	39.88	8.27	82.8
50-60	47.05	11.03	81.0
60-70	53.18	13.17	80.1
70-85	61.32	17.07	78.2
85-100	75.16	21.21	78.0
100-125	89.08	25.54	77.7
150-200	116.79	60.40	65.9
200-250	144.18	81.62	63.8
250-300	162.92	119.86	57.6
300 & over	217.16	195.02	52.7
Total	100.54	47.45	67.9

**Source:** NIUA, Research Study Series No. 40.

#### (iv) Shelter Characteristics

The shelter characteristics of urban poor households are not known; what is known is that a certain percentage of households who live in slum and squatter settlements are poor as they do not satisfy the consumption/expenditure criterion that distinguishes the poor from the non-poor.<sup>28</sup> Given this limitation, it is only possible to present a partial picture of the poor's shelter profile which appears very disturbing. Firstly, very few poor live in structures that could be called low risk structures. According to the surveys, only about 4-6 per cent of the poor households live in permanent structures; the remaining households live in structures that are either wholly or partly temporary or semi-temporary, made up of tin, dung, cloth, thatch and grass.

Secondly, the tenurial status of poor households is uncertain as a majority of them "own" the house, but not the land which, in legal terms, is considered to have been illegally or non-legally occupied. They thus carry the risk of eviction and a sense of insecurity. A high percentage of house ownership - reported to be 58 per cent in one survey and 65.3 per cent in another survey, is explained by their low rent paying capacity. Within the rent paying households, the burden is greater on the very poor households who pay upto 25 per cent of their earnings as rent. Rentals decline to 5 per cent of the incomes for households in the monthly income category of Rs. 2,700-3000.

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28. There is virtually no information on where do the remaining poor live, and work. Is poverty a characteristic of also the formal settlements and formal component of the labour market? More basic work is necessary in this respect.

**Table 29**

**Type of Structure Where the Poor Households live**

Type	Percentage	
	Survey (1)	Survey (2)
Permanent	4.6	6.0
Temporary	80.0	64.0
Semi-Temporary	15.4	29.0
Others	--	1.0
Total	100.0	100.0

**Source:** NIUA, Ibid.

Thirdly, the average area (gross) per person is low, varying between 3.79 and 5.09 per sq. meter per person, in households with low per capita expenditures. It indicates that the poor live in conditions of extreme overcrowding. With the increase in the per capita monthly expenditure, the average area per person rises, reaching to 16.98 sq. meter per person in the highest expenditure category.<sup>29</sup>

**(v) Access to Basic Services**

The living conditions of the poor are exacerbated by the absence of basic facilities in the poor households. The Seventh Five Year Plan (1985-90) noted that "The urban poor due to their low paying capacity and also due to the peculiar conditions governing their settlement patterns, are generally deprived of adequate water and

29. See, the percentage distribution of households, average number of persons and the average area of house per household per person in per capita monthly expenditure groups, All India, Urban, 1973-74, National Building Organization, Handbook of Housing Statistics, 1982-83, p. 24.

sanitation facilities". Microlevel surveys point out that only 46 per cent of the sampled households have access to piped water supply, others depend on sources of questionable quality - 23 per cent on shallow pumps, 16 per cent on Mark II handpumps, and 15 per cent on wells, ponds, rivers and other sources. The same surveys show that an overwhelmingly large percentage of households depend on community or public sources of water supply, and only a very small percentage have private connections and sources. Although the figures about the access may impress one of a satisfactory state, the fact that the average per capita supply of water in poor households is less than 25 ltrs. per day, that the sources of water in many cases are of doubtful quality, and that the physical distance that they have to cover to obtain water make them very vulnerable in as far as this service is concerned.

It was stated in an earlier section that the sanitation cover of the urban population in the country is extremely unsatisfactory. Only about 42-43 per cent of the total urban population is reported to have access to basic sanitation. In the slum and squatter settlements, this percentage is even lower; only 15 per cent of households have private toilets and another 21 per cent have access to community toilets. What is important is that 61 per cent of the poor households use "open spaces" for personal sanitation. Apart from being a major source of environmental deterioration and high negative externalities, it is the root of many human and social problems.

The cumulative effects of poor living conditions are reflected in the high infant and child mortality rates among the urban poor households. While the infant and mortality rates in the country have registered noticeable fall during the past several

years, these rates are reported to be significantly higher in the poor households. Compared to an all-India urban rate of 62/1000, in the slum households, it was assessed at 123/1000, rising to 187 in cities with population varying between 25,000-50,000, and 174 in cities falling the population range of 10,000-25,000. In the case of child mortality, however, no difference is reported in rates between the poor and non-poor households.

**Table 30**

**Infant and Child Mortality Rates Among Poor Households, 1989**

Population size class of cities	Infant Mortality Rate/1000	Child Mortality Rate/1000
500,000 & over	101	14
100-500,000	98	18
50-100,000	128	36
25-50,000	187	30
10-25,000	174	38
Less than 10,000	103	21
Total	123	23

**Source:** NIUA, Ibid.

This profile of the poor is thus highly disconcerting, with nearly all signals pointing to the collective nature of poverty. The poor have large families, irregular sources of livelihood, low-end and low-productive jobs, high risk and insecure shelter and absence of adequate services. However, any conclusion that the poor are a homogeneous set of people or that they have no positive contribution to make to the economy of urban areas will be hasty. The fact that they have developed their own survival strategies indicates that they have untapped potential.



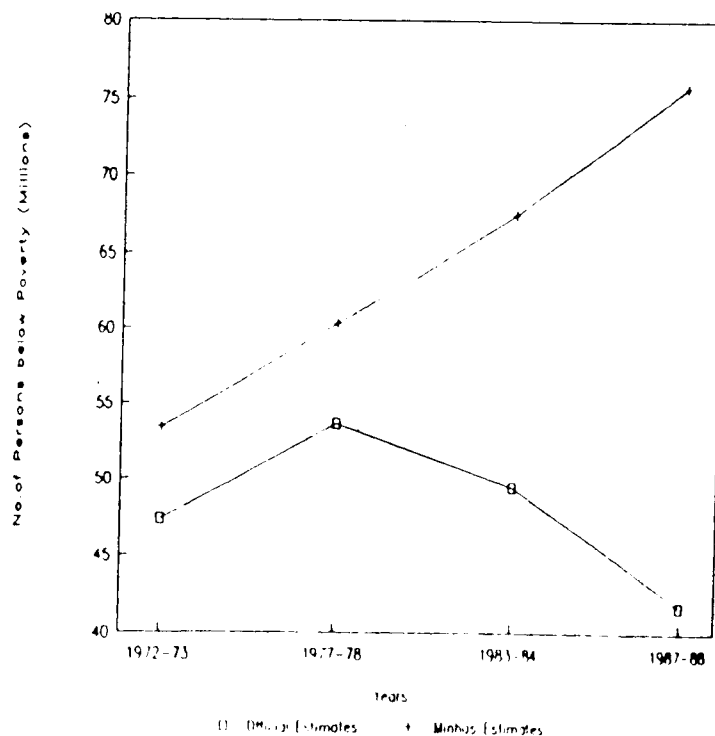
## PART TWO

# POLICY FRAMEWORK FOR URBAN POVERTY ALLEVIATION

Evidence presented in the preceding sections indicates the existence of large scale poverty in India's urban areas. Depending on what estimates one uses, anywhere between 41-76 million persons, constituting 20-37 per cent of the total urban population are below the poverty line. Minhas et. al., and Datt and Ravallion show that the number of the urban poor has consistently risen over the years and, given the demographic pressures that India faces, the number may continue to rise. Urban poverty is manifest, as we saw in the preceding section, in various other forms such as the absence for many of stable employment, shelter, infrastructure and basic services.

**Chart 9**

**Number of Urban Poor**



Why has the performance on the poverty front been so unsatisfactory? To what extent can we attribute this state to faulty or inappropriate policies? To what extent can we hold public policies and the process of their implementation for this order of performance? This brings us, in this part of the paper, to examining somewhat selectively the various indirect and direct policies and their impact on urban poverty alleviation.

The subject of public policies has been variously dealt with and interpreted in literature, with inadequate empirical work on the nature and extent of relationship between policies, policy instruments, and poverty. Jagdish Bhagwati, for instance, in analysing the alternative policy designs has divided the policy instruments into two classes: (i) the indirect instruments, i.e., those which use resources to accelerate growth and thereby impact on the incomes and hence the living standards of the poor, and (ii) the direct instruments, i.e., those which rely on public provision of minimum-needs oriented education, housing, nutritional supplements and health, and transfers to finance private expenditures on these and other components of the living standards of the poor.<sup>30</sup> The primary distinction between the two classes that Jagdish Bhagwati has drawn is that the former is keyed to creating income and hence consumption, and the latter to providing consumption involving redistribution between different groups. Other scholars have preferred to discuss public policies for poverty alleviation via (i) growth, (ii) redistribution with perfect targeting, and (iii) redistribution with imperfect targeting.<sup>31</sup> Many others have sought to explain within the scope of such

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30. Jagdish N. Bhagwati (1988), "Poverty and Public Policy", in World Development, Vol. 16, No. 5.

31. See, S.M. Ravi Kanbur, *Ibid.*

discussions how and why poverty and immiseration are produced, focusing attention on the relationships between economic development, urbanization, social change and the exercise of political power as they impinge on the plight of the poor. Still others have attempted to trace within the public policy framework the connections and linkages between exchange rates, monetary policies, interest rate policies and wage policies and poverty.<sup>32</sup> At stake in all discussions on the subject is the issue of causality and the degree of confidence with which such relationships could be defined and used in designing poverty alleviation strategies. Such causalities are, however, difficult to establish.

An important indicator for assessing the impact of policies is via the order of investments made in sectors that contribute to poverty reduction. Thus, the volume of investments in health, education, and housing sectors are often used to test the sensitivity of policies and policy instruments to the objectives of poverty reduction.

We have used this part of the paper to firstly, describe how the successive five year plans have looked at and perceived the issue of poverty and poverty alleviation (Section 5) and secondly, to make observations on the relationship between policies and poverty - particularly those policies that relate to employment and shelter (Section 6). We have also analysed here the investment flows into education and health sectors to see whether these sectors have been used to enhance human resource development. We later discuss the strategy and programmes of direct interventions that have been used in India

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32. See for example, Edwin S. Mills (1992), "Urban Poverty in Selected Asian Countries", Asian Development Bank, Manila.

to improve the access of the poor to employment, shelter and services. The likely impact of recently adopted adjustment policies on the poor has been discussed in the final section (section 7) of the paper.

## **SECTION 5 - POVERTY ALLEVIATION AND THE FIVE YEAR PLANS**

Poverty alleviation as an objective has occupied, and continues to occupy an important place in India's development agenda. Although enmeshed with several other development objectives, its importance has grown over the successive Five Year Plans. From a stage where it was seen primarily, if not entirely, in terms of social and economic inequalities inherited from the colonial period (First Five Year Plan, 1951-56), and later as a function of the distortions in income distribution (Fourth Five Year Plan 1969-74), it is perceived today as a problem of access - access to productive employment, shelter, and services. Poverty removal as an "explicit" variable entered into India's development strategy during the Fifth Five Year Plan, 1974-79. The Five Year Plan noted that despite the sizable gains of economic development and improvements in the living standards, "large numbers have remained poor". It stressed the need to raise the share of the bottom 30 per cent in total private consumption, and sought to reduce the poverty incidence via the processes of economic growth, and highly selected programmes, such as the Minimum Needs Programme (MNP), public procurement and distribution of essential goods, and employment reservation for selected backward groups. The Fifth Five Year Plan made no distinction between urban and rural poverty.

The Sixth Five Year Plan, 1980-85 marked the commencement of a more definite approach to poverty alleviation in the country. It recognized the limits of "income growth" approach to reducing the incidence of poverty, and observed, that "it will not be realistic to rely only on the growth processes to find a solution to the problem". Placing a high priority on poverty issues, the Sixth Plan emphasized:

- identification and measurement of the levels of poverty,
- development of realistic targets, and
- formulation of specific programmes to meet the targets.

Using the norms recommended by the Task Force on the Projections of Minimum Needs and Effective Consumption Demand, and utilizing the household consumption expenditure data of the National Sample Survey Organization, the Sixth Plan observed that nearly 50 per cent of country's total population were living below the poverty line. This Plan identified specific poverty groups, and pointed out that with growth and distribution policies and specific programmes, it should be possible to substantially bring down the poverty incidence in the country.

The Sixth Plan did not address the urban poverty issues directly, and continued to display a distinct bias towards rural poverty. However, it provided for moving nearly 6 million urban poor above the poverty line, essentially through the provision of additional consumption benefits and better and more equitable distribution of health, education, sanitation and drinking water, and slum improvement and environmental improvement programmes. This Plan laid the foundation for direct attack

on urban poverty in the country, by establishing a centrally-supported programme called the Environmental Improvement of Urban Slums, and taking up of slum improvement and upgrading and sites and services projects in several cities.

The Seventh Five Year Plan, 1985-90 constitutes the first conscious attempt to *directly* address the urban poverty issues. There are two features of the Seventh Plan approach that need to be especially noted. One: it takes explicit note of the growing incidence of poverty in the urban areas, manifested in (i) rapid growth of slums caused by persistent rural-urban migration, and (ii) overcrowding in relatively unskilled and low paid jobs in the informal sector. Two: it accordingly places emphasis on improving the living conditions in the slum areas, and on employment generation. In line with this approach, the Seventh Plan proposed multipronged strategies for:

- the provision of gainful employment to the unemployed;
- raising the earnings of those in low-paid jobs; and
- improving the access of the urban poor to basic services such as education, health care, sanitation and safe drinking water.

This approach led to the launching during the Seventh Plan period of two programmes aimed at directly assisting the urban poor: namely, the Urban Basic Services (UBS) and the Self Employment Programme for the Urban Poor (SEPUP). The Eighth Five Year Plan, 1992-97 has reinforced the employment thrust of programmes meant for the poor and enlarged the scope of the urban basic services programme.<sup>33</sup>

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33. The new employment programme is now called the Nehru Rozgar Yojna (NRY). Likewise, the enlarged urban basic services programme is called as the Urban Basic Services for the Poor (UBSP).

The successive five year plans have thus evolved and enforced a combination of several mutually reinforcing strategies. The Indian planning system holds the view that the solution to urban poverty ( as also rural poverty) lies in accelerating the growth rate of the economy, in taking measures that will redistribute incomes equitably, and in altering the structure of output in favour of those items that enter into the consumption basket of the poor. This view forms one plank of poverty alleviation strategies in the country. The incorporation of special components for the urban poor in the sectoral programmes constitutes the second major plank of development strategy for poverty alleviation. The mechanism underlying this strategy has been to set aside and use a part of the sectoral funds and budgets for the poorer sections of urban communities. Direct attack on urban poverty forms the third component of the strategy for urban poverty reduction. It currently consists of three sets of programmes, namely; the Urban Basic Services for the Poor (UBSP), the Nehru Rozgar Yojna (employment programme), and shelter programmes involving slum improvement and upgrading, sites and services, and environmental improvement of urban slums. These will be analysed later in this part of the paper.

It is necessary to note two important temporal shifts in the strategies of poverty alleviation, one relating to the role of government vis-a-vis the role of people, and the second relating to the linkage of employment, shelter and services with productivity. The former emphasizes greater usage of the nongovernmental organizations and people in poverty alleviation programmes, and explicit recognition of



the fact that the reach of the government to such groups of population is limited by its own mode of operations. The latter has been important in adding to the earlier welfare focus the economic dimension of poverty alleviation programmes.

## SECTION 6 - MACRO ECONOMIC TRENDS AND POLICIES AND URBAN POVERTY

### (i) Growth, Employment and Poverty

The launching of the First Five Year Plan in 1951 initiated in the country a process of development that aimed at raising the standard of living of its people. Since then, India has achieved noticeable progress in the economy. During the early years, the economy grew slowly, at an average growth of about 3.3 per cent per annum upto the 1970s but in the eighties, the growth rate accelerated to about 5.5 per cent per annum. It was accompanied by a significant increase in the investment rate and a decline in the capital output ratio indicating more efficient use of capital. A rising savings rate sustained a rising rate of investment which increased from about 10.7 per cent of GDP in the period 1951-56 to about 23 per cent in 1985-92.

**Table 32**  
**GDP Growth Rate, Rates of Savings and Investment and ICOR**

Years	Annual growth in GDP at factor cost %	Savings Rate %	Investment Rate %	ICOR
1951-56	3.61	10.28	10.66	2.95
1956-61	4.27	11.73	14.52	3.40
1961-66	2.84	13.21	15.45	5.44
1966-71	4.66	14.35	15.99	3.43
1971-76	3.08	17.27	17.87	5.80
1976-81	3.24	21.65	21.47	6.63
1981-86	5.06	19.36	20.98	4.15
1985-90	5.81	20.37	22.70	3.91
1985-92	5.31	-	23.17	4.36

**Source:** Eighth Five Year Plan, Vol. I, p.3.

India also experienced during this period large structural changes in the economy, which are visible in the form of a shift in the sectoral composition of output, diversification of activities, and use of advanced technology. The composition of output has changed steadily over this period, showing a significant upward shift in the share of the secondary and tertiary sectors. These changes in the economic performance have led to an increase in the gross domestic product, which combined with essentially the same distribution of expenditure between different groups, may have been a factor underlying poverty reduction in the country.

Employment generation is central to any poverty alleviation effort. Apart from the overall investment in the economy, the levels of urban employment are crucially dependent on the preferred technological options, labour laws and regulations, and industrial policies. An investment rate of 23 per cent can produce different impacts, depending on whether the country opts for capital intensive or labour intensive modes of production. Likewise, labour laws which only safeguard the interest of those who are employed can often restrict employment generation. Focus on small as opposed to large industries can have a decisive influence on employment generation.

We saw in an earlier section that employment growth rate in the organized sector was low, being 2.11 per cent per annum during the 1972/73 to 1987/88 period, and particularly low (1.38 per cent) in the 1983-88 quinquennium. The Annual Survey of Industries which yield data on the factory sector also reported similar trends: rapidly rising employment in the 1970s, to be replaced by a moderate growth rate in the

early 1980s, and then falling in the 1982/83 to 1987/88 period. The employment slow down was also corroborated by the NSS surveys. In other words, this period was marked by "jobless" growth.

Why did the employment not grow during this period? What could be the possible explanations? Insights into such questions are scarce in economic literature. A few labour market studies have, however, attributed it to several features of industrial and labour policies which, according to studies, are found to be "inimical to employment generation". In particular, the following features have been isolated for their restrictive influence on employment:

- (i) many incentives given for industrial growth ( e.g., concessional credit and capital subsidies) are related to capital and not to labour. Such incentives encouraged capital-intensive activities rather than those that were labour-intensive in nature.<sup>34</sup>
- (ii) existing labour regulations restricting retrenchment of workers and closure of factories have acted as a disincentive to the expansion of organized sector employment;

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34. See, The World Bank (1989), India: Poverty, Employment and Social Services, (for restricted distribution).

- (iii) the legal framework and government apparatus regulating industrial labour and labour management relations have produced disincentives to employment growth in organized manufacturing. Labour laws and regulations apply primarily to workers in large firms, and although designed to safeguard their interests, have, in fact, increased the direct and indirect costs of labour. These have proved to be a major disincentive to employment expansion; and
- (iv) the general protection of the industrial sector has reduced the efficiency and competitiveness of Indian industry, and reduced its growth potential and employment generating capacity.

The long stagnation in the Bombay organized sector labour market provides one example of how protective policies have had adverse effects on employment generation.<sup>35</sup> Similar examples can be taken from other cities.

**(ii) Poverty alleviation via the provision of housing**

Provision of housing has been listed in the successive Five Year Plans as an important objective of development planning in India. Central to the attainment of this objective are several policy initiatives, notably in the spheres of legislations and institutional arrangements. In the sphere of legislations, mention ought to be made

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35. L.K. Despande (1985), Segmentation of Labour Market: A Case Study of Bombay, Orient Longmouss.

especially of the Urban Land (Ceiling and Regulation) Act of 1976, and the state level rent control acts. The Urban Land (Ceilings and Regulation) Act is designed to acquire land in excess of the prescribed ceilings, with a view to bring about an equitable distribution of land -- to subserve the common good". Likewise, the rent control laws are meant to strike a balance between the legitimate interests of landlords and tenants by ensuring a reasonable return on investment, and providing essential protection to tenants from arbitrary rent increase or eviction. Besides the legislations, several initiatives have been taken to directly support housing for the economically weaker sections and low income groups. These are manifest in sites and services and slum improvement and upgradation projects. Housing and Urban Development Corporation has played a major role in supporting such programmes through a network of state-level institutions and agencies.

Over the past few years, land and housing policies in India have undergone many changes. From rather limited objectives of making housing available to the poorer sections, these form today an important part of the strategy for poverty alleviation and employment generation. Moreover, these are viewed as "an integral part of the overall improvement of human settlements and economic development".<sup>36</sup> Housing and development are seen as mutually supportive.

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36. Government of India (May 1992), National Housing Policy, New Delhi.

Notwithstanding massive expansion in investment in the housing sector (Table 33) and related efforts, the housing problem continues to be daunting. The earlier sections have given figures in respect of households who live in slums and unauthorized colonies. Housing problems are also reflected in high land prices, widespread speculation and near absence of basic services. Vis-a-vis other sectors, the share of housing in total investments has declined over the years. Some of this data are presented in the earlier sections.

**Table 33**  
**Investments in Housing**

Plan Period	Investments (million)			Housing investments as a % of total investments
	Public	Private	Total	
1951-56	2,500	9,000	11,500	34
1956-61	3,000	10,000	13,000	19
1961-66	4,250	11,250	15,500	15
1969-74	6,250	21,750	28,000	14
1974-79	10,440	36,360	46,800	10
1980-85	14,910	115,000	129,910	8
1985-90	24,580	290,000	314,580	9

Source: Draft National Housing Policy, 1990.

A large number of studies have been conducted to assess the impact of land and housing policies on particularly the poorer sections of the urban population. These have also been studied by various Task forces, Committees and Commissions, set up by the government from time to time. A few examples of their findings are pertinent to point out here:

- i. the total housing stock for the economically weaker sections that has been added as a result of the especially formulated institutional arrangements is insignificant in relation to the size of the problem. In fact, over the years, the housing deficits have grown enormously, and the poor have been particularly hit on account of the rising gap between the demand and supply of housing.
- ii. despite several-fold increase in housing investments, the formal system is able to meet, at best, a small proportion of the total finance requirements of the housing sector. It is estimated that the formal sector provides approximately 20 per cent of the total housing finance, with the balance of 80 per cent accruing from the informal sources. As a consequence, bulk of the urban population is outside the reach of the formal sources owing to a variety of structural and operational inadequacies of the system. The urban poor are almost if not wholly, dependent on the informal sector finances.
- iii. the existing legal and regulatory framework is responsible for the slow pace of release of serviced land by the public agencies, and consequently, the land market operations are tardy and ineffective.



- iv. the existing systems have excluded the majority of the poor from the formal housing market. The inability of the poor to build or acquire legal shelter is the single most important factor underlying the proliferation of slums, squatter settlements and unauthorized colonies.
- v. the concept of affordability adopted in most sites and services is too simplistic. The usual way is to assume how much a family can pay for housing. The evidence that "affordability" determined this way is not adequate has become obvious on account of the high default rates in recovering costs and the high turn over in such projects.
- vi. while involvement of the beneficiaries and community approach are considered necessary in low cost housing programmes, very few agencies have been able to adopt and effectively use them.

### **(iii) Alleviation through Education and Health**

Education and health services are important to the poor in two major ways. First, they contribute to the labour market opportunities. Evidence suggests that good health, high energy (nutritional) levels and educational attainment often command a premium in the urban labour markets. Temporary withdrawal of the poor from the work force because of illness, and nutritional-related weaknesses, can have adverse effects on their incomes and productivity. These attributes of the poor are likely to become even more important in the future as the economy opens up, becomes more

competitive and integrated. Secondly, good health, adequate nutrition, and basic education are not merely inputs that can raise earnings and contribute to economic growth; they are desirable and necessary in themselves.

Successive Five Year Plans in India have acknowledged the fact that education and health are catalytic factors which lead to human resource development and improved socioeconomic opportunities. Evidence exists to show that high literacy rates are associated with low rates of population growth, infant mortality and maternal mortality, besides a higher rate of life expectancy. Similarly, it is widely recognised that health of the people is an essential investment in human resources, with primary health care having been accepted as the main instrument for country's commitment to "Health for All by 2000 AD". Despite these goals and supporting programmes, a large proportion of the urban population continues to be without access or with limited access to these services. Among the poor, the levels of deprivations were even higher; 30 per cent of the urban poor households have no access to safe water supply sources, and over 60 per cent of such households have no sanitation cover of any kind. These inadequacies reflected in high infant and child mortality rates have seriously affected the poor households' capacity to move out of the poverty trap. The question is: to what extent the pattern of investment in these services is responsible for this state?

In this section, we focus on the pattern of public expenditures on health and education and nutrition, and examine how well do these expenditures translate into the actual provision of services. Data on social sectors are extremely weak and handicapped for want of disaggregated data on the different components. Thus, public

expenditure on education includes expenditure on primary, secondary and higher education, and arts and culture. Similarly, health expenditure data include medical, public health, and water supply and sanitation. Rural- urban break-up of expenditure data do not exist. Within these limits, public expenditure data on these sectors are analysed here.

Public expenditure on education, health and nutrition (food subsidy) accounts for approximately 17 per cent of the total public expenditure in the country (capital and revenue combined). Individually, the share of education is about 11 per cent; that of health 4.14 per cent, and the balance of 1.78 per cent is accounted for by food subsidy available to population via the public distribution system. During the past several years, public expenditure on these services has remained largely unchanged, with their share oscillating between 16.75 per cent in 1977/78 to 17.18 per cent in 1987/88. An increase has taken place in the education sector. Food subsidy share has, however, registered a decline during this period. Note should be taken of the fact that corresponding to the increase in total public expenditure, the rate of increase in these services has been slightly higher, suggesting that these have been given priority vis-a-vis others.

Public expenditure on education, health and food subsidy accounts for less than 2 per cent of the total gross domestic product. This share has also risen over the past few years, and can be taken to suggest the increasing importance of these sectors in the overall order of development priorities.

**Table 33**  
**Public Expenditure on Education, Health and Food Subsidy**

Year	Education %	Health %	Food Subsidy %
1977/78	10.35	4.25	2.15
1983/84	10.03	4.86	1.53
1987/88	10.69	4.66	1.97
1989/90 (Estimate)	11.26	4.14	1.78

**Source:** Ministry of Finance, Indian Economic Statistics, Public Finance, 1991.

**Note:** Public Expenditure on education and health are shown as a percentage of the total development expenditure (capital and revenue of Centre, States and Union Territories), and on food subsidy as a percentage of non-development expenditure.

There are substantial variations in the pattern of public expenditure between different states. Among major states, the highest levels of per capita expenditure on social services are observed in Kerala, Punjab, Gujarat, and Haryana. Despite a lower SDP, public expenditure on social services in Kerala is high as it is in states like the Punjab and Gujarat. Low levels of expenditures on social services are typically observed in Bihar and Uttar Pradesh; the pattern that emerges is that of a significant positive correlation between per capita SDP and per capita outlay on social services, with Kerala, Rajasthan, Orissa and Haryana being the exceptions in varying degrees.<sup>37</sup>

37. Tapas Kumar Sen (1992), "Public Expenditure on Human Development in India: Trends and Issues", a paper presented at the Symposium on Economic Growth, Sustainable Human Development and Poverty Alleviation in India.

Are the expenditures on education and health in India comparable with those in other developing countries? Are these adequate in terms of the needs? Are the results commensurate with these expenditures? While it is difficult to address these questions in any conclusive manner, some facts are useful to be highlighted here. Firstly, public expenditure on education in India, in terms of both the absolute levels and as percentage of GDP is low, and lower than a large number of developing countries. Tapas Sen shows that the per capita public expenditure of approximately US \$ 10 on education and as percentage of GDP (3.4) is lower than Kenya, Egypt, Thailand and Malaysia. Secondly, at the level of states, there is no indication that States with lower literacy rates are necessarily spending more on primary education. Thirdly, while these services have substantial subsidies, the share of primary education and other primary level services in subsidies is the least.<sup>38</sup>

In contrast to education, public expenditure on health as a proportion of GDP is not particularly low; moreover, private expenditure on health in India is higher than public expenditure and the two together add up to about 4 per cent of GDP.<sup>39</sup> Yet, there are several countries with health indicators better than India with less resources devoted to it. This feature is explained by independent researchers in two ways: (i) the existence of an institutional system which can not deliver services efficiently, and (ii)

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38. Sudipto Mundle and M. Govinda Rao (1991), "The Volume and Composition of Government Subsidies in India: 1987-88", Current Policy Issue No. 13, National Institute of Public Finance and Policy, New Delhi, December 1991.

39. Charles Griffin (1990), Health Sector Financing in Asia, Asia Regional Services, World Bank, Washington D.C.

greater emphasis on curative as compared to preventive health services. K.N. Reddy in his study has shown that substantial progress can take place in health services by small increases in health expenditures, provided, of course, these are properly targeted.<sup>40</sup>

The above figures and analysis suggest that education and health sector continue to be on the margin in the order of development priorities, with virtually no indication that these have been used as a part of strategy of either poverty reduction or human development. Per capita expenditures on these sectors are low, the expenditures and subsidies contained therein are mistargeted and misused, and their links with poverty reduction in an infant stage of proper recognition.

#### **(iv) Targeted Programmes for the Poor: A Direct Approach**

One of the most visible and, prima facie, appealing approaches to reducing the incidence of poverty is to aim directly at increasing the incomes of the poor. The emergence of this approach owes itself partly to the failure of the macroeconomic processes to trickle down to the poor, and partly to reinforce the macroeconomic processes. Experience suggests that although high rates of economic growth and structural changes have raised general standards of living, there is no instance of poverty

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40. K.N. Reddy (1992), "Health Expenditure in India", Working Paper No. 14, National Institute of Public Finance and Policy. Reddy has calculated that 1 per cent increase in per capita expenditure on medical and public health and other components of health such as family welfare could reduce the infant mortality by 7.9/1000.

taking care of itself via economic growth or market forces alone. It is noted in literature that governments in even the most advanced of the developing economies have been heavily involved in programmes and projects that are aimed to directly reach the poor.

The approach of directly reaching the poor via programmes targeted at them came into being in the 1960s in the rural context where the problems of poverty were severe, and where supposedly the poor were more easily identifiable (small farmers, marginal farmers, landless labour and artisans). The community development programmes, programmes for small and marginal farmers, and IRDPs owe themselves to that period. The only urban programme that resembled its rural counterparts was pilot-scale urban community development projects in the slum areas.

In the urban areas the identification process of the poor and consequently, the targeting has always been a difficult proposition. The present practices of separating the poor from the non-poor are ambiguous, relying on income assessment in some cases and the place of residence, i.e., whether the household lives in a slum, in others. Both practices have serious problems as firstly, the income criterion carries with it the usual risk entailed in its estimation and assessment, and, secondly, as we saw earlier, the slum settlements are places of residence not only for the poor but also for the non poor. This perhaps explains, at least in part, that in the urban areas, direct poverty alleviation programmes emerged for the first time only during the Seventh Plan period, 1985-90.

Urban poverty alleviation programmes in India are of recent origin, having emerged for the first time in the Sixth Plan (Shelter-related) and reinforced in the Seventh Plan (1985-90). There are three types of programmes which currently exemplify the direct approach, namely: (i) employment and enterprise-related programmes; (ii) direct provision of basic services such as health, education and income generating activities for the low-income and poor households; and (iii) shelter improvement and housing for the poor. Direct provision of wage employment is an efficient instrument for poverty alleviation. Similarly, generation of self-employment is an effective means to assist the poor households to become producers engaged in commodity production or production of services with a fairly small capital investment. Provision of services is critical in securing access to labour market opportunities.

The Nehru Rozgar Yojna, launched in 1989-90 is an employment programme, targeted at members of households who are below the poverty line. The basic objective of this programme is to generate employment opportunities for the unemployed and underemployed urban poor. The programme aims at: (i) upgrading the skills of urban poor beneficiaries to enable them to set up self-employment ventures, and (ii) provision of wage employment through the creation of socially and economically useful assets. It has three components -

- i. *The Scheme of Urban Micro Enterprises (SUME)*: This programme aims at skill upgradation and provision of subsidy and loans to urban poor beneficiaries with the objective of setting up micro enterprises in the spheres of industry, services and business. It is meant to encourage



unemployed and under-employed urban youth to take up self-employment ventures. Infrastructural support is provided for technological upgradation, designs, marketing, etc. The scheme of urban micro enterprises is applicable to all urban settlements. The entire expenditure on the training component is met by the Central Government. A 25% subsidy is provided to beneficiaries for setting up micro enterprises and expenditure thereon is shared equally between the Central Government and the State Government/Urban Local Bodies on a 50:50 basis.

- ii. *The Scheme of Urban Wage Employment (SUWE):* This scheme aims at the provision of wage labour to urban poor beneficiaries through the construction of economically and socially useful public assets in the jurisdiction of urban local bodies. Under the scheme, municipal works are undertaken such as roads, pathways, drainage, low cost water supply, community facilities etc., which have a large component. These works are implemented in urban settlements below 0.1 million population. The material labour ratio is 60:40 for settlements below 20,000 and 60:40 for settlements having a population between 20,000 and 0.1 million. The minimum wages prevalent in different urban local bodies are provided for unskilled work. The expenditure on the scheme is shared between the Central Government and the State Government on an 80:20 basis.

- iii. *The Scheme of Housing and Shelter Upgradation (SHASU)*: This scheme aims at providing employment to the urban poor through housing and building activities via two components: (a) training and skill upgradation for masons, carpenters, plumbers, sanitary workers, and workers engaged in reinforcement and roofing etc. as well as infrastructural support for common activities; and (b) subsidy-cum-loan assistance for eligible beneficiaries for housing and shelter upgradation. The scheme is operative in settlements between 0.1 million and 2.0 million population. There is a relaxation for urban local bodies having a population below 0.1 million which are located in the hill states, Union Territories or hill districts (as defined by Planning Commission) and for new industrial townships. A 25% subsidy is provided to beneficiaries for housing and shelter upgradation and the expenditure thereon is shared between the Central Government and State Governments/Union Local Bodies on an 80:20 basis (for Eighth Plan the subsidy would be shared between Central and State Governments/Union Local Bodies on 60:40 basis). The institutional finance for the programme is provided by HUDCO. Supplementary loan can also be availed by beneficiaries under the EWS Housing Scheme of HUDCO.

In the implementation of the Nehru Rozgar Yojana the Urban Local Bodies are expected to play an important role. The Urban Local Bodies (ULBs) are involved in the identification of beneficiaries, maintaining liaison with the banks and counselling beneficiaries with regard to selection of projects, allotment of sites and other related matters.<sup>41</sup>

This programme has completed just about three years and has not been evaluated or assessed with respect to its impact or coverage. It is claimed that these three schemes will make a marked impact on poverty incidence.

As distinct from individually-targeted employment programme, the Urban Basic Services Programme for the Poor (UBSP) is area-based, involving the provision of basic services to the urban poor households with community participation. It originated in the conventional urban community development programmes, and built on the premise that participation and leadership were crucial elements in the effective use and management of services such as primary health, primary education, basic sanitation, water supply and income generating activities particularly for poor women. It is based on the premise that income of households which is central to poverty alleviation is critically dependent on these services. Because it is an area-based programme, its benefits accrue to both the poor and non-poor households.

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41. During the Eighth Plan, the expenditure under all the three components will be shared between the Central and State governments uniformly on 60:40 basis.

This programme which began in 1986 has expanded both in terms of spatial and component coverage. The few assessments that have been conducted show mixed results; this programme has begun to pay off in terms of an improved quality of life in areas like Hyderabad which has had a long history of community development, and Indore where the success of this programme has led many bilateral agencies to invest in similar activities. In most other cities, the impact of the urban basic services programme has been barely felt. Indeed, it has developed serious problems of inter-institutional and organization conflicts as one study notes: The irony is that, on the one hand, the UBS programme generated considerable participation in local communities and engendered higher aspirations, while on the one hand, public bureaucracy at local and district levels has kept the UBS programme at an arm's length. Targeting and leakages have been pointed out as crucial limitations of these programmes; moreover, doubts have often been expressed that given the overall resource constraints, these programmes will rarely command adequate finances so as to be able to cover even a substantial number of the poor.<sup>42</sup>

**(v) Innovations and Urban Poverty**

A worthnoting feature of India's multipronged attack on urban poverty lies in the success of a few city-based programmes, run with or by the nongovernmental organizations and communities themselves. The Hyderabad Urban Community

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42. In a one-day seminar held to discuss this paper, Mr K. Dharmarajan, representing the Government of India (Ministry of Urban Development), pointed out that only 5 paise per capita/day is currently spent on urban poverty alleviation programmes.

Development Project, Sulabh International of Patna, Arumbakkam Sites and Services Project of Madras, and the activities of the Self Employed Women's Association (SEWA) are among such programmes. They differ vastly from each other in philosophy, size, focus, organization approach, and per capita cost. Yet, they contain elements that are strikingly similar. Thus, most such programmes are based on the premise that:

- i. the poor are a productive resource;
- ii. people's self-initiated and self-generated approaches form a part of the viable strategies;
- iii. poverty alleviation strategies do not necessarily involve provision of a permanent and pucca house; rather, these are based on provision of a shelter and liveable environment.
- iv. poverty alleviation strategies are not a part of welfare; these are long term investments in human resources leading to overall development.

## SECTION 7 - STRUCTURAL REFORMS AND THE POOR

The past three-four years have seen in a few countries and at international levels, the emergence of studies on the effects of adjustment policies - stabilization and structural reforms, on the poor. Attempts have been made in some countries on assessing how adjustment policies might affect the poor. In others, attempts have been made to develop strategies on how the poor might be protected during the course of adjustment; in yet other countries, studies have been carried out on how the poor were actually affected by adjustment policies and how they coped with it. Models have also been developed for analysing the distributional effects of adjustment policies and programmes, although admittedly such approaches have serious impracticalities even if one accepted the methodology underlying the models.<sup>43</sup>

It is possible to estimate the effects of stabilization and structural reforms on:

- (i) that group of population which is already below the poverty line. For this group, it is necessary to track down the effects via price changes on those goods and services that the poor consume, and those goods and services that the poor produce. The effects of such changes are possible to be seen not in the headcount index (H), but in the depth (PG) and severity (P<sub>2</sub>) of

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43. See, Sadiq Ahmed and R. Kyle Peters, Jr.(1989), "Adjustment with Poverty Alleviation: Indonesia's Experience", Draft Background Paper, The World Bank; and Christopher A. Pissarides (1989), "Macroeconomic Adjustment and Poverty in Selected Developed Countries", Draft Background Paper, The World Bank.

poverty. The key factor here is the nature of goods and services that the poor consume and produce, i.e., whether these fall into the category of tradeables or non-tradeables.

- (ii) that group of population which is non-poor today but may be pushed below the poverty line as a result of adjustment policies. In this case, the headcount index will undergo a change and consequent changes could well take place in the PG and  $P_2$  ratios.

The adjustment programme in India is very recent, having been initiated just about two years ago, under the now-familiar conditions of external and domestic fiscal disequilibrium, and rising inflation. As a result of the stabilization policies, the economic situation as reflected in the balance of payments, budgetary deficit, and inflation rate has improved substantially. Inflation rate has declined to about six per cent from a high of a little over 13 per cent at the time of the initiation of reforms. This moderation in the inflation rate is due, in part, to the improved performance of agriculture, and, in part, to reduction in the central government's fiscal deficit which is a key element in the strategy for macroeconomic management. The central government's gross fiscal deficit has dropped from 8.4 per cent of GDP in 1990-91 to about 5 per cent.<sup>44</sup>

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44. Government of India, Ministry of Finance (1993), "Economic Reforms: Two Years After and the Task Ahead", New Delhi.

Apart from the policies of economic stabilization, the reform measures are important for the growth of the Indian economy and its integration with the global markets. According to the Economic Survey 1992-93, the delicensing of industries has worked well. Competition has been intensified and a certain dynamism has been imparted to the Indian industry. Several initiatives have been taken to promote foreign investment such as automatic permission for foreign equity holdings of upto 51 per cent in most industry groups, facilities for portfolio investment by foreign institutions etc. Reforms are on the anvil in the pricing, regulation and financing of capital-intensive infrastructure industries. Gradual reduction of subsidies has been accepted as an important feature of the process of reforms.

The period of adjustment is still too short to have been studied in respect of its effects on different groups of people. It is also not possible to make any judgement in this regard in the absence of any system of monthly, quarterly, or even yearly data on household consumption, or on employment/unemployment trends. Sudipto Mundle in a recent paper, has attempted to assess the effects of stabilization and related policy changes on employment-unemployment in general, and specifically on informal, non-agricultural sector employment, and is very instructive. He presents three scenarios in his study: (i) projection of employment-unemployment profile that would obtain in the absence of any stabilization programme; (ii) employment-unemployment profile under a scenario of high growth, and (iii) profile under a scenario of low growth.<sup>45</sup> According to

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45. High growth variant assumes a GDP growth of 3.9 per cent in 1991-92, of 3.0 per cent in 1992-93, and 5.7 per cent in 1993-94. Low growth variant assumes a GDP growth of 2.8 per cent in 1991-92, of 1.7 per cent in 1992-93, and 3.8 per cent in 1993-94. See, Sudipto Mundle, "The Employment Effects of Stabilization and Related Policy Changes in India: 1991-92 to 1993-94, Current Policy Series Paper No. 15, National Institute of Public Finance and Policy, 1991.



Mundle, unemployment will rise under all the three scenarios. In the first scenario, it will rise on account of the slower growth of labour demand as compared to the growth of labour supply. The high growth scenario will push the unemployment rate in 1993-94 to 5 per cent, while the low growth will push it to 6.6 per cent in that year. Mundle further shows that there could be a sharp increase in the level of unemployment among marginal urban communities, surviving on low paid informal sector jobs during the stabilization period, leading in turn to greater incidence of poverty, heightened distress and social tensions in urban areas. The Economic Survey, 1992-93 also alludes to the possibilities of rising unemployment. According to the Survey, it may be one of the consequences of reforms in legislations such as the labour legislation which has lost its relevance in the changing economic environment. As it observes: "if an enterprise turns sick or closes down, it is difficult to secure to the workers rights which only a healthy enterprise could afford to give. In a competitive world, the fortunes of firms are inextricably linked with their performance and it is difficult to envisage a system which insulates workers from the misfortunes of the firms in which they work".

Whether unemployment will rise or not and whether the poor will be hurt or not as a result of economic reforms and stabilization is crucially dependent on the speed of fiscal consolidation, improvement in the efficiency and profitability of public enterprises and the overall success of structural reforms designed to accelerate the pace of economic development and the resource generating capabilities of the economy.<sup>46</sup>

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The Indonesian example suggests that the various reform measures involving a rise in the domestic savings rate, promotion of non-oil exports, promotion of private sector development by improving incentives, reducing distortions, and improvement in the efficiency of public sector and civil services reforms can decisively reduce the incidence of poverty. According to Sadiq Ahmed and R. Peters, the incidence of poverty could decline from 22 per cent in 1987 to slightly less than 14 per cent by the year 2000, assuming that the elasticity of poverty reduction with respect to economic growth remains unchanged. See, Ahmed and Peters, *Ibid.*

## **PART THREE**

### **INDIA'S URBAN POVERTY: A SUMMARY ASSESSMENT AND FUTURE PERSPECTIVES**

#### **(i) A Summary Assessment**

That urban poverty is pervasive in India is evident from the study. Anywhere between one-fifth to a little under two-fifths of the total urban population - depending on the source of estimate, do not have the levels of expenditure that would permit them to satisfy the nutritional intake criterion, used in separating the poor and the non-poor. An interpretation of this phenomenon is that what this section of the population "produce" and the manner in which their produce is priced is less than what they "consume" in the aggregate. Moreover, poverty in the urban areas has grown out over the past few years of this restricted definition, and manifest itself today more severely in various forms of deprivation, inequities and inaccessibilities. Here too, anywhere between 15-70 per cent of the urban population stand denied of productive and stable employment, shelter and services. They have no access to markets for these goods. For instance, urban labour markets are faced with pressures and strains of various sorts in that firstly, open unemployment in the country has begun to rise, and secondly, a significant proportion of the labour force belong to that part of the non-wage sector

which is marked by low productivity and instability. Similar pressures are faced by the poor in the land, labour and services markets which are characterized by both inadequacies and inequities (Table 34).

**Table 34**  
**A Summary Position of the Level of Deprivation**

Level of Deprivation	Per cent of Urban Population
Without employment	6.1 (males); 8.5 (females)
Without regular employment	14.6 (males); 25.4 (females)
Without proper shelter	14.7 (living in slums)
Without water supply	17.8
Without sanitation	56.1
Without schooling	38.2
Below the poverty line	20.1

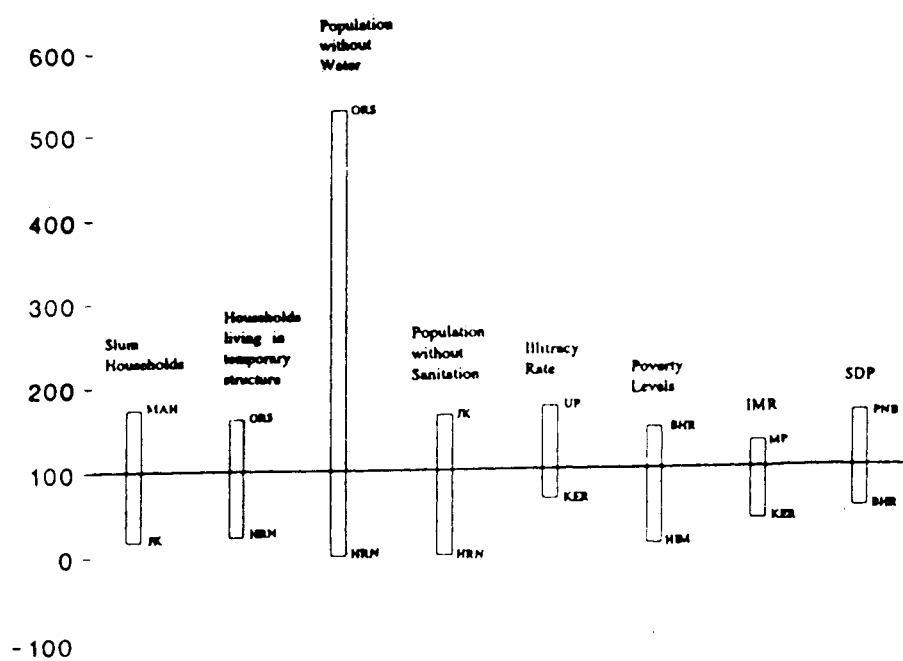
**Note:** The figures are drawn from Tables included in this study report.

A notable feature of India's urban poverty lies in the fact that poverty incidence is generally low in the comparatively more-urbanized states and regions, and high in low-urbanized states.<sup>47</sup> An extension of this phenomenon will suggest that urbanization process in India has responded to the market, accelerating in states that have demonstrated stronger demand for employment and other activities and proceeding at a slower pace in others. To some extent, this fact should help to allay the fears, often expressed, that urbanization is responsible for poverty, and, therefore, the process of

47. I am making this statement despite the fact that the correlation between urbanization and poverty is positive (+0.36). This positive correlation owes itself to the inclusion of hilly states which have low levels of urbanization and low incidence of poverty into the calculations.

urbanization processes should be slowed down. What is worth noting in addition is the strikingly different response of states, for instance, to other forms of deprivations such as shelter and services (see the following graph).

**Chart 10**  
**Levels of Deprivation, High and Low**



There exists some evidence of a direct link between income levels, income growth, and poverty. High income and comparatively fast growing states have lower poverty levels. This link happens to be important in several states. At the same time, the states that do not demonstrate such a positive link would tend to suggest that income levels and growth rates may be necessary for poverty reduction but these are far from sufficient to cause reduction in poverty.

Urban poverty is both a transfer of poverty from the rural areas, as well as an autonomous phenomenon. Once again, to suggest somewhat universally that rural development programmes are crucial for a poverty reduction may not seem relevant where it is an phenomenon that feeds on itself.

The profile of the urban poor continues to be shrouded in ambiguity for want of sufficient information. What emerges from some of the macro level studies of slum and low-income settlements is that the urban poor possess diverse characteristics, and can not be treated as one single homogeneous group. The heterogeneity lies in the age and sex profile of workers and the sectors of their employment. The lack of services in slum settlements which are locations for 40-60 per cent of the urban poor, shows itself in high negative externalities such as the excessively high infant mortality rates. While it is a fact that food expenditures have negative correlations with income levels, the field evidence is that food expenditures account for nearly 90-95 per cent of poor households' expenditures, leaving almost nothing for nonfood requirements.

The explanations underlying the persistence of poverty have changed over time, but still it is sought to be explained in conventional terms - absence or lack of growth, , inequalities, and inaccessibilities, or simply lack of adequate investments. It is significant that the planning process has underplayed its own systemic inflexibility and unresponsiveness as being crucial for its persistence. The plethora of labour legislations which protects labour interests but contributes little to employment generation, the constraining influence of legislations relating to land and shelter, low and often misdirected investments in crucial sectors such as education and health, and the common difficulties in reaching the poor via the poverty reduction programmes explain, in a major way, the existence of the widespread poverty in India's urban areas.

The importance of poverty alleviation as a development objective has grown over the years. It is accompanied by a mix of direct and indirect public policies and policy instruments, e.g., macroeconomic processes, sectoral strategies directed at the poor, and direct urban poverty alleviation programmes. The impact of the mix, however, has been low. Although a causal relationship between various macroprocesses and poverty is not possible to be established, certain general statements can be made. Firstly, income growth is a necessary condition for poverty reduction. In India's case, a balance sheet of all positive and negative factors would tend to suggest that the average income growth of 3.3 per cent in the 1970s and 5.5 per cent in the 1980 did impact the poverty ratios. Secondly, employment growth rate of 2-2.2 per cent per annum is far from adequate to produce a decisive influence on poverty levels. The slow growth of

employment, as pointed out earlier, owed itself to archaic legal framework, rigid regulations, maintenance of high wage employment, and preference to capital-intensive activities.

Thirdly, public expenditures on education in India are uniformly low. Moreover, there is no evidence that education expenditures are, in any way, linked with the levels of literacy. Although this sector contains a large subsidy, studies point out that primary education receive a small portion of the subsidies, with a larger portion accruing to that component of the education which does not need subsidies. Although health expenditures compare well with those in many developing countries, they are inadequately targeted and inefficiently delivered.

The Indian planning system has, in recent years, begun to use direct instruments for reaching the poor. It indicates, on the one hand, failure of the macroeconomic processes for addressing issues relating to the poor, and, on the other hand, the need to complement such processes. However, investments in targeted programmes are at best, minimal, and even under optimistic assumptions, can not reach out to such a large number of the urban poor. Even these investments suffer from the usual problems of leakages, imperfect targeting, and inflexibility, further reducing their impact on the poor.

The effects of structural reforms on the poor are not yet known. A few simulation exercises predict a likely increase in unemployment and under-employment in the non-agricultural sectors. Claims are simultaneously being made that if reforms continue to progress along predictable lines, the poor may not be adversely hurt, or hurt minimally. However, it is still within the realm of speculation.

## **(ii) The Future Perspectives**

As the process of urbanization and urban population growth gain momentum as indeed is most likely under the impact of current economic policies and the usual demographic pressures, the poverty agenda assumes greater significance in the country. Even if we assume that poverty levels can be held at the 1987/88 level and not be allowed to deteriorate, the prospects of adding anywhere by the year 2000 AD between 20-35 million people to the already large base of the urban poor are frightening. The prospects are also frightening as tackling poverty has so far proved to be difficult and complex and enmeshed in several types of issues, including issues of priorities (rural versus urban; directly productive sectors of agriculture and industry versus education and health), of institutional roles (governments versus the market and the NGOs), and of financial systems (subsidies and transfers versus beneficiaries pay principle).

The future prospects of poverty alleviation under these circumstances are crucially dependent on five factors:



- i. the extent to which the process of future economic growth can shift to labour-intensive employment strategies by appropriate pricing of capital, on the one hand and, labour market reforms, on the other hand;
- ii. the extent to which the various rigidities that characterize the land and shelter markets can be eliminated so as to increase the access of the poor to such markets;
- iii. the extent to which investments can be directed to education and health sectors and also used efficiently and equitably;
- iv. the extent to which the programmes such as the Nehru Rozgar Yojna, Urban Basic Services for the Poor, and shelter-related programmes can be consolidated and accessed to a single source of fund, e.g., a Development Fund for the poor. At present, most of these programmes have multiple sources of funding and multiple administrative arrangements for planning and implementation; and
- v. the extent to which information on the poor, e.g., what they consume and what they produce and the sensitivity of their consumption and production patterns to price changes, can be mobilized and used in monitoring progress.

This agenda for tackling urban poverty seems to fit in with the philosophy underlying the current economic reforms in the country. A recent discussion paper of the Government of India entitled **Economic Reforms: Two Years After and the Task Ahead** points out to the need to<sup>48</sup> --

- i. review the operation of the current Industrial Disputes Act (in particular, the requirement for prior approval by government for closure of sick units and retrenchment of labour), as it vitally affects the incentives for investment as well as increased employment. "In protecting the interests of those who are currently employed, we must not lose sight of the need to create fresh jobs for those newly entering the labour market. Rigid rules limiting the flexibility with which labour can be hired and retrenched have the effect of pushing entrepreneurs into more capital intensive technology to reduce the number of workers they have to deal with. It also leads to practices such as hiring of casual labour which is periodically turned over to avoid acquiring permanency status. None of this is in the interest of labour or employment";

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48. Government of India, Ministry of Finance (July 1993), "Economic Reforms: Two Years After and the Task Ahead", New Delhi.

- ii. amend legislations such as the Urban Land (Ceiling and Regulation) Act and simplify the existing approval procedures for shelter projects. " \_\_\_ the implementation of the Act has severely undermined the operation of the market in land, contributed to spiralling land and property prices and not achieved the original purpose of broadening ownership \_\_\_";
- iii. redirect sectoral priorities and allocate higher shares of the budget for education and health on primary education, basic health care and women and child welfare. "The orientation of expenditure priorities in favour of primary education and basic health will entail reduction of existing subsidies to higher education and non-basic health facilities". "Too often our past policies have devoted disproportionate resources to subsidizing the education and health care of the better-off sections of our society. Higher education has been massively subsidized while primary education has suffered relative neglect". Reorientation is necessary on account of higher social returns both on primary education and preventive and primary health care; and
- (iv) ensuring better targeting of poverty alleviation programmes on the "poorest" and ensuring that these do not leak out to the less worthy.

It is these sets of guidelines that constitute the future task for reduction of urban poverty in India. It also sets the guidelines for the government, for the market, and others to chart out their strategies to contribute to poverty reduction. What is important

is the convergence of strategies rather than divergence as has often been noted in India's case. This is possible when the respective roles of the government, of nongovernmental partners, of communities, of markets, and international organizations are clearly defined and delineated. What should the central government do? Is the well-being of the poor a national *public good*?<sup>49</sup> To what extent should it be a shared responsibility? If it is to be a shared responsibility, how are the shares to be determined? What additional information will be necessary for this to be realized?<sup>50</sup> These are some of the questions that need to be further studied and examined.

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49. One strand of literature argues that well-being of the poor is a "national public good" in the sense that income levels of the poor enter as arguments in the utility function of the non-poor. The other strand looks upon the problem in a decentralized framework, and relies on decentralized finance and administration. See, William E. Oates and C. Brown (1987), "Assistance to the Poor in a Federal System", *Journal of Public Economics*, p. 307-330.

50. The one-day seminar that was held in New Delhi to discuss the draft of this report generated new sets of issues for consideration. The two important ones are: (i) Should the focus of policy attention be on the poor, that is, the way they are officially defined and identified, or on the slums and low-income settlements which are the habitat for anywhere between 40-60 per cent of the urban poor?; and (ii) Is what the poor contribute a positive sum? Should their contribution be measured by the price at which they sell their produce or by the market price?

Table A1  
Key Macro Indicators, India

India/Major States	Total	Decadal	Per	Below the Poverty	Infant	Literacy	
	Population	Increase	Capita	Line	Mortality		
	1991	1981-91	Net SDP	Population	% age of	Rate	Level
	(millions)	(%)	(Rupee)	Number	the total	(per 1,000	1991
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
India	844.3	2.1	3319	237.7	29.9	61.0	42.9
Andhra Pradesh	66.4	2.2	2741	19.6	31.7	58.0	32.7
Assam	22.3	1.1	2589	5.3	22.8	69.0	(-)
Bihar	86.3	2.1	1846	33.7	40.8	72.0	31.1
Gujarat	41.2	1.9	3509	7.3	18.4	59.0	51.7
Haryana	16.3	2.4	4312	1.8	11.6	61.0	45.5
Himachal Pradesh	5.1	1.8	3122	0.5	9.2	44.0	53.3
Jammu and Kashmir	.7	2.6	2701	1.0	13.9	47.0	(-)
Karnataka	44.8	1.9	3254	13.6	32.1	41.0	47.0
Kerala	29.0	1.3	2828	4.9	17.0	25.0	78.1
Madhya Pradesh	66.1	2.4	2433	22.5	36.7	81.0	35.5
Maharashtra	78.7	2.3	4558	21.4	29.2	47.0	54.5
Orissa	31.5	1.8	2194	13.5	44.7	75.0	41.0
Punjab	20.2	1.9	5572	1.4	7.2	63.0	49.3
Rajasthan	43.9	2.5	2197	10.0	24.4	69.0	31.0
Tamil Nadu	55.6	1.4	3362	17.7	32.8	54.0	33.6
Uttar Pradesh	139.0	2.3	2382	44.8	35.1	80.0	33.8
West Bengal	68.0	2.2	3089	17.3	27.6	43.0	48.1

Note : (-) denotes Not Available

Sources :

- Col.(1) & (2) - Registrar General & Census Commissioner, 1991;  
"Census of India, Paper 2", New Delhi.
- Col.(3) - Central Statistical Organisation, 1989 ;  
"Estimates of State Domestic Product" , New Delhi.
- Col.(4) & (5) - Planning Commission, 1992 ;  
"Official Estimates (Unpublished)" , New Delhi.
- Col.(6) - Registrar General, Ministry of Home Affairs, 1989;  
"Sample Registration System 1987" , New Delhi.
- Col.(7) - Registrar General & Census Commissioner, 1991;  
"Census of India, Paper 2", New Delhi.

Table A2  
Key Macro Indicators, India Urban

India/Major States	Urban Population		Decadal Increase 1981-91 (%)	% Urban population below the Poverty Line 1987-88	Per Capita Aggregate Consumption Urban 1987-88 (Rupees)	Literacy Level 1991 (%)	% Age of Population	
	Urban Population 1991 (millions)	% of the Total Population 1991					With Water Supply 1988	Access to Sanitation 1988
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
India	217.2	25.7	3.1	20.1	249.9	61.8	82.2	43.9
Andhra Pradesh	17.8	26.8	3.6	26.1	230.3	56.8	71.8	20.0
Assam	2.5	11.1	1.9	9.4	269.9	(-)	(-)	(-)
Bihar	11.4	13.2	2.7	30.0	186.5	57.0	69.8	38.8
Gujarat	14.2	34.4	2.9	12.9	240.7	64.8	91.9	77.5
Haryana	4.0	24.8	3.6	11.7	251.8	61.6	100.0	100.0
Himachal Pradesh	0.4	8.7	3.2	2.4	345.7	73.7	100.0	21.7
Jammu and Kashmir	1.8	23.8	3.9	8.4	266.3	(-)	95.6	7.1
Karnataka	13.9	30.9	2.6	24.2	222.8	63.6	99.6	57.2
Kerala	7.7	26.4	4.9	19.3	266.2	81.1	68.2	31.8
Madhya Pradesh	15.3	23.2	3.8	21.3	236.0	58.8	81.0	10.3
Maharashtra	30.5	38.7	3.3	17.0	279.5	68.1	99.7	62.4
Orissa	4.2	13.4	3.1	24.1	225.2	61.6	37.8	33.8
Punjab	6.0	29.7	2.6	7.2	270.0	61.6	71.2	52.4
Rajasthan	10.0	22.9	3.4	19.4	237.9	54.1	98.6	76.2
Tamil Nadu	19.0	34.2	1.8	20.5	248.8	6.6	88.5	47.8
Uttar Pradesh	27.7	19.9	3.3	27.2	216.7	50.5	69.6	14.0
West Bengal	18.6	27.4	2.6	20.7	249.5	66.5	69.3	32.1

Note : (-) denotes Not available .

Sources :

Col.(1),(2),(3) - Registrar General & Census Commissioner, 1991;  
& Col.(6) "Census of India, Paper 2", New Delhi.

Col.(4) -- Planning Commission, 1992 ;  
"Official Estimates (Unpublished)", New Delhi.

Col.(5) - National Sample survey (1991),  
"Sarvekshana", New Delhi.

Col.(7),(8) - Ministry of Urban Development, May 1989;  
"International Drinking Water Supply & Sanitation Decade",  
Mysore .

Table A3  
Population Trends in India, India and Urban India

Year	Population				
	Total		Urban		
	Number (million)	Annual Exponential Growth Rate (%)	Number (million)	Annual Exponential Growth Rate (%)	% Age of the Total Population
1961	439.2		78.9		18.0
1971	548.2	2.2	109.1	3.3	19.9
1981	683.3	2.2	159.5	3.9	23.3
1991	844.3	2.1	217.2	3.1	25.7

Source : Registrar General & Census Commissioner, 1991;  
"Census of India, Paper 2", New Delhi.

Table A4  
City Size Composition Of Urban Population, India

Size	No. of UAs /Towns			Population			Decadal Increase	
	1971	1981	1991	1971	1981	1991	1971-81	1981-91
				(million)	(million)	(million)	(%)	(%)
All Classes	2476	3245	3609	107.0	156.4	212.9	39.7	32.8
100,000 and Above	148	216	296	61.2	94.5	138.8	41.4	34.5
50,000 - 100,000	173	270	341	11.7	10.2	23.3	36.2	31.6
20,000 - 50,000	558	738	927	17.1	22.4	28.1	39.5	29.6
10,000 - 20,000	827	1053	1135	11.7	14.9	16.5	35.0	28.4
5,000 - 10,000	623	739	725	4.8	5.6	5.5	37.0	30.0
Below 5,000	147	229	185	0.5	0.8	0.6	47.4	43.9

Note : Data excluding Assam and Jammu & Kashmir .

Source :

Col.(1) to (5) - Registrar General & Census Commissioner, 1991;  
"Census of India, Paper 2", New Delhi.

Col. (6) - Calculated using Population of Urban Agglomerations/Towns  
(a) Common in 1971 & 1981 by their size class in 1971 and  
(b) Common in 1981 & 1991 by their size class in 1981.



Table A5  
Trends in Gross Domestic Product, India

Year	Gross Domestic Product at Factor Cost (Rupees millions)		Per Capita Net National Product ( Rupees )	
	Current Prices	Constant 1.80-31 Prices	Current Prices	Constant 1980-81 Prices
1972-73	464,730	910,180	750	1446
1977-78	873,510	1,142,190	1258	1635
1983-84	1,867,230	1,748,650	2313	1801
1987-88	2,947,650	1,702,050	3319	1933

Sources :

1. Central Statistical Organisation, 1991,1992;  
"National Accounts Statistics",  
Ministry of Planning, New Delhi.
2. Central Statistical Organisation, 1992;  
"National Accounts Statistics, Disaggregated  
Statements" Ministry of Planning, New Delhi.
3. Central Statistical Organisation, 1992;  
"Estimates of State Domestic Product and  
Gross Fixed Capital Formation",  
Ministry of Planning, New Delhi.

Table A6  
Sectoral Composition of Gross Domestic Product, India  
at Current Prices

Year	Gross Domestic Product					
	Primary		Secondary		Tertiary	
		% Age		% Age		% Age
	(million)	Change (annual)	(million)	Change (annual)	(million)	Change (annual)
1961	71,340		30,130		51,070	
1971	183,150	9.9	83,250	10.7	130,680	9.9
1981	485,360	10.2	298,280	13.6	440,630	12.9
1991	1,625,260	12.8	1,207,360	15.0	1,893,370	15.7

Sources : Registrar General & Census Commissioner, 1991;  
"Census of India, Paper 2", New Delhi.

Table A7  
Annual Growth Rates of Employment by Major Sectors 1973-88

Sector	1972-73 to 1977-78	1977-78 to 1983	1983 to 1987-88	1972-73 to 1987-88
Agriculture	2.3	1.2	0.7	1.4
Mining	4.7	5.9	6.2	5.5
Manufacturing	5.1	3.8	2.1	3.6
Construction	1.6	7.5	13.7	7.2
Electricity Gas & Water Supply	12.2	5.1	4.6	7.1
Transport, Storage & Communication	4.9	6.4	2.7	4.7
Services	3.7	4.7	2.5	3.1
Total	2.8	2.2	1.6	2.2

Source : Planning Commission, May 1990 ;  
"Employment, Past Trends and Prospects for 1990s",  
New Delhi.

Table A8  
Occupational Distribution of Workers, India Urban

Year	Primary (Million)	% Change (annual)	Secondary (Million)	% Change (annual)	Tertiary (Million)	% Change (annual)	Total (Millio
1961	3.3		8.6		14.5		26.4
1971	4.4	2.9	10.0	1.6	17.6	1.9	32.0
1981	6.5	3.9	15.6	4.5	24.1	3.2	46.1
1991	9.2	3.6	19.2	2.1	35.3	3.9	63.6

Sources :

1. National Informatics Centre, 1991 (Unpublished), New Delhi.
2. Registrar General & Census Commissioner, 1981, 1971, 1961;  
"Census of India, Paper 2" , New Delhi.

Table A9  
Estimates of Rural Poverty, India and Major States (Official)

STATES	1972-73		1977-78		1983-84		1987-88	
	Number (million)	Percent to total rural popula- tion	Number (million)	Percent to total rural popula- tion	Number (million)	Percent to total rural popula- tion	Number (million)	Percent to total rural popula- tion
(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
India	244.22	54.10	253.10	51.20	221.50	40.40	195.97	33.40
Andhra Pradesh	20.71	57.70	17.68	45.40	16.44	38.70	15.31	33.80
Assam	6.90	48.20	7.80	48.50	4.49	23.80	5.04	24.50
Bihar	20.12	55.80	33.05	57.80	32.94	51.40	30.03	42.70
Gujarat	8.69	43.90	9.46	43.10	6.77	27.60	5.62	21.20
Haryana	1.84	21.50	2.20	23.20	1.62	15.20	1.35	11.70
Himachal Pradesh	0.51	15.50	1.02	27.80	0.58	14.00	0.44	9.70
Jammu & Kashmir	1.41	36.10	1.39	31.70	0.81	16.40	0.84	15.50
Karnataka	11.90	52.30	13.19	53.20	10.29	37.50	10.28	35.90
Kerala	10.64	57.80	9.41	47.40	5.59	26.10	3.74	16.40
Madhya Pradesh	22.23	61.40	24.27	61.60	21.80	50.30	19.40	41.50
Maharashtra	19.15	53.90	23.41	60.40	17.61	41.50	16.69	36.70
Manipur	0.24	24.70	0.29	29.20	0.13	11.70	-	-
Orissa	14.73	71.00	15.16	67.90	10.77	44.80	12.42	48.30
Punjab	2.26	21.50	1.50	13.10	1.37	10.90	0.96	7.20
Rajasthan	10.50	47.50	8.27	33.50	10.50	36.60	8.06	26.00
Tamil Nadu	18.35	63.00	17.72	56.30	14.76	44.10	13.84	39.50
Tripura	0.62	42.60	1.06	64.50	0.46	23.50	-	-
Uttar Pradesh	41.31	53.00	42.28	49.80	44.00	46.50	37.31	37.20
West Bengal	22.09	64.00	22.04	58.30	18.39	43.80	13.72	30.30

Source : Planning Commission, 1992 ;  
"Official Estimates (Unpublished)", New Delhi.

Table A10  
Estimates of Urban Poverty, India and Major States (Official)

STATES	1972-73		1977-78		1983-84		1987-88	
	Number (million)	Percent to total urban population	Number (million)	Percent to total urban population	Number (million)	Percent to total urban population	Number (million)	Percent to total urban population
(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All India	47.33	41.20	53.70	38.20	49.50	28.10	41.70	20.10
Andhra Pradesh	3.85	43.80	4.06	37.20	4.07	29.50	4.26	26.10
Assam	0.49	33.80	0.64	36.50	0.49	21.60	0.25	9.40
Bihar	2.59	43.40	3.37	44.80	3.61	37.00	3.61	30.00
Gujarat	2.66	34.00	2.75	29.80	1.99	17.30	1.71	12.90
Haryana	0.56	29.90	0.79	32.50	0.55	16.90	0.47	11.70
Himachal Pradesh	0.03	12.50	0.05	17.20	0.03	8.00	0.01	2.40
Jammu & Kashmir	0.47	51.60	0.45	40.50	0.22	15.80	0.14	8.40
Karnataka	3.43	45.80	4.16	44.60	3.47	29.20	3.37	24.20
Kerala	1.92	52.70	2.30	53.20	1.56	30.10	1.16	19.30
Madhya Pradesh	3.25	44.80	4.31	46.90	3.69	31.10	3.09	21.30
Maharashtra	5.67	35.30	6.21	31.40	5.59	23.30	4.72	17.00
Manipur	0.04	24.20	0.08	26.80	0.06	13.80	-	-
Orissa	0.85	43.30	1.11	41.80	1.04	29.50	1.09	24.10
Punjab	0.73	21.80	1.05	25.60	1.07	21.00	0.43	7.20
Rajasthan	1.88	39.30	2.08	33.90	2.12	26.10	1.90	19.40
Tamil Nadu	6.78	52.20	6.72	45.30	5.26	30.90	3.85	20.50
Tripura	0.03	18.70	0.06	27.50	0.05	19.60	-	-
Uttar Pradesh	6.64	51.60	8.32	49.20	9.06	40.30	7.52	27.20
West Bengal	4.16	35.90	4.51	34.50	4.12	26.50	3.63	20.70

Source : Planning Commission, 1992 ;  
"Official Estimates (Unpublished)", New Delhi.

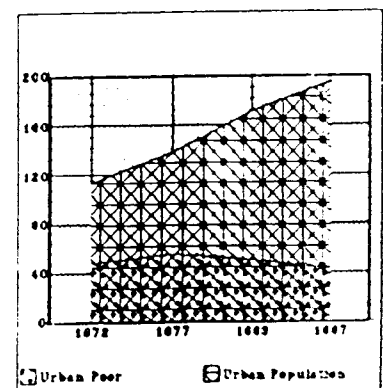


Table A11  
Estimates of Combined Poverty, India and Major States (Official)

STATES	1972-73		1977-78		1983-84		1987-88	
	Number (million)	Percent to total popula- tion	Number (million)	Percent to total popula- tion	Number (million)	Percent to total popula- tion	Number (million)	Percent to total popula- tion
(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All India	291.55	51.50	306.80	48.30	271.00	37.40	237.67	29.90
Andhra Pradesh	24.56	54.90	21.74	43.60	20.51	36.40	19.57	31.70
Assam	7.39	47.00	8.44	47.30	4.98	23.50	5.29	22.80
Bihar	31.71	54.50	36.42	56.30	36.55	49.50	33.65	40.80
Gujarat	11.35	41.10	12.21	33.40	6.76	24.30	7.33	18.40
Haryana	2.40	23.10	2.99	25.20	2.17	15.60	1.82	11.60
Himachal Pradesh	0.54	15.10	1.07	27.00	0.61	13.30	0.45	9.20
Jammu & Kashmir	1.88	39.00	1.84	38.40	1.03	16.30	0.98	13.90
Karnataka	15.33	50.50	17.35	50.80	13.76	35.00	13.65	32.10
Kerala	12.56	56.90	11.71	48.40	7.15	26.80	4.90	17.00
Madhya Pradesh	25.48	58.60	28.58	58.90	25.49	46.20	22.50	36.70
Maharashtra	24.82	47.70	29.62	50.60	23.20	34.90	21.41	29.20
Manipur	0.28	24.70	0.37	47.40	0.19	12.30	-	-
Orissa	15.58	68.60	16.27	65.10	11.81	42.80	13.51	44.70
Punjab	2.99	21.50	2.55	16.40	2.44	13.80	1.39	7.20
Rajasthan	12.38	46.00	10.35	33.60	12.62	34.30	9.95	24.40
Tamil Nadu	25.13	59.70	24.44	52.80	20.02	39.60	17.69	32.80
Tripura	0.65	39.90	1.12	60.50	0.51	23.00	-	-
Uttar Pradesh	47.95	52.80	50.60	49.70	53.06	45.30	44.83	35.10
West Bengal	26.25	56.80	26.55	52.20	22.51	39.20	17.35	27.60

Source : Planning Commission, 1992 ;  
"Official Estimates (Unpublished)", New Delhi.

Table A12  
Distribution of Household Consumption Expenditure  
by Quintiles for Major States, India Urban

States	1972 - 73		1977 - 78		1983		1987 - 88	
	Lowest	Upper Most	Lowest	Upper Most	Lowest	Upper Most	Lowest	Upper Most
India	8.2	42.8	8.0	42.2	8.3	41.8	8.0	43.6
Andhra Pradesh	9.4	39.1	8.6	40.5	8.7	40.3	8.0	44.8
Assam	10.4	37.4	9.1	41.4	10.2	35.3	9.4	43.1
Bihar	8.5	41.4	9.0	39.6	9.2	39.1	9.6	40.2
Gujarat	10.9	35.5	9.3	40.2	10.3	37.6	9.7	38.6
Haryana	(-)	(-)	9.2	39.0	9.2	38.4	9.3	39.1
Himachal Pradesh	(-)	(-)	8.6	39.9	8.4	33.5	7.5	42.2
Jammu and Kashmir	11.0	35.7	10.4	40.5	11.3	35.3	9.6	38.0
Karnataka	8.7	41.7	8.1	42.5	7.8	41.5	8.4	41.9
Kerala	7.0	46.8	6.5	46.8	7.4	46.5	7.2	47.4
Madhya Pradesh	8.7	44.6	7.9	46.2	9.5	39.0	8.5	42.3
Maharashtra	7.1	44.8	7.1	44.1	7.7	41.9	7.3	43.1
Orissa	7.9	43.4	8.2	40.3	9.2	39.3	8.4	41.2
Punjab	8.8	41.2	7.6	46.3	8.2	41.9	9.7	37.8
Rajasthan	8.4	42.5	9.3	38.9	8.8	39.5	8.6	44.0
Tamil Nadu	9.0	40.8	8.2	40.3	7.9	43.7	7.9	44.1
Uttar Pradesh	9.1	40.7	7.6	46.3	9.0	40.4	8.5	41.4
West Bengal	7.7	41.9	9.3	38.9	8.3	41.9	8.3	43.8

Note : (-) denotes Not Available.

Source : National Sample Survey, (july 1987 - june 1988), (april 1986), (january 1979);  
"Sarvakshana" , New Delhi.



Table A13  
Per Capita Consumption Expenditure for Poor  
and Non-Poor Households at 1980-81 prices

Urban	1977-78	1983-84	1986-87	1987-88
Below Poverty	63.7	67.9	68.3	69.9
Above Poverty	172.8	175.5	185.9	199.8

Source : S.R.Hashim,  
"Monitoring Poverty - The India Experience" ,  
Planning Commission, (Unpublished).

Table A14  
 Percentage Share of Households in total  
 Household Expenditure, All India, Urban

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Q u i n t i l e s					
-----					
Year	Bottom 20%	2nd Quintile	3rd Quintile	4th Quintile	Top 20%
-----					
1972/73	8.2	11.7	15.8	21.5	42.8
1977/78	8.0	12.0	15.8	22.0	42.2
1983	8.1	12.3	16.3	22.0	41.4
1987/88	8.0	11.6	15.5	21.3	43.6
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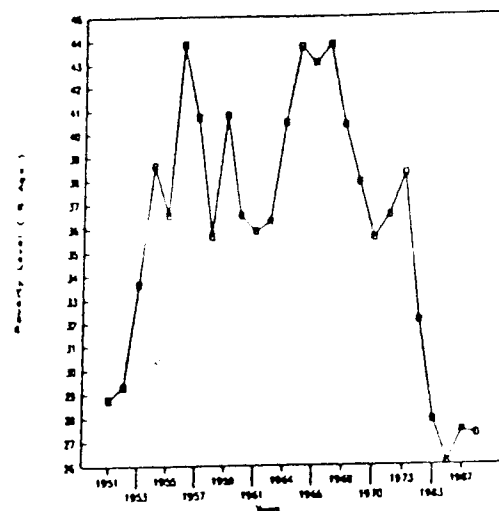
Source : National Sample Survey Organization, Ibid .

Table A15  
Long Term Trends in Urban Poverty, India  
( Datt & Ravallion Estimates )

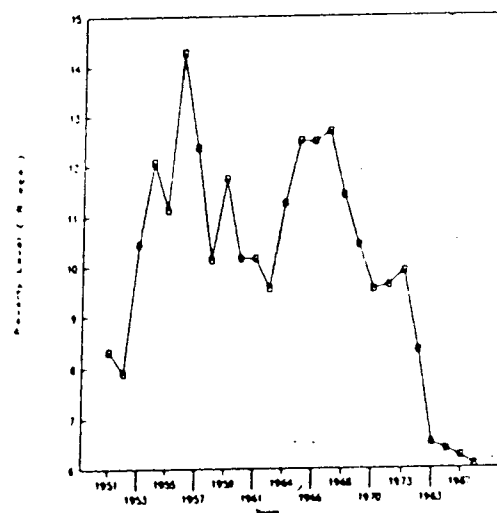
Year	Head Count Index H	Poverty Gap Index PG	Foster-Greer Thorbecke Measure FGT
1951	28.75	8.31	3.22
1952	29.31	7.89	2.85
1953	33.65	10.45	4.50
1954	38.63	12.07	4.98
1955	36.53	11.14	4.49
1956	43.84	14.29	6.15
1957	40.69	12.37	4.98
1958	35.63	10.13	3.94
1959	40.78	11.74	4.49
1960	36.51	10.16	3.79
1961	35.83	10.16	3.88
1963	36.26	9.55	3.34
1964	40.47	11.25	4.16
1965	43.75	12.49	4.72
1966	43.06	12.48	4.85
1967	43.85	12.69	4.90
1968	40.39	11.42	4.33
1969	37.92	10.43	3.86
1970	35.57	9.55	3.47
1972	36.55	9.62	3.40
1973	38.27	9.91	3.53
1977	32.07	8.32	2.92
1983	27.88	6.51	2.05
1986	26.12	6.39	2.12
1987	27.43	6.25	1.91
1988	27.26	6.08	1.81

Source : Gaurav Datt and Martin Ravallion, 1992;  
"A New Time Series of Poverty Measures  
For India", The World Bank.

Head Count Index



Poverty Gap Index



FGT Index

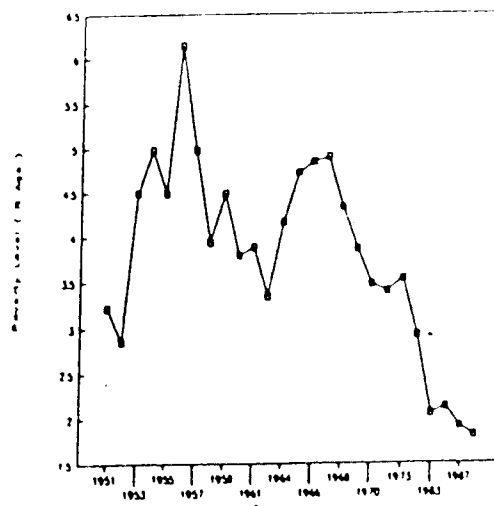


Table A16  
Trends in Urban Poverty for Major States  
( Minhas Estimates )

States	Estimates of Poverty ( % )			
	( 1983-84 )		( 1987-88 )	
	Urban	Combined	Urban	Combined
India/ Major States				
India	38.3	46.5	36.5	42.7
Andhra Pradesh	35.5	35.1	40.0	33.8
Assam	21.0	46.2	11.4	48.3
Bihar	51.3	67.9	56.7	64.9
Gujarat	37.3	36.7	38.8	40.7
Haryana	21.3	23.4	18.3	21.9
Himachal Pradesh	7.1	21.7	3.3	23.0
Jammu & Kashmir	11.8	25.5	11.0	28.0
Karnataka	37.7	39.5	45.0	43.2
Kerala	47.8	47.3	44.5	44.1
Madhya Pradesh	52.0	53.6	46.0	48.9
Maharashtra	40.4	49.1	35.6	47.2
Orissa	52.5	63.5	44.5	62.5
Punjab	21.6	19.4	11.2	18.0
Rajasthan	37.2	41.0	41.5	41.8
Tamil Nadu	45.1	52.9	39.2	47.1
Uttar Pradesh	48.1	49.5	41.9	46.5
West Bengal	28.8	55.9	30.6	49.8

Source : B.S. Minhas, L.R. Jain and S.D. Tendulkar,  
Economic and Political Weekly, (July 6-13, 1991) ;  
"Declining Incidence of Poverty in the 1980's -  
Evidence versus Artefacts" , Bombay.

Table A17  
Combined Revenue and Capital Developmental Expenditure  
of Centre, States and Union Territories

(Rs. millions)

Item / Year -->	1977-78	1983-84	1987-88	1988-89	1989-90	1990-91
Medical & Public Health and Water Supply & sanitation	1,191	3,964	5,951	5,999	5,131	6,482
Education Art & Culture	239	669	1,606	2,172	3,038	3,403
Housing	764	1,979	2,946	2,982	3,200	3,186
Urban Development	185	100	1510	306	578	517
Transport & Communication	3,597	9,280	12,992	16,480	17,879	22,451
Power projects	1,953	7,931	22,626	16,414	26,486	35,109
Irrigation & Flood Control	9,915	19,343	29,322	41,165	39,580	40,412
Agriculture & Allied services	1,214	5,784	2,317	2,349	6,147	5,387
Industry & Minerals	13,933	15,520	20,254	17,083	17,301	15,636
<b>TOTAL</b>	<b>32,991</b>	<b>64,569</b>	<b>99,523</b>	<b>104,951</b>	<b>119,339</b>	<b>132,582</b>

Source : Ministry of Finance, Department of Economic Affairs, 1984, 1987, 1991;  
"Indian Economic Statistics Public Finance", New Delhi.

Table A18  
Incidence of Unemployment in Urban Areas

India/Major States	1977-78		1983		1987-88	
	Male	Female	Male	Female	Male	Female
	(1)	(2)	(3)	(4)	(5)	(6)
India	6.5	17.8	5.9	6.9	6.1	8.5
Andhra Pradesh	7.1	16.6	5.4	5.1	6.4	9.0
Assam	4.8	17.2	4.9	11.2	5.3	28.4
Bihar	6.1	17.3	5.6	2.1	6.4	3.3
Gujarat	3.9	9.6	5.1	3.7	4.7	2.2
Haryana	5.4	22.3	4.5	8.0	4.6	9.6
Himachal Pradesh	5.1	21.1	8.2	8.6	6.9	10.5
Jammu and Kashmir	3.5	28.3	3.5	12.1	4.7	15.5
Karnataka	6.0	17.2	5.7	5.5	5.6	4.1
Kerala	16.2	39.5	11.9	25.6	14.1	33.8
Madhya Pradesh	4.3	8.4	3.4	1.5	4.3	5.6
Maharashtra	6.6	15.9	5.9	4.5	6.5	5.0
Orissa	6.5	12.2	5.4	6.3	7.1	14.0
Punjab	3.2	20.9	4.0	9.6	4.8	14.7
Rajasthan	3.7	7.5	4.2	1.3	4.7	1.4
Tamil Nadu	7.9	16.2	7.9	8.3	7.3	9.1
Uttar Pradesh	4.1	10.8	4.5	3.6	3.4	2.9
West Bengal	9.8	28.4	9.8	18.4	9.0	21.4

Note : Usual Status for 1977-78.  
Usual Principal Status for 1983.  
Usual Status for 1987-88 (Unempt Rates)

Source : National Sample Survey, July - Oct.1981,  
April 1988, Sep.1990, "Sarvekshana", New Delhi.

Table A19  
State - Specific Urban Poverty Lines, 1972-73 to 1987-88  
(Rs per month and per person)

India/Major states	1972-73	1977-78	1983	1987-88
India	47.3	68.1	111.3	158.3
Andhra Pradesh	47.4	67.7	104.7	151.3
Assam	42.9	62.0	96.2	130.6
Bihar	50.3	70.0	116.8	160.7
Gujarat	53.9	72.8	120.5	175.3
Haryana	45.0	67.1	103.5	143.4
Himachal Pradesh	41.5	56.2	92.9	130.2
Jammu and Kashmir	34.5	48.7	90.8	133.7
Karnataka	48.8	67.5	110.4	162.6
Kerala	51.4	70.2	125.7	172.3
Madhya Pradesh	53.2	76.9	121.3	176.1
Maharashtra	50.7	72.9	126.1	177.3
Orissa	51.5	75.5	129.9	170.4
Punjab	43.4	64.9	98.1	137.3
Rajasthan	50.3	72.5	112.9	164.3
Tamil Nadu	44.3	67.5	117.3	166.7
Uttar Pradesh	46.5	68.0	106.8	151.6
West Bengal	44.8	64.2	100.1	141.9

Sources :

1. B.S. Minhas, S.M. Kansal, L.R. Jain, (January 1989);  
"Incidence of Urban Poverty in Different States,  
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Table A20  
State - Specific Urban Poverty Lines, 1972-73 to 1987-88  
(% of population below poverty line)

India/Major states	1972-73	1977-78	1983	1987-88
India	46.5	42.9	38.3	36.5
Andhra Pradesh	50.5	41.8	35.5	40.0
Assam	31.5	33.5	21.0	11.4
Bihar	52.6	51.9	51.3	56.7
Gujarat	57.1	40.5	37.3	38.8
Haryana	32.3	36.7	21.3	18.3
Himachal Pradesh	7.7	10.3	7.1	3.3
Jammu and Kashmir	33.2	12.7	11.8	11.0
Karnataka	53.2	48.7	37.7	45.0
Kerala	61.6	58.2	47.8	44.5
Madhya Pradesh	60.6	61.2	52.0	46.0
Maharashtra	42.1	39.1	40.4	35.6
Orissa	53.6	54.1	52.5	44.5
Punjab	21.9	26.4	21.6	11.2
Rajasthan	51.0	44.0	37.2	41.5
Tamil Nadu	52.6	49.2	45.1	39.2
Uttar Pradesh	55.7	54.1	48.1	41.9
West Bengal	37.1	34.6	28.8	30.6

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