



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2020; 6(1): 96-98
www.allresearchjournal.com
Received: 18-11-2019
Accepted: 22-12-2019

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Poverty and economic development with relation of social justices

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Abstract

How far can Corporate Social Responsibility (CSR) initiatives help to address poverty, social exclusion and other development challenges? What is the balance of responsibilities between state, market and civil society in addressing these problems and meeting the UN Millennium Development Goals (MDGs)? What new tools, strategies and methodologies are required to harness the positive potential contribution of business to development and deter corporate irresponsibility? This special issue brings together a dynamic mix of academics and development specialists to address these themes in a focused and innovative way. In this introductory article, we consider some of the key cross-cutting themes and insights raised by the contributions. The aim of the introduction and the special issue is to start to fill the gap in our understanding of how, when and through what means business can help to reduce poverty, while recognising the equally powerful potential of the business community to exacerbate poverty. Taking particular CSR initiatives as a starting point, we seek to look at the broader developmental footprint of business-as-usual strategies, as well as those which fall under the banner of CSR, to gain a fuller picture of how business is implicated in the development process.

Keywords: Poverty, economic development social justices

Introduction

In order to ascertain the determinants of rural poverty, it is imperative to explain how poverty is measured. In estimating poverty levels, defining a poverty line is the first step. A poverty line demarcates the poor from the non-poor. It is identified as the minimum required consumption level of food, clothing, shelter, transport and healthcare. Three distinct measures of poverty have been used by most studies, following the popular Foster-Greer-Thorbecke (1984) poverty measure for a given population.¹ First, the headcount index² defined as the percentage of the population who live in households with a per capita consumption below the poverty line. Second, the poverty-gap index³ defined by the mean distance below the poverty line expressed as a proportion of that line. This measure reflects not only the incidence of poverty, but also its depth. Third, the squared poverty-gap index⁴ defined as the mean of the squared proportionate poverty-gaps. Unlike the other two measures, it reflects the severity of poverty, as it is sensitive to inequality amongst the poor.

In India, a task force constituted by the Planning Commission in 1977 defined the poverty line for the country as a per capita consumption expenditure level, which meets the average per capita daily calorie requirement of 2,400 kcal in rural areas and 2,100 kcal in urban areas, along with a minimum level of nonfood expenditure. Using the 28th Round NSS5 data, the task force estimated that, on average, consumer expenditure of Rs 49.09 per capita per month, in 1973-74, met the calorie requirement of 2,400 kcal per capita per day in rural areas. This monetary equivalent was set as the rural poverty line, and those with per capita expenditure below this level were defined as poor. The rural poverty line defined at the national level was used in all the Indian states. However, this methodology ignored price differentials that existed across states. Hence, in 1989, the Planning Commission constituted an Expert Group, which estimated separate poverty lines for each state. Furthermore, it used the Consumer Price Index of Agricultural Labourers, a state-specific cost of living Growth and Poverty in Rural India an Analysis of Inter-State Differences The object of this paper is to analyse differences in poverty levels across states in rural India during the period 1983-2000. In doing so, it seeks to focus on inter-state differences in economic growth as an explanation.

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It also attempts to analyse the effect of policies and institutions on the poverty-reducing impact of growth. In a panel data study for India's 15 major states, we find that economic growth is a crucial determinant of poverty reduction, but it does not provide a complete explanation. Public expenditure on anti-poverty programmes has a significant impact on rural poverty, as does greater gender equality and increased democratic decentralisation. Rates of inflation and differences in initial conditions also matter. Gaurav Nayyar 1632 Economic and Political Weekly April 16, 2005 index, for updating the rural poverty line. This expert group methodology is followed in our paper where state-specific rural poverty-headcount ratios are calculated from state-specific poverty-lines and distribution of persons by expenditure-groups.

Important initiatives by Modi's government

Make in India: A couple of days back Prime Minister Narendra Modi launched a flagship "Make in India" campaign with an objective to make India a manufacturing superpower. In this campaign local and foreign companies were urged to invest in India. The Government has selected 25 sectors where India can beat the world. Major among these are automobiles, chemicals, IT, pharma, electronics, design manufacturing, mining, bio-technology, textiles, ports, aviation, leather, tourism and hospitality, wellness and railways. Ministers related to manufacturing are also participating in the "Make in India" campaign. These 25 sectors will also focus on skill enhancement and job creation.

To make this campaign a success, the government has made plans to relax foreign investment caps in construction. This will boost participation of companies in the '100 smart cities' project and affordable housing. The government has already made changes in the FDI caps in defence and railways and these have been eased to 49% and 100%, respectively.

The initiative will be a success if India can control its corruption.

Swachh Bharat Abhiyan: One of the biggest problems in India is lack of sanitation facilities and cleanliness. The Narendra Modi Government is going to tackle this problem by launching Swachh Bharat Abhiyan on October 2, the birth anniversary of Mahatma Gandhi. The initiative will focus on cleanliness, waste management and sanitation across the country.

The first phase of the drive started on September 25 up to panchayat level and will last till Diwali.

Though a very good and needed initiative but cleanliness is not only the responsibility of the government but also the people. We must keep our surroundings clean to make Swachh Bharat Abhiyan a success.

100 smart cities project: The government is planning to build 100 smart cities in India with the pilot project in Bangalore. Design and creation will be region specific. Smart cities will have 27x7 water supply and electricity. The cities will be free from garbage heaps. These cities will provide quality education and sports facilities. There will be open spaces for recreation and for healthy living. Manufacturing companies are sensing good business opportunities and want to reap the benefits. Faridabad, Gurgaon, Delhi, Jodhpur, Ajmer, Dehradun, Haridwar,

Kanpur, Jaipur, Gwalior, Bhopal, Indore, Lucknow, Varanasi, Bodh Gaya, Allahabad and Kochi are in the list of smart cities.

In the Union Budget, Finance Minister Arun Jaitley had allocated Rs 7,060 crore for the development of the smart cities.

Every Indian household to have a bank account: Prime Minister Narendra Modi promised that every Indian household will have a bank account. Most of the poor people who do not have a bank account depends upon money lender for financial help. With this they enter into vicious cycle of debt. Modi launched a major initiative for providing bank account to every Indian. He wrote 725,000 emails to bank officials urging them to support the initiative. Welfare benefits will be directly transferred to the bank account of the holder leaving no space for bribery and corruption. This will also reduce the influence of moneylenders.

Though such an initiative is not new in India but banks fail to provide services made for poor. Banks must target specific audience and its needs. The poor must have a regular source of income to pay back the loan if he takes from bank. So along with bank account, providing skill-based education and work becomes mandatory.

Industrial corridors: India needs well developed and connected roads, ports and infrastructure for the complete development and change in India.

To achieve this the government is working on many ambitious projects undertaking the development of infrastructure and roads in India. The Union finance minister in his budget speech proposed industrial corridors and 20 new industrial clusters.

Conclusion

Looking back 45 years or so, progress against poverty in India has been highly uneven over time and space. It took 20 years for the national poverty rate to fall below-and stay below-its value in the early 1950s. And trend rates of poverty reduction have differed appreciably between states. This research project aimed to understand what influence economy-wide and sectoral factors have played in the evolution of poverty measures for India since the 1950s, and to draw lessons for the future.

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