

***Strategy of Growth for Substantial Reduction of
Poverty and Reversal of Trend towards
Increasing Regional Divide***

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**Strategy of Growth for Substantial Reduction of
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Regional Divide**

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Abstract

While "Development as Freedom" is considered to be one of the objectives of our national economic endeavors, and poverty reduction and fairly balanced regional development are high on the economic agenda, it is well known that our planning and economic policies have failed to produce inclusive growth to enable substantial parts of country to get the benefits of developments. The Approach Paper to 11th Five Year Plan declares its objective to be faster and more inclusive growth, but the Planning Commission or the Central Government do not put forward any significant change in the plan principles or strategies. In this paper we are suggesting a set of new innovative policies as additions to the policies already being implemented.

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INTRODUCTION

The slow but steady emergence of "United India" as one of the major democratic nations of the world and its high annual rate of economic growth over the last two decades or so have gladdened our hearts and made us legitimately proud of our achievements. We have achieved a new confidence in dealing with other nations. Furthermore, as Indians we derive immense satisfaction from the fact that our country is acting as a positive force in the world and is using its rising strength and economic output to enhance world peace and welfare.

However, we are aware that our policies have not yielded the expected results in many areas and there are still many formidable problems to be solved. While mastering the techniques to make the economy growing at a fairly high rate (average of 8.5 per cent for the last four years) and the attainment of external account self-reliance are, indeed, creditable achievements, we have so far failed to create an equitable society, bringing down to a tolerable level economic poverty and also we have not come anywhere near achieving the universally accepted goals of social development. Although we have made considerable progress in poverty reduction in proportionate terms, still vast sections of our society are yet to enjoy the benefit of development.

Thus, while the proportion of people below the poverty line has come down continuously since the mid seventies, still at the latest count (2004-05) based on Uniform Recall Period (URP) consumption procedure,

the total number of poor people is reckoned to be 301.72 million.¹ The poverty ratio, even if statistically correct, underrates the extent of poverty, as the poverty line is determined only with reference to the amount of caloric consumption. It can be confidently asserted that more than half of the population does not have sufficient income to be able to live a decent life. About 370 million people are illiterate.² Female literacy rate is still only 53.7 percent and infant mortality rate has come down only to 58 per 1000 births (2005). These average figures for the country hide substantial differences across the major states.

Continuing Trend of Increasing Regional Disparities

In a large country such as India, with substantial regional differences in physical endowments, climatic conditions, social traditions and differences in the initial levels of development, growth rates are bound to vary among regions. It is the task of state policy to implement compensatory measures to push forward the laggard regions and spread growth and development more evenly. However, during almost the entire period of national planning, as is well known, there has taken place a steady widening of regional disparities. These disparities are in growth rates, poverty levels and in indices of social development.

¹ There are controversies regarding the decline in the head count ratio and absolute levels of the number of poor. For our present purpose, it is enough to indicate that even on official estimate, the number of poor people is about 300 million.

² India has the largest number of illiterates in the world.

What is of great concern is that there is concentration of poverty and backwardness in a group of contiguous states accounting for about as much as 50 percent of the total population of the major states of India.³ The relative positions of these states as a group in terms of income and of almost all other indices of development have deteriorated over time. The deteriorations in relative positions and the deplorable conditions of their people are shown in Table 1, covering the period 1980-81 to 2004-05.

Bihar had the lowest per capita income at the beginning and at the end of the period. In 2004-05, its per capita income was only Rs.5430 i.e. about Rs. 450 per month in 1993-94 prices. The gap between the highest and the lowest per capita income (in 1993-94 prices) among the 15 states increased from 2.55 times to 3.76 times (in absolute figures, from Rs. 5735 to Rs. 14967) in this period, indicating a stark widening of income disparity among the states.⁴ This difference was more in current prices (in 2004-05, the per capita income of Maharashtra at Rs. 36423 was 4.01 times larger than that of Bihar at Rs. Rs.9082).⁵

³ Throughout we deal with 15 major states as representing the country, as listed in Table 1. It is to be noted that after 2000-01, Bihar was bifurcated and a new state of Jharkhand was carved out of Bihar's southernmost region. Madhya Pradesh and Uttar Pradesh were also bifurcated and two new states, namely, Chattisgarh and Uttranchal were created. Throughout the paper we use the data of combined Bihar, Madhya Pradesh and Uttar Pradesh for proper comparison over time.

⁴ Both measures of inequality (Gini and CV) also confirm widening income inequality among the states over time. Thus, the available evidence suggests that rich states got richer and poor got poorer.

⁵ The latter is only 25 per cent of the former.

Table 1: State-wise Indices of Economic Development

States	Per Capita GSDP (Rs.) in 1993-94 prices			Average Annual GSDP (1993-94 prices) Growth Rate (%)#			Poverty Ratio (%) \$	
	1980-81	1995-96	2004-05*	1981-82 to 1989-90	1990-91 to 1999-00	2000-01 to 2004-05	1983	2004-05*
Bihar	3711 (15)	4107 (15)	5430 (15)	4.42	3.19	5.01	62.22	41.13
Uttar Pradesh	4615 (13)	6120 (13)	7380 (14)	4.96	3.79	4.24	47.07	33.13
Assam	5117 (11)	6530 (12)	7807 (13)	4.18	2.68	5.23	40.77	19.70
Orissa	4469 (14)	6022 (14)	8255 (12)	5.36	3.09	6.01	65.28	46.40
Madhya Pradesh	5522 (7)	7685 (11)	9457 (11)	4.30	5.75	3.32	49.78	38.96
Rajasthan	4783 (12)	8169 (10)	10995 (10)	7.23	6.69	5.39	34.46	22.10
West Bengal	5410 (9)	8254 (9)	13403 (9)	4.27	6.64	7.01	54.85	24.70
Andhra Pradesh	5142 (10)	9015 (8)	13805 (8)	6.66	5.27	6.54	28.91	15.80
Kerala	6092 (5)	9803 (6)	15401 (7)	3.34	5.92	6.88	40.42	15.00
Karnataka	5476 (8)	9429 (7)	15431 (6)	5.65	6.93	6.12	38.24	25.00
Tamil Nadu	5861 (6)	11361 (5)	16035 (5)	5.55	6.44	4.14	51.66	22.50
Punjab	9446 (1)	14664 (2)	19002 (4)	5.74	4.45	3.95	16.18	8.40
Haryana	8636 (2)	13186 (4)	19323 (3)	6.32	5.27	6.86	21.37	14.00
Gujarat	7361 (4)	14871 (1)	19899 (2)	6.37	7.02	6.85	32.79	16.80
Maharashtra	7963 (3)	13556 (3)	20397 (1)	6.29	6.79	5.13	43.44	30.70
CV (%)	27.54	35.23	37.21	20.55	28.66	22.03	33.33	44.19
GINI (%)	14.38	19.28	20.53	11.27	15.44	12.06	18.29	23.96

Figures in parentheses indicate the relative rankings of states in terms of per capita income.

for each year, percentage change over previous year is computed and using them the average growth over the years is computed; \$ 2004-05 data based on URP Consumption procedure.* Bihar's (combined) data are the weighted average of Bihar and Jharkhand values. Uttar Pradesh and Madhya Pradesh data are also the weighted averages.

Source (Basic Data): CSO (website) and EPW Research Foundation for GSDP and GDP figures; Planning Commission (2003, 2007) for poverty ratios.

Bihar, Uttar Pradesh, Assam, Orissa, Madhya Pradesh and Rajasthan, which had the lowest six ranks in per capita income in 1995-96 and 2004-05, are together referred to here as "Backward states" (BWS) and the others as "Better-Off states" (BOS). The gap between the average per capita income (GSDP) of the BWS and the BOS (in 1993-94 prices) increased drastically from Rs. 1862 in 1980-81 to Rs.8908 in 2004-05, both because the average GSDP of BWS grew at a slower rate than that of BOS and also because the average population of the BWS grew much faster (Table 2).⁶

What is really worrisome is that the current pattern of growth leads to widening disparity not only in income but also in all other indices of development. For instance, the poverty ratio (2004-05) was 46.4 per cent in Orissa (and 41.1 per cent in Bihar) as against 8.4 per cent in Punjab. The IMR (2005) was 14 in Kerala but it was 76 in Madhya Pradesh. The male (female) life expectancy (2001/6) was only 59 years (58 years) in Madhya Pradesh as against 71.7 (75) years in Kerala. Bihar had the lowest literacy (2001) of 47 per cent and female literacy of 33.1 per cent while Kerala the highest literacy of 90.9 per cent and female literacy of 87.7 per cent. The HDI (2001) of Bihar was only 0.37 and of Kerala was 0.64 (Table 3).⁷ Kerala is of course an exceptional case, but even if one takes the next best performing state, the relative indices of the BWS come out to be quite poor.

⁶ The combined population of BWS grew at the annual rate of 2.26 per cent and 2.23 per cent during the eighties and the nineties as against the population growth rate of 2 per cent and 1.65 per cent in the BOS.

⁷ The Planning Commission (2002) has provided the HDI values for major states using the following indicators: life expectancy at age 1, IMR, literacy rate, intensity of formal education, and per capita consumption. The HDI value lies between zero and one. It shows the distance the state has to travel to reach the maximum possible value. Although the computation procedure is the same, this index is not strictly comparable with HDI of UNDP, which uses life expectancy at birth, educational attainment measured by adult literacy with two-third weight and the combined primary, secondary and tertiary enrolment ratio with one-third weight and real per capita income in purchasing power parity dollars.

Table 2: Combined Economic and Social Development Indices of Backward and Better-off States

Details	Period	Backward States*	Better -Off States*	15 Major States*	India (GDP)
Per Capita GSDP (Rs.) in 1993-94	1980-81	4599	6461	5579	(6468)
Prices	1995-96	6191	11296	8820	(10711)
Combined GSDP (1993-94 Prices)	2004-05	7799	16707	12256	(15358)
Growth Rate (%)	1981-82 to 1989-90	4.88	5.59	5.31	(5.81)
Poverty Ratio (%)	1990-91 to 1999-00	4.28	6.2	5.51	(5.70)
Infant Mortality Rate	2000-01 to 2004-05	4.35	5.79	5.31	(5.78)
% of Children undernourished	1983	50.68	40.14	45.16	44.48
Life Expectancy-Male (in years)	2004-05	34.87	21.61	28.25	27.5
Life Expectancy-Female (in years)	2005	70	43	54	58
Literacy-Person(%)	2002-04	52.5	42.3	47.9	49.2
Female Literacy(%)	2001-06	61.6	66	64.3	63.9
	2001-06	61.7	69	66.1	66.9
	2001	46.9	61.3	54.2	64.8
	2001	35.7	53.5	44.7	53.7

Source (Basic Data): CSO (website) and EPW Research Foundation for GSDP and GDP figures; Planning Commission (2003, 2007) for Poverty Ratios; Reproductive and Child Health Report (2002-04) for Child nourishment data; Economic Survey (2006-07) for others. * Weighted averages of backward, better-off and 15 major states are computed by authors.

Thus, we observe not only the widening disparity among states but also that the situations in most of BWS in terms of development indicators are really bad. About thirty eight percent of the poor people of India live in the two states of Bihar and Uttar Pradesh alone.

New Growth Strategy

Given the lack of worthwhile development in large parts of the country and growing regional disparities, it has been widely recognized that we need to adopt a somewhat different model of growth which would be more inclusive and which would enable us to spread economic development more evenly across the states. A new model of growth would certainly require a new strategy of planning. The Planning Commission (2006) in its *“An Approach to the 11th Five-Year Plan”* has stated that a new model of growth is to be adopted during the Eleventh plan period. It says that 11th plan is designed to produce both faster and more inclusive growth.

However, we find that the Planning Commission contemplates no new strategy or process of planning. It must be admitted, of course, that certain new initiatives have been recently adopted by the Central Government and some others are contemplated in the 11th plan. The most important initiatives are the National Rural Employment Guarantee Programme (NREGP), the Sarva Shiksha Abhiyan (SSA), and the National Rural Health Mission. While these programmes are specifically targeted towards the poorer and the needy sections of the population and would bring about a greater ‘trickle down’ effect, the wide regional divide requires some major changes in the planning strategy because most of the backward states do not have the capacity to bring about changes in their respective areas so as to reverse the pronounced trends during the last 50 years or so.⁸

⁸ The greater emphasis on agricultural growth during the 11th Plan is partly intended to make growth more inclusive, but the problem is to bring about that growth in the BWS.

Table 3: State-wise Indices of Social Development

	IMR (2005)	% of Child undernourish (2002-04)	Life Expectancy (2001/6)		HDI (2001)	Literacy (2001)	
			Male	Female		Person	Female
Bihar	61	53.9	65.7	64.8	0.367	39	27.6
Uttar Pradesh	73	55.1	63.5	64.1	0.388	46.3	34.9
Assam	68	32.2	59	61	0.386	63.3	54.6
Orissa	75	42.8	60.1	59.7	0.404	63.1	50.5
Madhya Pradesh	76	53.7	59.2	58	0.394	52.7	41.7
Rajasthan	68	58.1	62.2	62.8	0.424	60.4	43.9
West Bengal	38	44.9	66.1	69.3	0.472	68.6	59.6
Andhra Pradesh	57	42.3	62.8	65	0.416	60.5	50.4
Kerala	14	35.8	71.7	75	0.638	90.9	87.7
Karnataka	50	44.8	62.4	66.4	0.478	66.6	56.9
Tamil Nadu	37	38.3	67	69.8	0.531	73.5	64.4
Punjab	44	40	69.8	72	0.537	69.7	63.4
Haryana	60	35.6	64.6	69.3	0.509	67.9	55.7
Gujarat	54	46	63.1	64.1	0.479	69.1	57.8
Maharashtra	36	47.7	66.8	69.8	0.523	76.9	67
CV (%)	32.63	17.46	5.7	7.19	16.3	19.28	26.44
GINI (%)	17.56	9.59	3.09	3.93	8.69	10.04	13.88

Source (Basic Data): Planning Commission (2002) for HDI; Reproductive and Child Health Report (2002-04) for Child nourishment data; Economic Survey (2006-07) for others.

The Planning Commission (2006) further notes (p. 83) that the gap between the well and the poor performing states has somewhat narrowed in the area of health and education, but it fails to admit clearly that the changes, if any, introduced in the planning strategy and processes during the recent years have failed to reverse the tendency towards greater divide across the states. We have to recognize that new planning procedures have to be adopted to bring about any significant changes in the backward regions.

The financial situation of the BWS in terms of the capacity to raise resources of the needed magnitude for the large development expenditure required has deteriorated, both because the required expenditures have accumulated and because the states' financial capacities have diminished significantly in relation to the developmental needs. At the same time, owing to several causes such as breakdown / weakening of administration, law and order problems, political instability and emergence of new political forces not very intimately interested in development and growth, autonomous development efforts by the concerned state governments have not amounted to much (see for example, Frankel, 2006).

In this context, the Central Government has to undertake more direct responsibility for development, particularly in the BWS. The plan procedures have to be modified to make this possible. We suggest that the centre may establish Special Purpose Vehicles (SPV) to undertake large-scale development in some of the BWS where there is a need such as Bihar Flood Control and Irrigation Authority, and Uttar Pradesh Flood Control and Irrigation Commission. To start with, such organizations may be established as Central Government organizations in the three states of Bihar, Uttar Pradesh and Assam (during the 11th Plan itself). The representatives of the respective state governments, eminent experts, scientists and engineers may be inducted into the Boards of these organizations with the majority being Central Government nominees. The funding will be by the centre, but the states may be requested to contribute in kind.

The enormous gains in human welfare that would be achieved with more effective and scientific flood control arrangements, the gains from savings of standing crops from the floods every year, the gains from proper irrigation and prevention of salinity and all of these, leading to higher agricultural output would mean such a great addition to national and human welfare. This project (worked out in detail) should be posed by the centre to the World Bank for IDA assistance to the extent of, say, Rs.450 billion, i.e., about US \$ 12 billion. This debt can be incurred against the 'security' of the foreign exchange reserves of more than \$ 200 billion that the country holds at present.⁹ In the 12th Plan period a similar programme of the required magnitude can be launched to benefit the other three BWS of Madhya Pradesh, Orissa, and Rajasthan.

This mega investment through SPV will be in addition to the normal plan transfers ('assistance'); the former will not flow through the state budgets. However, the state governments concerned will be associated with the entire process from planning to implementation through participation in the Boards of Management of the SPV's. Additionally, there should be some change in the formula for Central plan assistance: 25 percent of the assistance given as grants should be allocated on the basis of quantifiable performance indices weighted by a fraction (say 10 per cent) of the population of the state. As regards the distribution of borrowing entitlements for plan investments among the states, weightage may be given to need, and to success in implementation in selected spheres.

⁹ This is a better course than the alternative method suggested for directly using part of the reserves for infrastructure development.

While striving to achieve the growth of output and the pace of social development, we must also take concerted action to reduce the rate of growth of population, in the backward states in particular.

Alternative Growth Scenarios

According to official projections, during 2004-05 to 2016-17, the total population of the BOS will grow at 1.079 per cent per annum and the population of these states will reach 59.15 crore in 2016-17; the population of BWS will grow at 1.539 per cent per annum and it will reach 62.2 crore in 2016-17. The share of the BWS will rise to 51.3 per cent in 2016-17 from 49.9 per cent in 2004-05 (Table 4).¹⁰

Table 4: Projected Population in 2016-17

States	Combined Population in 2004-05		Projected Population in 2016-17		Implicit Annual Growth Rate (2004-05 to 2016-17)	Population in 2016-17 if it grows at 1.079% (Crore)
	Crore	% share	Crore	% share		
Backward States	51.783	49.9	62.198	51.3	1.539%	58.899
Better-Off States	52.003	50.1	59.151	48.7	1.079%	59.151
15 Major States	103.786	100.0	121.349	100.0	1.311%	118.050

Source (Basic Data): Census of India (2006). Mid-year population figures are used.

¹⁰ The Report of the Technical Group on Population Projections "Population Projections in India and States 2001-2026" Census of India May 2006 which provides projected population for each state and for the country from 2001 to 2026 based on the age-sex distribution of population and migration data of 2001 Census and the latest available levels and trends of fertility and mortality data from the Sample Registration System using the popular "Compound Method".

Scenario-1: If we concentrate on accelerating the average growth of the combined GSDP of the 15 major states representing the country to 9 per cent per annum during 2004-05 to 2016-17 (i.e., the next 12 years) and if the combined GSDP of BWS will grow only at 5 per cent (as against the present 4.35 per cent), then the combined GSDP of BOS will need to grow at 10.42 per cent (this is difficult to achieve and undesirable) to achieve the overall objective of 9 per cent. If this is achieved, the average per capita income of BWS (1993-94 prices) will be only Rs. 11706 and that of BOS will be Rs. 48321 at the end of the period, i.e., at the end of 12th Plan period (Table 5).

Table 5: Projected GSDP and Per Capita GSDP in 2016-17 (in 1993-94 Prices)

States	GSDP (2004-05) in Rs. Crore	Scenario-1 (2016-17)		Scenario-2 (2016-17)		
		GSDP in Rs.Crore	Per Capita GSDP in Rs.	GSDP in Rs.Crore	Per Capita GSDP in Rs.	Per Capita GSDP in Rs. if population grow at 1.079
Backward	405427	728089	11706	815799	13116	13851
Better-Off	869627	2858211	48321	2577995	43583	43583
15 Major	1275054	3586299	29554	3393794	27967	28749

Source: computed by the authors.

Scenario-2: If we can have a moderated target of a growth rate of 8.5 per cent per annum during the next 12 years for the combined GSDP of all major states, and of 6 per cent growth of GSDP of BWS, the combined GSDP of BOS will need to grow only at an average rate of 9.48 per cent. With these targets, at the end of the 12th Plan period, the average per

capita income of BWS in 1993-94 prices will be only Rs.13116 (Table 5), if the population of these states grows at the rate of 1.539 per cent as projected in the Census of India (2006). Hence, we should launch a grand campaign to bring about a reduction in the average rate of growth of population of the backward states to 1.079 percent per annum (the rate at which the population of BOS will grow) during the period 2004-05 to 2016-17. That would mean a reduction in the number of children born during that period by about 3.3 crore. This would significantly help in accelerating the growth of GSDP and improving the conditions of young children.

Strategy to Reduce Population Growth

The rate of growth of population has come down in the country fairly significantly since the eighties. However, ever since the lifting of the Emergency in 1977, it seems that official policy action in relation to family planning has been one of somewhat low key, particularly in the BWS. We are recommending greater emphasis than hitherto on the control of population growth. But the recommended large efforts should be undertaken by the civil society through NGOs. The effort in this field should be first initiated and intensified in Bihar and Uttar Pradesh with relatively high population growth rates and where there are huge populations.

A significant role can be played by the better-off sections of the whole country and the corporate sector in the area of family planning and in the area of elementary education. We suggest that a National People's Endeavor to Educate the Child should be set up as a large trust, as the guiding body with the support of CII, FICCI and ASSOCHAM and other business associations, in consultation with the major NGOs already working in the field of education. A large plan should be prepared to

increase the enrolment rate and quality of teaching in elementary education, in 400 or 500 districts of the states having the bottom indices of child literacy and enrolment rates, across the country. Better-off sections of civil society in all states should be encouraged to come forward to help existing NGOs and form new NGOs. Financial support could be provided by the National Peoples Endeavor to Educate the Child, to cover a part of cost or the full cost, depending on the intensity of the need of the area. United action by the people from various states in such a vital task of nation building in the area of children's education would not only bring about substantial improvement in child literacy and education, but change the quality of our social life.

It is highly encouraging to know that the voluntary effort of the kind we suggest above has already been successful in Bihar. The Bihar Education Project (BEP), one of the first large scale donor supported education programs in India (introduced in the early 1990s in 7 districts of undivided Bihar), developed community groups or Village Education Committees (VECs) to support education at the school level in addition to training teachers. Due to its success, this project has been later incorporated into the DPEP (District Primary Education Project) and the DPEP has reconstituted the VECs into Vidyalaya Shiksha Samitis (VSS). It has created another component-Mahila Samakhya (MS) program to mobilize communities and educating pre-school children and adolescent girls. The MS groups have proved to be powerful decision-making bodies at the village level. Additionally, in the field of health a non-profit society called Janani registered in 1995 has involved in social marketing of birth control through franchising system (see World Bank, 2005 for more details).

Inter-State Co-operation in Poverty Alleviation

The next item of the agenda we recommend is action by the governments of advanced states (BOS), in the field of poverty alleviation. In our total programme of action to bring about more inclusive growth, the governments (and the people) of the BOS will be implicitly contributing to the growth of the BWS in so far as the Central Government, which draws resources from the people of all the states, would be financing the mega development initiatives in the BWS through the IDA financed investments. In addition, the governments of BOS could be requested to help through their contributions to poverty alleviation. This would mean some transfers of resources from BOS to the BWS, but the programme could be arranged in such a way that some benefit will accrue also to the poor people in the BOS. It is proposed that the BOS spend 10 per cent of their own plan outlay (additional amount) on producing some essential goods- food items, children's clothing, slates, school note books, etc. through employment of some of the poor and unemployed people in the backward parts of BOS. Goods so produced would be sent to BWS to be distributed free to the needy and the poor in these states. The state themselves could workout a comprehensive plan for this purpose. This scheme would give double benefit, but beyond that would enlist, to a limited extent the help of more advanced states for poverty alleviation in the poorer states, thus promoting camaraderie among the states and strengthening national unity. At the same time, some disadvantaged sections in the BOS would gain through, not charity, but employment.

A Revised Strategy

The strategy of development advocated in this paper does imply a change in the relative emphasis on the different objectives of growth. The Planning Commission (2006) describes the plan as one for faster and more inclusive growth. In detailing the various problems facing the

nation, it recognises the growing regional inequalities as among the serious challenges. However, it does not seem to recognize that the strategy and pattern of investment that would need to be implemented to maximize the overall rate of growth (i.e., in raising the growth rate of GDP from 8 to 10 per cent) might come in the way of significantly improving the GSDP growth of the most BWS and of promoting their faster social development and thus not do enough to break the vicious circle of poverty that holds these six or seven major states in its grip. The relevant statistics that we have presented relating to these states -indeed they are well known to the experts and planners – clearly show that a massive special effort is needed to set these states on a satisfactory growth path and bring about sizable improvement in the basic social conditions of the vast masses in these states. This may require pitching the target of the overall rate of growth at a lower level of 8 to 8.5 percent per annum.

One could stipulate that the main objective for the next ten years or so would be to achieve not less than 6 percent annual rate of growth of the BWS and subject to that of maintaining the overall rate of growth of the economy at 8 to 8.5 per cent. Another specified objective would be to bring down the rate of growth of population of BWS to around 1 per cent per annum during this period. This set of objectives is consistent with that of maintaining satisfactory growth with price stability. With these targets, the per capita income of BWS would significantly increase to Rs. 13851 (i.e., increase by Rs. 735) in 1993-94 prices as against Rs. 13116 if the population growth of these states is not reduced to 1 per cent level (see last column of Table 5).¹¹

¹¹ In terms of Purchasing Power Parity Dollars (1 PPP\$= Rs. 7.02 in 1993) the per capita income of BWS would increase from 1111 PPP Dollars (Rs. 7799) to 1973 PPP Dollars (Rs. 13581) in 2016-17.

Experience shows that given the various inefficiencies and inelasticities in our system, trying to maintain a consistent long term 10 percent growth of GDP would heat up the economy and lead to inflation, which adversely affects the poor to a greater extent. We have to then reverse gear.

Rulers and Leaders of the Backward States

When all is said and done, the fast development of a state in a federation will take place only when the local leaders provide sound governance and have the growth and all round development of their state as the foremost objective. The needed policies will follow then. In the last two decades or so, there has been much political instability particularly in the two large poorer states, and it may be said that the new leaders of the BWS have not given the priority that development objectives deserve. (see, for example, Frankel, 2006)

More recently, however, a new leadership has emerged in Bihar and Uttar Pradesh, and Assam has a stable government. Similar changes may take place in the other BWS. The governments of these states have a crucial role to play in lifting their masses out of poverty. A major national task is to induce them to undertake this responsibility.

- First and foremost, law and order have to be improved / restored in all parts of these states. It is encouraging to know that this is already happening to some extent in Bihar and would happen in Uttar Pradesh soon. All the other four backward states must follow suit. The masses, who put the leaders in power must resort to all peaceful ways to get them to do so.
- Second, implementation of policy is quite weak and the degree of corruption is high. The leaders should resolve to bring down corruption drastically. This is their part of the bargain.

- Third, the leaders of these states should seek and obtain expert advice on budgeting, tax reform and tax administration. Such advice is now available from specialized institutions for a fee.
- Fourth, they should fully co-operate with the Central Government in planning and implementing the SPV investments. Of course, they should also give high priority to the carrying out of their five years plans.
- Fifth, and most importantly, the leaders should undertake significant acts of land reforms. It may be too late to try to re-distribute land, except give some uncultivated but cultivable land held on government account to the poor, marginal, or landless farmers, as is being done in Tamil Nadu. However, tenancy and tenurial reforms can and should be carried out on a sufficiently large scale. The leaders of the Left Parties can play a crucial role in mobilizing support for this important task.

The vast majority of the citizens of the BWS are poor and most of them live in the rural areas. They should use their electoral power to force the leaders of the governments, who anyhow need their support, to undertake the much needed tenancy reforms. The Planning Commission (2006) mentions tenancy reforms that must be carried out during the 11th plan period. It should arrange to have special meetings with the Chief Ministers of BWS in particular to work out the means of bringing about tenancy reform and to decide on the basic elements of the reforms. The Prime Minister should appoint a high profile Committee on Tenancy Reforms.

Epilogue

Political changes over the last two decades or so have substantially affected the functioning of our federal system, particularly

in relation to the backward states. The federal principle, which was adopted by our Constitution to increase the autonomy and welfare of the citizens of the various states, now acts in the opposite direction, particularly in the poorer states in so far as the people of those states are deprived of some of the benefits enjoyed by the people of the other states because of the deteriorated political order. The old strategy and process of planning are no longer effective in promoting development in the backward states. Furthermore, the standards of government administration have gone down and the delivery of services is no longer efficient in most cases. Hence, Civil Society has to play a much larger role in promoting social development and imparting political education. The new strategy, which we have advocated keeps these developments and needs in view. As far as the economic aspect is concerned, our advocacy of giving primary importance to raising the growth rate of the backward states, as a plan objective, would be widely accepted.

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