Economic reforms gdp growth and poverty alleviation

Sociology, Poverty

Introduction The economic reforms started in 1991 ushered in a new era in Indian Economy. From a protected economy it became an open globalised economy which was supposed to be integrated well to the world economy. Some Macroeconomic Indicators existing at the onset of economic reforms. Indicators Particulars Population BPL 36. 8% Per Capita Income growth 3. 3% GDP Growth Rate 5% The Planning Commission estimates the population below the poverty line using the expenditure distribution of NSS. In India the poverty line is estimated on the basis of calorie intake. If an Urban resident consumes less than 2000 calories per day & a rural resident consumes less than 2600 calories per day, than he comes under the category of below poverty line. According to the norms set by the World Bank a person earning less than $1 per day is assumed to be below the poverty line. The cut-off expenditure is adjusted for inflation for successive years, and these levels are used to derive time series estimates of population below poverty line. Objective of study The group is focused on studying the impacts of Economic reforms on Poverty and has identified the following objectives for the study ï,§ Finding & Analyzing the correlation between economic reforms & Poverty alleviation. ï,§ Interpreting the correlation. ï,§ Studying to what extent the economic reforms have proved to be beneficial when it comes to poverty reduction. Methodology of study To analyze the data relating to the GDP growth, employment & BPL population the group relied on the secondary data, sourced mainly from NSSO & CSO’s website. Tools like correlation etc. were used to analyze the relationship between these variables. The Group also went through various articles & reports (e. g Ahluwalia report & Rural poverty reduction) on economic reforms, Poverty, Inclusive growth etc to form an opinion of its own regarding the topic. The basic reason for choosing this particular methodology was that the data regarding the variables available on the websites of NSSO & CSO is reliable source as they are govt. organizations. Also literature survey tends to give one a stand because and what the experts like Montek Singh Ahluwalia say on Indian Economy really offers substantial insights into the working of the economy. GDP Growth, Economic reforms & Poverty India undertook economic reforms in mid 1991 when it was going through balance of payment (BOP) crisis. The main reason of resorting to economic reforms was to restore the adverse balance of payment. But apart from this immediate objective, there were some large terms issues in mind. These included among others employment generation, poverty reduction, industrial development etc. The adjoining figure shows us the poverty situation of the country before the economic reforms actually began. The exhibit 3 shows the GDP growth rate and below poverty line people since 1991 till now. Herein we can see that though the GDP growth rate has been variable, the BPL population has been steadily coming down. What can be the reason of it? Is it the GDP growth or some other factors? For it correlation analysis of these variables become important. The Correlation Co-efficient Correlation between GDP Growth rate & % population BPL, R1 = -0. 51402 R12 = 0. 2642 Year GDP grth % % BPL % Growth in PCI 1991-92 5. 6 38 -1. 5 1992-93 1. 3 36. 5 3. 1 1993-94 5. 3 35. 97 3. 4 1996-97 7. 3 33. 6 6. 1 1997-98 7. 8 32 2. 6 1998-99 4. 8 31. 3 4. 4 1999-2000 6. 5 30 4. 4 2000-2001 4. 4 29. 3 2. 3 2001-2002 5. 8 26 4. 3 2002-2003 3. 8 24. 5 2. 4 2003-2004 8. 5 23 7. 1 2004-2005 7. 5 21. 8 8 2006-2007 9. 4 21 8. 25 Interpretation The bi-variate correlation coefficient between GDP growth &

BPL population shows a negative correlation signifying thereby that as the GDP growth rate has increased during reforms period the BPL population has reduced & vice-versa. R12, that is the coefficient of determination is merely 0. 2642 which implies that only 26. 42% of the variation in BPL population is explained by GDP growth, rest 73 % is influenced by other factors. This statistical analysis that although reduction in BPL population is related to GDP growth but the association is not that strong that policy decisions can be taken based entirely on this only. Correlation between GDP Growth rate & % Growth in PCI, R2 = 0. 58623 R22= 0. 3437 Interpretation Due to simultaneous high population growth rate (around 2% p. a), there isn't a very high correlation between GDP growth rate & increase in Per Capita income. Income Imbalance during reforms process Wealth distribution in India is fairly uneven, with the top 10% of income groups earning 33% of the income. Despite significant economic progress, 1/4 of the nation's population earns less than the government-specified poverty threshold of $0. 40/day. Official figures estimate that 27. 5% . of Indians lived below the national poverty line in 2004-2005. A 2007 report by the state-run National Commission for Enterprises in the unorganized Sector (NCEUS) found that 77% of Indians, or 836 million people, lived on less than 20 rupees per day with most working in " informal labour sector with no job or social security, living in abject poverty." Income inequality in India (Gini coefficient: 32. 5 in year 1999-2000) is increasing . It has always been a matter of controversy that whether the economic reforms have been able to remove the economic disparities in the population. The widening inequality is also reflected in differential growth across the urban expenditures groups. The per capita expenditure of the top

30 % increased at 3. 31 percent per year, while that of the bottom 30 % increased at 1. 70 percent. On the other hand rural inequality tended to decline in the 1990s. The rural bottom 30 percent experienced a decline in the annual growth rate of per capita expenditure during the 1990s. IMPACT OF REFORMS ON POVERTY REDUCTION ïƒ˜ OVERVIEW - India’s economic reforms are now more than a decade old. Naturally, the reforms have attracted the attention of economists, planers, academics and technocrats alike Particularly policy makers and researchers are concerned with the evaluation of economic-reforms to find out how the reforms have affected the country’s growth, development and ultimately the standard of living of its countrymen.. - . The success of any economic reform process should be judged by the social and economic objectives it achieves. In country like India reducing poverty level is the most important manifestation of socio-economic progress It signifies improvement in standard of living and thereby a better health and education. Poverty level, therefore affects all spheres of economic activities, and hence deserves more attention than any other aspect of economic reforms. ïƒ˜ FACTS REGARDING POVERTY REDUCTION - The World Bank estimates for different years (Pre and Post reform periods) based on NSS data (regular consumption expenditure surveys and also annual surveys based on thin samples) suggested that the Head-count ratio (HCR (5)) of rural poverty increased from 36. 4 percent in 1990-91 to 38. 7 percent in 1993-94. This and other similar studies confirm that the reforms were affecting rural population more severally than the urban population which is apparent from the higher levels of rural poverty. - The most important indicator to consider is per-capita income. Among the ten largest

economies of the world India ranks fourth in terms of GDP (when expressed in purchasing-power-parity i. e. PPP terms). In the last twenty or thirty years India has made rapid progress on GDP terms when considered in billion dollars of PPP. But alongside this growth the population of India has also grown by a compounded rate of growth of nearly 2 percent (it came down considerably in 1991-2001 period). It is the growth in human numbers, which has negated the economy's achievement. Barring the first year of reform (corroborated by many research studies) the PCI has had positive rate of growth every year, highest (6. 1 percent) being in 1996-97and lowest (2. 4 percent) in 2000-01. This growth does not really prove reduction in poverty levels as it is not the total or average (at macro level), but the distribution, which defines poverty. - When we examine yet another indictor PFCE (Private final consumption expenditure), we get a slightly different picture. [This data comes from National Accounts Statistics (NAS), whereas National Sample Survey Organization (NSSO) presents survey based NSS data which is used to calculate poverty ratios in the country. In the last 30 years (1970-71 to 2000-01), the Per capita PFCF (at constant prices) has gone up from Rs. 4637 to Rs. 7960. During the reference period of economic reforms the per capita PFCE went up from Rs. 6273 in 1991-92 to Rs. 7960, a change 232 equivalent to 127 percent. Here again the highest growth (7. 92 percent) was recorded for 1996-97 and lowest (2. 20 percent to 2000-01. From both these counts, it is clear that on an average the real income (and hence expenditure) for average countrymen is going up but the uniformity of the income distribution is under question. The levels of ' poverty' or ' impoverishment' cannot be said to be reduced until we find that the growth is uniformly recorded for all income-classes or expenditure-classes. - The poverty ratios (Head-Count ratios) are being calculated using the same norms by NSS. (Although many researchers have suggested improvements and modifications). The HCRs or the poverty ratios (percentage of persons living below the poverty line) for India have changed from 54. 88 (in 1973-74) to 26. 1 (in 1999-00). [It is debatable whether this reduction in poverty ratio is all due to reforms or not, as there is large degree of disagreement between researchers]. What is significant is that this ratios have been going down, both in rural and urban areas (more sharply is urban areas, an expected). Estimates of Incidence of Poverty in India YEAR POVERTY RATIO (%) NO. OF POOR(MILLION) RURAL URBAN COMBINED RURAL URBAN COMBINED 1973-74 56. 4 49 54. 9 261. 3 60 321. 3 1977-78 53. 1 45. 2 51. 3 264. 3 64. 6 328. 9 1983 45. 7 40. 8 44. 5 252 70. 9 322. 9 1987-88 39. 1 38. 2 38. 9 231. 9 75. 2 307. 1 1993-94 37. 3 32. 4 36 244 76. 3 320. 3 1999-00 27. 1 23. 6 26. 1 193. 2 67. 1 260. 3 2006-07* 21. 1 15. 1 19. 3 170. 5 49. 6 220. 1 Source: 10th Five Year Plan (Volume I) Considering the expenditure changes at constant prices, the poverty ratios show the reduction in poverty levels. It is not enough to say that the poverty ratio has gone down from pre-reform level of 38. 86 (in 1987-88) to 36 (in 1993-94) and to 26. 1 (in 1999-00. Due to change in the data collection procedure, survey design, estimation procedures, these poverty ratios have been a subject of controversy since the time these changes were effected in 1997. - Thus we must look at other comprehensively unambiguous indicators to conclude whether the economic reforms have been effective in poverty reduction or not. In last 20 years the number and proportion of people who do not get sufficient food every day is constantly going down. It may not be so much by increase in income of the poorest but by some specific program to provide who get enough food every day has gone up from 93. 3 percent (38th round 1983) to 99. 6 percent (58th round 2002) for urban areas. The corresponding improvement is rural areas is from 81. 1 (38th round) to 98. 4 (58th round). The post reform period (1991-2002) saw this improvement from 97. 3% to 99. 3% (urban) and 92. 3% to 97. 5% (Rural). These figures suggest that the proposition of population which goes to sleep hungry everyday is going down, since the introduction of reforms process NSS Expenditure data ïƒ˜ CONCLUSION Majority of variables which affect Per Capita Income (PCI) have also shown higher contribution to PCI during post-reform period. The growth of Per capita Consumer Expenditure has also been higher in post-reform period. The Indians, by and large, have earned more and also spent more! Poverty ratios, on an average have fallen, but the disparity is widened. The same could be conclusively said about various States. During the reform period, the growth has certainly been higher, but the disparity also has widened. Growth has not led to equality. The larger (or better off) states have maintained their supremacy. The major states have by and large maintained the rankings in poverty ratio. Schemes by government to reduce poverty and unemployment:- 1. National Rural Employment Guarantee Scheme was introduced in 2006, which promised some 60 million households a level of financial protection through guaranteed work or unemployment benefit. This program, the government said, would reduce the number of people living below the poverty line from 26 percent of the population to 10 percent within about seven years, it would stem the flood of rural inhabitants to overcrowded cities in search of work, and it would create vital rural infrastructure. 2. UNDP introduced a bill in 2005 parliament providing a minimum guarantee of employment to poor households. The proposal was to give a statutory right to 100 days a year of employment at the minimum wage in each state to one person per household. On the basis of a minimum wage for all states of R$ 60 per day, 100 days work would raise two-thirds of India's population above the poverty line. It initially was to cover 150 poorest districts in the country. 3. Self-employment programs They were introduced at the national level in the late 1970s. Initially, the programs were designed to provide skills, subsidized credit and infrastructure support to small farmers and agricultural laborers so that they could find new sources of income. In the 1980s, the focus of the self-employment programs was extended to cover target groups such as scheduled castes and tribes, women and rural artisans. The largest of these programs was the Integrated Rural Development Program (IRDP). 4. In 1999, several self-employment programs were integrated into the Swarnajayanti Gram Swarojgar Yojana (SGSY). The key feature of the SGSY is that it does not seek to promote individual economic activities and groups that are trained in specific skills so they can formulate microenterprise proposals. 5. Wage-employment programs were launched by the central and state governments. The largest of these was the Jawahar Rozgar Yojana (JRY), which was redesigned in 1999 as the Jawahar Gram Samridhhi Yojana (JGSY). In 2001, the JGSY and EAS were merged to form the Sampoorna Grameen Rojgar Yojana (SGRY). The objective of the scheme was to provide additional wage employment with food security in rural areas. 6. Area development programs It includes

Drought Prone Area Programs (DPAP), Desert Development Programs (DDP), Hilly Area Development Programs and Tribal Area Development Programs introduced in the 1970s to prevent environmental degradation and provide employment to the poor in these regions. The Tenth Plan had a new scheme called the Rashtriya Sam Vikas Yojana (RSVY) to tackle the problem of extreme deprivation in backward pockets of the country. It has four components: - A special plan for Bihar. - A special plan for the extremely backward Kalahandi-Bolangir-Koraput (KBK) region of Orissa. - A backward districts initiative. - A reforms component under which states are expected to increase tax and non-tax resource mobilization efforts, undertake " determined" downsizing of staff and administrative expenditure and take up fiscal reforms to restructure finances. Other programs include the Indira Awaas Yojana (IAY), which provides houses free of cost to below the poverty line scheduled caste and scheduled tribe families living in rural areas. The maximum cost of a house is Rs 22, 000; the cost is shared by the central and state governments, on a 75: 25 basis. Recently, several other poverty alleviation programs have been launched including: - Pradhan Mantri Gramodaya Yojana, which provides additional funds to states so that they can provide basic minimum services such as primary health, primary education and drinking water. - Pradhan Mantri Gram Sadak Yojana, launched in December 2000, to provide road connectivity to 1. 6 lakh remote habitations with a population of over 500 by the end of the Tenth Plan period. - Antyodaya Anna Yojana, launched in December 2001, to provide 25 kg of foodgrain at highly subsidized rates to 100 million of India's poorest families living below the poverty line. Anti-poverty programs have special focus on women. 30% of the employment opportunities created under the wage employment scheme of Sampoorna Grameen Rozgar Yojana are reserved for women. The Indira Awas Yojana stipulates that houses under the scheme are to be allotted in the name of the female member of the beneficiary household. Food security for the poorest is attempted through the Targeted Public Distribution System introduced in 1997; the Antyodaya Anna Yojana launched in 2000 and some Grain Bank Schemes. The Right to Food Campaign and use of Right to Information Acts by activist groups have been helpful in extending the reach of these programs to poor and vulnerable women. Financial inclusion in India The Indian economy is growing at a steady rate of 8. 5 % to 9% in the last five years or so. Most of the growth is from industry and services sector. Agriculture is growing at a little over 2 %. The potential for growth in the primary and SME sector is enormous. Access to affordable financial services - especially credit and insurance will enlarge livelihood opportunities and empowers the poor to take charge of their lives. FI also imparts formal identity, provides access to the payments system and to savings safety net like deposit insurance. Hence FI is considered to be critical for achieving inclusive growth; which itself is required for ensuring overall sustainable overall growth in the country. FI can be thought of in two ways. One is exclusion from the payments system —i. e. not having access to a bank account. The second type of exclusion is from formal credit markets, requiring the excluded to approach informal and exploitative markets. More recently, the focus is on establishing the basic right of every person to have access to affordable basic banking services. One common measure of FI is the percentage of adult population having bank accounts as shown The extent of exclusion from credit markets is much more, as number of loan accounts constituted only 14 per cent of adult population (Chart-2). In rural areas, the coverage is 9. 5 per cent against 14 per cent in urban areas. Regional differences are significant with the credit coverage at 25 per cent for the Southern Region and as low as 7, 8 and 9 per cent respectively in North Eastern, Eastern and Central Regions. The extent of exclusion from credit markets can be observed from a different view point. Out of 203 million households in the country, 147 million are in rural areas — 89 million are farmer households. 51. 4 per cent of farm households have no access to formal or informal sources of credit while 73 per cent have no access to formal sources of credit. Looking at the different sources of credit, it is observed that the share of non institutional sources reduced from 70. 8% in 1971 to 42. 9% in 2002. However after 1991, the share of non institutional sources has increased; specifically, the share of moneylenders in the debt of rural households increased from 17. 5 % in 1991 to 29. 6% in 2002. In urban areas the share of non institutional sources has come down significantly from 40% in 1981 to around 25 % in 2002. Who are the excluded? The financially excluded sections largely comprise marginal farmers, landless labourers, oral lessees, self employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic minorities and socially excluded groups, senior citizens and women. While there are pockets of large excluded population in all parts of the country, the North East, Eastern and Central regions contain most of the financially excluded population. Reasons for financial exclusion There are a variety of reasons for financial exclusion. - In remote, hilly and sparsely populated areas with poor infrastructure, physical access itself acts as a deterrent. - From the demand side, lack of awareness, low incomes/assets, social exclusion, illiteracy act as barriers. - From the supply side, distance from branch, branch timings, cumbersome documentation and procedures, unsuitable products, language, staff attitudes are common reasons for exclusion. The requirements of independent documentary proof of identity and address can be a very important barrier in having a bank account especially for migrants and slum dwellers. Recent initiatives by Reserve Bank of India The RBI has undertaken a number of measures with the objective of attracting the financially excluded population into the structured financial system. In November 2005, banks were advised to make available a basic banking ‘ no-frills’ account with low or nil minimum balances as well as charges to expand the outreach of such accounts to vast sections of the population. Other measures include setting up pilots for credit counselling and financial education. A multilingual website in 13 Indian languages on all matters concerning banking and the common person has been launched by the Reserve Bank on 18 June 2007. Strategies and approach At the regional level, a forum called the State Level Bankers’ Committee (SLBC) has been in operation since nationalization. SLBC is a group of bankers and government officials and is convened by a bank having major presence in the State called the SLBC convenor bank. So far, SLBCs have reported having achieved 100 per cent financial inclusion in the Union Territory of Puducherry and in some districts in Haryana, Himachal Pradesh, Karnataka, Kerala and Punjab. The outcome of the efforts made is reflected in the increase of 6 million new ‘ no frills’ bank accounts opened between March 2006 and 2007. Use of intermediaries Self Help Groups (SHG’s) SHGs are groups of usually women who get together and pool their savings and give loans to members. The SHG is given loan against guarantee of group members. The recovery experience has been very good and there are currently 2. 6 million SHGs linked to banks touching nearly 40 million households through its members. Banks provide credit to such groups at reasonable rates of interest Commercial banks For commercial banks the lower cost of funding, advantages of size and scale gives scope for cross subsidization and their interest rates are more competitive compared to the MFIs, but they have not been as successful in dealing with the last mile issue. The partnering with SHGs and MFIs with reasonable cost of funding by the banks has been seen as a more optimal approach till now. As indicated earlier, a recent important regulatory measure is the permission given to banks to use post offices, cooperative societies, non government organisations set up as trusts or societies, as business correspondents (agents) for doing branchless banking after conducting due diligence on such intermediaries. Agency risk is sought to be minimised by using well respected local organizations and use of IT solutions for tracking transactions in the bank accounts. Many banks are exploring the use of this model to increase their outreach and deliver doorstep banking MICROFINANCE Microfinance is a term for the practice of providing financial services, such as microcredit, micro savings or micro insurance (to the poor & needy) by helping them to accumulate usably large sums of money, this expands their choices and reduces the risks they face. In principle, Microfinance can relate to the chronic poor & the transitory poor in different ways. The condition of poverty has been interpreted conventionally as one of lack of access by poor households to the assets necessary for a higher standard of income or welfare, whether assets are thought of as human(access to education), natural (access to land), physical(access tp infrastructure), social(access to network of obligations) or financial (access to credit). Financial Service Includes ï,§ Keeping money safe while also allowing withdrawals when needed ï,§ Issuance of checkbooks so that bills can be paid and other kinds of payments can be delivered by post ï,§ Provision of loans and mortgage loans (typically loans to purchase a home, property or business) ï,§ Issuance of credit cards ï,§ Allow financial transactions at branches or by using Automatic Teller Machines (ATMs) ï,§ Facilitation of standing orders and direct debits, so payments for bills can be made automatically ï,§ Provide overdraft agreements for the temporary advancement of the Bank's own money to meet monthly spending commitments of a customer in their current account. ï,§ Provide Charge card advances of the Bank's own money for customers wishing to settle credit advances monthly. ï,§ Provide a cheque guaranteed by the Bank itself and prepaid by the customer, such as a cashier's check or certified check. - Micro insurance, the term is increasingly used to denote insurance for poor persons in low-income countries who are not covered by existing social or commercial insurance schemes. Beyond this rather general and high-level description, different sources use this term to denote quite different content - Microcredit is the extension of very small loans (microloans) to the unemployed, to poor entrepreneurs and to others living in poverty that is not considered bankable. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Microcredit is a part of microfinance, which is the provision of a wider range of financial services to the very poor. Objectives of Microfinance ï,§ The success in reaching the core poor. ï,§ The effectiveness in pulling households out of Poverty. ï,§ The cost effectiveness as a poverty targeting tool. A few considerations in the world of Micro financing: - ï,§ Microenterprise access to banking services (MABS) programme aims to assist participating rural banks in expanding the services they provide to the Micro enterprise sector. ï,§ Falling between the State Initiatives and the Private commercial initiatives is a Programme in India started by the (National Bank of Agricultural & Rural Development NABARD), under which a number of Private Banks have become active participants involved in microfinance. ï,§ Lack of access of Credit is readily understandable in terms of absence of collateral that the poor can offer conventional financial institutions, in addition to the carious complexities & high costs involved in dealing with large number of small, often illiterate, borrowers. Recognition for Microfinance: It is necessary to make micro financing an attractive proposition for potential lenders , as the huge demand for financial services by the poor can largely be satisfied through mobilizing capital from the formal sector. In addition to credit/financial inputs, injecting managerial inputs into the activities of the target groups would be required. This is possible only through close interaction with target groups. Entry of public sector banks in micro finance may to a large extent bring forth changes in the life of the Poor, given the kind of branch network & reach they have, resulting in distribution of default risk. Criticism of Microfinance ï,§ For the poor who are accustomed to fluctuations of income that ring them close to or below the poverty line, microfinance provides the possibility credit at times of need. The avoidance of sharp declines in their in family expenditures by drawing on such credit or savings allows ‘ consumption smoothing’. The short term needs of the poor have to be met whether due to income shortfalls of medical reasons or social events like medical bills or social events. They borrow for protectional purposes & as this group is too risk averse to borrow for promotional measures (future investments) and therefore is a limited beneficiary of microfinance. ï‚§ Despite having a smaller amount of capital the marginal returns maybe be considerably less , if the core poor cannot afford the interest rates then rather than enjoying a service they will end up in financial difficulties. ï‚§ Group lending is used the very poor may be excluded by other members of the poor because they are seen as a bad credit risk. ï‚§ Professional staff operating as personal loan officers they may exclude the very poor from borrowing funds which goes against the objective of Microfinance of reaching the poor. Despite the current enthusiasm in the donor community for microfinance programs, rigorous research on the outreach , impact and cost effectiveness of such programs is very rare. This reflects the difficulty in establishing an appropriate statistical methodology and implementing those standards in practice and in part no doubt reflects the variations I n microfinance. Reaching the core poor is a task and what makes it tougher is the conventional financial instruments means that there might be high risk & therefore unattractive microfinance clients. Suggestions to make poverty alleviation Effective Access to Quality Education & other Human development factors - Since the bulk of the required investments to build human capital comes from public rather than private sources in India, it is important that poverty-reduction strategies focus increased public spending on expanding the poor's access to quality education and health care. Targeting government spending to primary education, reducing communicable diseases, improving water and sanitation, and reducing household insecurity through public works programs are priority actions to reduce poverty. To avoid increasing the already large fiscal deficit, increased funding for these activities should come from the reduction in costly and untargeted subsidies that are currently the source of large fiscal imbalances and microeconomic distortions. - Effective health programs must complement education in raising the potential productivity of labor. Public expenditure on health as currently constituted is likely to have only a limited redistributive impact. - Improving access to safe water sources and sanitation facilities and vaccinations would help reduce infant and child mortality and thus reduce fertility and improve maternal health. Because these are activities in which the poor are vastly underserved relative to the non-poor, public interventions in these areas will achieve their biggest impact on the poor. - Analyses have shown that health education concerning basic hygiene, the value of better nutrition, and preventive care such as public campaigns against tobacco use and for the use of appropriate measures to avoid contracting HIV-AIDS and other sexually transmitted diseases, is an important part of encouraging behavioral changes needed for long-term improvements in health outcomes. - Public subsidies to hospital care can play an important redistributive role as long as referral systems are reformed to ensure that access is based on need rather than income and social status. Because the rural poor must often meet the financial burden of medical emergencies through debt, distress sale of real assets, or reductions in food or other important consumption items, subsidizing hospital treatment will help alleviate the burden on the poor. - In addition to assistance through publicly managed hospitals, the poor could also be served by public financing of private provision of services in rural areas (with an appropriate system of incentives and monitoring); by a major effort to increase the quality of care through training, changes in incentives, and regulations; or by community-based insurance schemes. India's policy makers will need to evaluate the option of subsidizing hospital treatment against other alternatives in order to support appropriate services that will help reduce poverty. - Priority should be to improve the effectiveness of public works by better targeting the genuinely needy and making these programs fiscally sustainable. Effective targeting need not be exclusive targeting, as some level of spill-over to the non-poor is unavoidable if political support for such programs is to be maintained. - There is a clear need to improve the quality and timeliness of the statistical data base necessary for poverty measurement, monitoring, and analysis in India. This includes not only the data necessary for direct poverty measurement (national sample surveys, annual consumer expenditure surveys) but also related data bases and statistical information available at the sectoral level (e. g. education and health statistics). Development of Institutes An apex bank should be established as a public-private partnership, on the lines of the Industrial Development Finance Corporation, rather than the old style apex institutions like HUDCO and NABARD. Its governance, organizational culture and operating ethos must reflect 21st century values - striving to serve the unreached urban masses for their overall economic and social development in a business-like, professional and financially sustainable manner. Raising the standard of living would be better achieved through promoting economic growth by lowering taxes and drastically reducing government regulation. Conclusion India's achievements in the post reform periods as far as economic performance is concerned are wide-ranging and clearly impressive. The recovery from the 1991 crisis was exceptionally swift and the post stabilization period saw a significant acceleration in growth compared with the growth rate before the reforms. However experience of the reform process in India has shown that it has not achieved its objective to an extent in reducing poverty in the country. In the post reform period (as compared between 45th and 46th rounds, just before the economic reform compared withthe rounds 52 and 53, the most recent post reform situation) there is almost no change in the pre and post poverty measures. Effective measures still need to be taken in the economy to trickle down the benefits of growth and development in the different sectors of the economy to the poorest of the poor in the country. India still needs a lot to emphasize on continuing commitment to traditional programmes for poverty elevation, which exists even before reforms. These include direct support of consumption of the poor by subsidized sales of food grains through the public distribution system, employment programmes providing wage employment in public and private works especially in rural areas and a variety of self-employment programmes involving provisions of a combination of capital subsidy, credits and technical assistance to set up micro enterprises in both rural and urban areas. 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