Sustainable Development : Effectiveness of the Government and RBI Initiated Schemes

Ms. Ruchi Jain

Abstract

The Government of India as well as the various state governments, RBI fund and implement a number of schemes for the welfare of the poor. One of the major challenges in delivering benefits of anti-poverty programs to the poor is the threat of program capture by the non-poor. The non-poor can exercise their economic power and contribute to the campaign funds of the major political parties in exchange for preferential treatment in welfare services. Since the poverty line itself is very narrowly and rigidly defined that households just above this line can in the face of shocks and stresses easily relapse into poverty. Examining the design and impact of the government poverty alleviation schemes using the livelihoods approach will contribute to the design of alternative schemes through redesign/modification of existing schemes for promoting the livelihoods security of the rural poor. Huge leakages from the Public Distribution System (PDS) and NREG A and the fiscal burden imposed by them are likely to slow down the growth acceleration experienced in recent years, through its deleterious effects on public investment. The benefits of these to the poor, their cost-effectiveness is likely to be low. If the insights from our analysis are valid, much waste could be avoided through higher public investment in agriculture-especially in irrigation, roads and electricity-which would translate into higher yields, lower food prices and higher agricultural wage rates.

Introduction

The Government of India as well as the various state governments, Central bank (RBI) implement a number of schemes for the welfare of the poor. Some schemes give resources, were as some schemes provide wage employment to the poor to help them overcome poverty. Such schemes are being implemented for the past three decades and more. These schemes have contributed in a fair measure to decrease the number of people living below the poverty line (BPL) since these schemes have been initiated. However, in spite of this as per the NSS estimates 27 percent of rural households still continue to live in poverty (Deaton 2003).

One of the major challenges in delivering benefits of anti-poverty programs to the poor is the threat of program capture by the non-poor. The non-poor can exercise their economic power and contribute to the campaign funds of the major political parties in exchange for preferential treatment in welfare services. This represents the phenomenon of capture. In theory, capture can take place at any level of government. The empirical evidence however remains inconclusive as studies suggest that the relative vulnerability of different levels of government to capture may very well be context specific (Bardhan and Mookherjee, 2000, 2005; Crook and Manor, 1998; Gaiha et al., 1998, 2000; Tendler, 1997).

Even in case of those marginally above the poverty line it does not imply that they still do not suffer from various forms of deprivation, exclusion, and insecurity. Also since the poverty line itself is very narrowly and rigidly defined that households just above this line can in the face of shocks and stresses easily relapse into poverty. Hence, the members of the ReLi group as well leaders of collaborating GrOs are of the opinion that such narrow and rigid definitions of poverty should be dispensed. Instead the holistic concept of 'livelihoods', which better represents

Ms. Ruchi Jain
Asst.Professor, Addl. HOD
Deptt. of Financial Studies
ICG, The IIS University
Jaipur

the reality of the rural poor, should be adopted (Chamber, 1985, 1992). The goal of the government schemes must be to ensure livelihoods security of the rural poor rather than merely alleviate them from income poverty, which is defined in very restricted manner (based on pre-determined level of consumption of mainly food items). Hence, the group members have undertaken this study in collaboration with leaders of GrO (social activists) to analyze the shortcomings in the present government schemes as well as the reasons for their poor performance in alleviation of the poverty of the rural poor, as well in ensuring them security of livelihoods. Examining the design and impact of the government poverty alleviation schemes using the livelihoods approach will contribute to the design of alternative schemes through redesign/modification of existing schemes for promoting the livelihoods security of the rural poor.

National Rural Employment Guarantee Programme in India - A Review

The NREGA of 2005 is perhaps the most significant social policy initiative in India in the last decade. The NREGA states that, its main objective is to provide enhancement of livelihood security of the households in rural areas of the country by providing at least 100 days of guaranteed wage employment to every household in unskilled manual work. (Ministry of Law and Justice, 2005)

This commitment is clearly a landmark event in the history of rural development policies in India. During its first year of operation NREGP involved an expenditure of $4.5. billion and was expected to generate 2 billion days of employment. The NREGP's performance is also crucial to the success of the Millennium Development Goal of halving global poverty by 2015 (compared to 1990 levels) as rapid reduction in poverty in India will have an important bearing on the global poverty numbers. Recent figures show that poverty in India has declined, albeit slowly, over the period 1993 to 2005 (Himanshu, 2007). However, the challenge is to sustain and improve this trend. Whether the poor respond to economic incentives is fiercely debated and the battle lines between different groups of economists are sharply drawn. In an important contribution, Besley and Coate (1992) drew attention to the disincentives of public support for the poor-a case in point being workfare or public works programme such as the National Rural Employment Guarantee Programme (NREG)-as it makes them dependent on it, and discourages job-search and income augmenting human capital.

In another equally important contribution, Dreze and Sen (1989) are emphatic in their endorsement of public support for the poor that performs protective and promotional roles. The former refers to protecting the vulnerable from slipping into poverty while the latter relates to helping the poor to break out of poverty. However, huge leakages from the Public Distribution System (PDS) and NREG and the fiscal burden imposed by them are likely to slow down the growth acceleration experienced in recent years, through its deleterious effects on public investment. There is thus a greater urgency now whether these anti-poverty interventions are desirable and, in that case, whether they are fiscally sustainable.

The average employment provided was 18 days per needy household. Another assessment (Biswas, 2007) draws attention to the unevenness in its implementation. Emphasising that while a total estimated expenditure of $4.5 billion was expected to generate 2 billion days of employment, the actual was about 1 billion, and the benefits varied across different states. In Uttar Pradesh, the most populous state, large segments of the rural population were ignorant of the scheme. By contrast, Rajasthan was among the top performers-the average employment per participating household was 77 days of work. The share of wages was 73 per cent. The small north-eastern state of Tripura performed well too, as the average number of days of employment per rural family was 87 days. Somewhat surprisingly, Kerala-a state with a superb record of human development-was at the bottom. In fact, only one of the southern and western states (Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra and Tamil Nadu)-Karnataka- generated more than 10 days of employment per rural family during 2006-07, while the eastern and northern states performed better.

Some encouraging features of this scheme includes:

(i) a high share of female employment (about 40 per cent nationally rising to 81 per cent in Tamil Nadu, and a low of 12 per cent in Himachal Pradesh).

(ii) 20 districts spent more than $25 million on this scheme, and the benefits are reflected in greater economic security, higher farm wages, lower migration, and building of infrastructure.

However, no general conclusions can be drawn about the accuracy of targeting and prompt disbursal of wages. Two examples suffice. In Chattisgarh, 95 per cent of wages were paid to the actual workers while in eastern Jharkhand the corresponding share was barely 15 per cent.

Other failures relate to distribution of job cards - large numbers of needy households are in the queue - the selection, design and execution of projects, resulting in huge leakages.

More specifically, Dreze (2007) highlights a quiet sabotage of the transparency safeguards in NREGA in western Orissa. In a survey of 30 worksites, the investigators found evidence that a contractor was involved in some ways. What is worse the job card does not have a column for 'wages paid'. Even the number of days worked is hard to verify, as the names of the labourer and worksite have been replaced by numerical codes. Yet Dreze (2007) and Roy et al. (2008), among others remain optimistic about its potential mainly because the awareness of employment as an entitlement has grown.

Food-For Work (FFW) Programme

The FFW was launched in January 2000-01 as part of the Employment Assurance Scheme in eight drought affected states and subsequently extended to cover the notified districts experiencing natural calamities. Free foodgrains are supplied by the Government of India (GOI) to the states to enable them to offer wage employment to the rural poor. The states are allowed to pay wages in kind and cash. Preference is given to labour-intensive works that help build resilience against droughts (e.g. moisture conservation, de-silting of village ponds/tanks) and construction of rural link roads. Targeting performance of FFW, based on the poverty cut-off point is Rs 358 per capita per month.

Public Distribution System (PDS)

The PDS refers to the distribution of some essential commodities (e.g. wheat, rice, sugar, and kerosene) by the government at subsidised rates through ration and fair price shops. The ratio of the non-poor PDS beneficiaries was three times higher than that of the poor. Among the ST also, although the non-poor beneficiaries were the majority, the share of the poor was a little under one-half.

Kisan Credit Card Scheme

"To promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institutional development and other innovative initiatives". With this vision KCC scheme is initiated by the RBI and NABARD.

Given the enormity of the credit requirements on one hand and the vagaries of the nature on the other, financing agriculture has been a gigantic task for banks in India. Ensuring timeliness and adequacy of credit to farmers have posed the most serious challenges to banks engaged in financing agriculture. Financial sector reforms, ushered in as a part of the liberalization of the Indian economy in the beginning of nineties, has infused a spirit of competitiveness and enterprise among the banks in their endeavor for serving their customers in the best possible manner. NABARD has been playing a proactive and catalytic role in guiding the banks to meet the emerging challenges. Towards this end, several innovative strategies have been evolved by NABARD. The instrument of Kishan Credit Card (KCC) is one of the key products developed to improve the farmer's accessibility to bank credit, simplify credit delivery mechanism and provide more flexibility in use of credit. Model scheme of Kishan Credit Card formulated by NABARD in 1998-99 is being implemented in all the States and Union territories. About 1.94 crore Kishan Credit Cards have been issued upto 31 October 2001 by the banks throughout the country. It is envisaged that every eligible agricultural farmer would be provided with a Kishan Credit Card by 31st March, 2004. In accordance with the announcement in the GOI budget 2001-02, Personal Accident Insurance Scheme (PAIS) has been introduced as a 'add-on benefit' and all the Kishan Credit Card holders would be insured for Rs. 50,000 at a nominal premium of Rs. 15/- per annum as agreed to by General Insurance (Public Sector) Association as a pioneering credit delivery innovation, Kishan Credit Card Scheme aims at providing adequate and timely credit support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible, hassle free and cost effective manner.

Conclusion

Some observations from a broad policy perspective are given below. Few would dispute the colossal waste involved in both programmes (including the more than a year old NREG). Whatever the benefits of these to the poor, their cost-effectiveness is likely to be low. If the insights from our analysis are valid, much waste could be avoided through higher public investment in agriculture-especially in irrigation, roads and electricity-which would translate into higher yields, lower food prices and higher agricultural wage rates. In conclusion, there are many ways in which markets are capable of serving the poor better than large-scale and often unaffordable anti-poverty interventions.

References

- Khubchandani B.S (2009). "*Practices and Law of Banking*", Mac Millan Publications.
- Nathuramka Laxminarayan, (2008). "*Economy of Rajasthan*", College Book House, Jaipur.
- Shivaji K, (2007). "*Agricultural Finance By Commercial Banks*", Aph Publishing Corporation.
- Tripathy S N (2007). "*Dynamics of Rural Development*", Discovery Publishing House.
- Narasaiah M L (2007). "*Microcredit And Agricultural Development*", Discovery Publishing House.
- Roy Durgadas (2006). "*Rural Banking Agricultural Finance in India*", Rajat Publications.
- Saggar Saveeta (2005). "*Commercial Banks in India*", Deep & Deep Publications (p) Ltd.
- Misra SN (2004). "*Rural Development Through Agro: Industries*", Anmol Publications Pvt Ltd.
- Economic Survey and publications of GOI.