

## 5

## Our Dwindling Economy and its Dreadful Effects

### 5.1 Our economic bankruptcy

Given below are a few tables showing the insight of our economy.

**Table 5 .1**  
**Our receipts and expenditures**

| S.   |  | 2000-01      | 2001-02      | 02-03        | 03-04        | 04-05        | 05-06        | 06-07 <sup>γ</sup> |
|--|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|
| No.  |  | lac cr Rs    | lac cr Rs    | lac cr Rs    | lac cr Rs    | lac cr Rs    | lac cr Rs    | lac cr Rs          |
| 1.   | Total Receipts<br>(a+b)  | 3.26         | 3.65         | 4.04         | 4.74         | 5.05         | 5.08         | 5.63               |
| 2.   | Revenue (a)<br>Receipts  | 1.93         | 2.13         | 2.37         | 2.63         | 3.05         | 3.48         | 4.03               |
| 3.   | <sup>α</sup> Capital (b)<br>Receipts   | 1.33         | 1.52         | 1.67         | 2.11         | 2.0          | 1.60         | 1.60               |
| Note : a+b ≡ c+d+e   |  |              |              |              |              |              |              |                    |
| 4.   | Deficit :  | 1.19         | 1.32         | 1.45         | 1.32         | 1.28         | 1.46         | 1.49               |
| [made up through internal and external loans and printing of currency] |  |              |              |              |              |              |              |                    |
| 5.   | Revenue<br>Expenditure :   |              |              |              |              |              |              |                    |
| 6.   | <sup>β</sup> Expenses on<br>salaries and<br>overheads of<br>the govern-<br>ment. (c) | 2.78         | 3.04         | 3.42         | 3.63         | 3.85         | 4.40         | 4.88               |
| 7.   | Capital<br>Expenditure:<br>Plan (d)<br>Non plan (e)                                  | 0.32<br>0.16 | 0.37<br>0.23 | 0.41<br>0.21 | 0.43<br>0.68 | 0.48<br>0.72 | 0.30<br>0.39 | 0.29<br>0.47       |
| 8.   | Interest<br>Payments   | 0.99         | 1.07         | 1.16         | 1.24         | 1.26         | 1.30         | 1.40               |

<sup>α</sup>. Most part of it reflects our budget deficits and is made up through borrowings noted at S.no. 4.

<sup>β</sup>. This also includes defence, subsidies and interest payments (interest figure is shown at no. 8. None of it goes for the development or upliftment of the people.

<sup>γ</sup>. Data for 2006-07 is budgeted.

**Note**

This is the financial status of the Union Government. Similar is the position of all the states.

From the above we have drawn up some logical inferences of our constantly dwindling economic scenario. This will help readers comprehend the real economic condition of our country as discussed in the subsequent sections.

▪ **Inferences**

1. Looking at the enormous size of the country the revenue receipts are a trickle. The poor receipts reflect the poor economy of the country and lack of means besides a very high level of corruption as large percentage of revenue is swindled out of the economy generating *black money*,
  - i. It means the revenue-generating sources – industries, businesses and individual income of the people — are very low, partly because of poor development and partly because of *black money*.
  - ii. It also answers the question of rising unemployment and lack of means for livelihood and consequent rising poverty.
  - iii. The reports of rising circulation of fake currency, fake revenue stamps and stamp papers worth lacs of crores of rupees (2001-2003) is further eroding our economic base. We wonder what is reported may just be a tip of the iceberg, the actual fake money may be staggering. These are obvious consequences of our poor governance and involvement of the government higher-ups in such fraudulent activities.
2. Compared to income (revenue receipts) which by itself is low, the interest liability is very high (40-50%) and has maintained the same trend over the years. That means unproductive and government's own expenses are enormously high and disproportionate to its income.

**Note**

One must realise that the budget is the reflection of the income and expenditure of the government and the revenues generated for the development of the nation and welfare of the people. Since there is little<sup>1</sup> done in the name of development or the welfare of the people, it is no exaggeration to say that most of the revenues collected

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1. Talking generally, in rural areas the government alone has to initiate developmental works. While in urban areas affluent societies themselves take care of the development of their areas by setting up industries, businesses, malls, residential colonies and housing societies besides some work by the government like making of roads and flyovers etc.

by the government from the public, through internal or external debts or international aids are by and large spent by them on themselves and the unproductive heads only (see Chapter 6).

3. The above statement is corroborated by figures against head (d) indicating the paltry amount earmarked for the "planned capital expenditure" which goes for the development and welfare of the people. Of this also, the bulk travels back to the system and to the people handling the money or the projects, giving little relief to the people. **Often we hear the money swindled through fabricated muster rolls. The perennial droughts, floods, dilapidated condition of the education system and overall miseries of the rural masses are a few glaring examples.**
4. There has been a remarkable rise in borrowings<sup>2</sup>(see Table 5.2) and interests over the years while allocation for the planned capital expenditure (item d) is increasing only by a trickle. This indicates galloping rise in the cost of governance. The situation had started worsening rapidly by 1980s when the politicians and bureaucrats had started swindling public money unbound. The country landed into a nefarious trap during those years. During 1980-1992 the country accumulated a debt of Rs 1,20,000 crore (until 1980 there was a surplus of 1000 crore in the budget). During this period, the looting spree established new records. As industries went sick the government deficit rose by leaps and bounds. Essential services like water, electricity, roads and jobs all registered a negative growth and we became an ill-governed nation.

#### ▪ *Inference*

The debt liability is alarming and rising unbound year after year. It is rising in the same proportion at which the GDP is rising, indicating government's failure to manage economic affairs and to accelerate the pace of development of the nation. It also indicates that the nation earns and the system leeches to drive us towards a debt-trap. It is not paucity of means with the nation rather than the lack of ability, a will and more importantly sincere intentions of the various governments to do some

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2. When the donor countries and international lending institutions like the IMF and the World Bank impose conditions on the recipient countries, they also tell some niceties that the recipient countries must follow to mitigate their large deficits (such as to curb the cost of governance). It is a different matter that we only resent the conditions imposed on us, rather than the measures they suggest us to improve our working.

**Table 5.2**  
**Our outstanding debts**

|  | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| External Debt<br>US \$ billion   | ≅98       | ≅100      | ≅105.35   | 111.83    | 123.28    | 125.2*    |
| Rate of Exchange<br>Re to a \$   | 46.00     | 48.50     | 48.39     | 45.95     | 45.12     | 44.25     |
| External Debt<br>Rs (lac cr) (a)   | 4.50      | 4.85      | 5.10      | 4.92      | 5.56      | 5.54      |
| Internal Debt <sup>1</sup><br>Rs (lac cr) (b)  | 11.80     | 13.16     | 15.13     | 17.24     | 19.86     | 21.95**   |
| Total Public Debt <sup>1</sup><br>Rs (lac cr) (a+b)  | 16.30     | 18.01     | 20.23     | 22.16     | 25.42     | 27.49     |
| GDP at factor<br>cost Rs (lac cr)  | ≅18.96    | ≅20.10    | 22.49     | 25.24     | 28.38     | 32.09     |
| Debts as % of GDP  | ≅86.0     | ≅89.6     | 89.95     | 87.8      | 89.6      | 85.66     |
| * Already jumped to \$132b by June 2006.   |           |           |           |           |           |           |
| ** Estimated to be Rs 24.73 lac cr by the end of 2006-07 (Indiabudget.nic.in).<br>Most data is based on <i>India 2006, Statistical Outline of India</i> and <i>Central Statistical Organisation (CSO), Ministry of Finance (Dept. of Economic Affairs)</i> |           |           |           |           |           |           |

### <sup>1</sup>Notes

i. This constitutes market borrowings, loans from banks, from public saving funds like national small saving schemes, post office, PF (Provident Fund), insurance and pension funds etc. It also includes debt servicing.

ii. These debts refer only to the liabilities of the central government and not of the states. Most states borrow heavily too, from market, besides time-to-time overdrafts (OD's) from RBI to meet their expenses (even for salaries and interest payments). These loans and OD's are over and above the loans and aid packages provided by the centre to the states and are not reflected in the above debts. The state debts are also a liability of the nation and do no developmental work, rather contribute to inflationary trends and people have to bear the brunt of it. These debts stood at about Rs 5.40 lac cr during 2003-04 in addition to time-to-time excessive bank overdrafts.

$$\begin{aligned} \therefore \text{Total internal debts (during (2003-04))} &= 17.24 + 5.40 \\ &= \text{Rs } 22.64 \text{ lac cr} \end{aligned}$$

$$\begin{aligned} \&\ \text{total internal \& external public debts} &= \text{Rs } 22.64 + 4.92 \text{ lac cr} \\ \text{during (2003-04)} &= \text{Rs } 27.56 \text{ lac cr} \end{aligned}$$

which is more than the GDP during the same period.

$$\text{(Debt burden per person in 2003-04)} \left( \frac{27.56 \text{ lac cr}}{110 \text{ cr}} \right) \cong \text{Rs } 25,000$$

We are neck deep in heavy debts which we may never be able to repay. We are born under heavy debts, and our children will also be born with this burden on their heads.<sup>3</sup> The tragic story of our nation after 60 years of our self rule is now worse than it was for our farmers then who, we used to read in school days, were 'born in debt to die in debt.' Now each one of us is born in debt to die in debt.

constructive work for the nation and its poor people except for incongruous dole-outs and hand-outs. Now the situation is such that any amount of wealth shall fall short to satisfy the greed of our parasitic and gluttonous system, and the plight of our poor people shall remain much the same.

*Let's pause and determine if we should always watch helplessly our system glutting our fortune before our eyes and we only gasp in awe and despair like the timid cats before the monkey! Or arise to thwart away this treacherous system !*

#### OUR EXTERNAL TRADE SCENARIO

Table 5.3 provides a glimpse at our trade scenario post- liberalisation :

**Table 5.3**

#### Our trade deficit

|   | 2000-01                | 2001-02                | 02-03                  | 03-04                  | 04-05                  | 05-06                  | 06-07*                 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | Rs lac cr<br>(US \$ b) | Rs lac cr<br>(US \$ b) | Rs lac cr<br>(US \$ b) | Rs lac cr<br>(US \$ b) | Rs lac cr<br>(US \$ b) | Rs lac cr<br>(US \$ b) | Rs lac cr<br>(US \$ b) |
| Imports <sup>2</sup>  | 2.31<br>(57.9)         | 2.45<br>(56.28)        | 2.97<br>(64.46)        | 3.59<br>(80.18)        | 5.33<br>(118.78)       | 6.93<br>(156.33)       | 3.84<br>(85.30)        |
| Exports   | 2.03<br>(45.45)        | 2.09<br>(44.70)        | 2.55<br>(53.77)        | 2.93<br>(64.72)        | 3.68<br>(82.15)        | 4.64<br>(104.78)       | 2.47<br>(54.93)        |
| Trade deficit   | 0.28<br>(12.45)        | 0.36<br>(11.58)        | 0.42<br>(10.69)        | 0.66<br>(15.46)        | 1.65<br>(36.63)        | 2.29<br>(51.55)        | 1.37<br>30.37          |
| Source : Directorate General of Commercial Intelligence and Statistics (DGCI&S) |                        |                        |                        |                        |                        |                        |                        |
| <sup>2</sup> Content of petroleum products. See Section 21.2 for analysis.      | 0.71<br>(15.65)        | 0.67<br>(14.0)         | 0.85<br>(17.6)         | 0.94<br>(20.6)         | 1.35<br>(29.9)         | 1.94<br>(43.84)        | 1.51<br>(34.01)        |
| *April-Sept. 2006-07  |                        |                        |                        |                        |                        |                        |                        |

#### ■ Inferences

1. The cumulative trade deficit is galloping. We should not forget that because of our grave BoP (Balance of Payment) position during 1991-
3. It means that a nation in such debts cannot progress in true sense and its large populace (rural and urban poor) perforce shall have to reel under poverty and miseries.

92 we were forced to opt for liberalisation in a haste and had to pledge our gold reserves. We must also know that liberalisation is only a process to fulfil the conditions of WTO. But at that time our main aim was to take hurried steps to improve our liquidity to meet the expenses of the government and take care of BoP somehow. We will soon discover that we are in the thick of BoP fiasco once again. The present happy foreign exchange reserves\* position may not last for long because of rapidly rising trade deficits and over dependence on foreign loans and investments, which may eventually lead us to a debt trap one day (also see Chapter 21 on globalisation). It is a different matter that the healthy foreign exchange reserves and presently rising exports may delay the inevitable for some time. But our worry is volatile and widely fluctuating international oil prices in the face of our constantly galloping oil bills and rising demand of foreign exchange by industries and businesses.

\* Note

In our ignorance we call it as reserves while it is merely a foreign deposit and payable by us in dollar terms one day or the other. In fact we have hardly ever earned a foreign exchange that we can call as reserves, because of our perennial trade deficits and rising foreign exchange requirements of industries and businesses who are also spreading out their wings on foreign soils for taking over or setting up their establishments there.

2. The BoP position has started worsening since 2004-05. The trade deficit has negated our earlier myth that exports were rising except for the oil bills. In fact the exports have fallen short of basic imports even without the oil bills and that is a grave situation.
3. Our financial deficits are rising and so are the interest liabilities. This is leading to a rise in internal and external debts that is gradually leading us towards financial bankruptcy. Under these circumstances expecting progress of the villages and well-being of the poor people is living on false hopes and simply swaggering on urban affluence, masking the poor plight of the large populace.
4. *Misuse of resources* : It also reveals that we are misusing and under-utilizing our resources. Study of it in Chapter 4 has revealed that we are a rich nation in terms of natural and primary resources.

## 5.2 Effects of our dwindling economy

### (I) GENERAL OVERVIEW:

- Our population has become a liability rather than our strength. 68% of them live on or below the poverty line.

- Cities have become over-crowded, polluted and filthy. *Jhuggy* and *jhobar patty* clusters are mushrooming at an alarming rate throughout the country, where 40-45% of our urban people live and this is on the rise. Table 5.4 presents the look of a poverty stricken third nation.
- Over-crowded, sordid, worn-out and outlived colonies, houses, roads, trains, buses and markets jeer at us.
- Villages remain villages and so the villagers. Most of our 5.85 lac villages where minimum 73% of our people live, are still dark and have little means of communication and commutation. According to a rough estimate, minimum 40-50% of the total villages i.e. about 34-42 cr people of our country (out of 115 cr) may still be living in total darkness, besides those where the electricity has reached the villages (by a twinkling bulb to make the news) but has yet to reach their homes.
- There is no rehabilitation of disabled and destitutes constituting about 30% (Table 4.1) of our population, except for some relief work by the state and the NGOs.
- There are recurrent floods and droughts.
- One heavy downpour can flood cities like Mumbai, Hyderabad, Ahmedabad and Chennai by 4'-10' (2004-05) and jam Delhi traffic due to grossly inadequate and partly choked open drainage system of our country.
- Civic services are crippled. Water, electricity, sanitation, hospitals and health services are utterly lacking.
- Forests are getting denuded and fast turning into wastelands and sand-dunes.

In general the situation is aghast in every field and at every place. Everything is rapidly deteriorating. The whole country looks like a large garbage compound dirty and filthy, sordid buildings, many of them half-constructed and half-finished, filthy and stinking government offices, overflowing and choked public toilets, and dried out water taps, erratic and grossly inadequate power supply. One feels nauseated to think and imagine the condition of the country except for the recent affluence in some pockets of urban areas post-liberalisation which we mistake as "India shining" and "feel euphoric," masking the true facet of the nation. The erosion of human values and deterioration of living conditions is now more rapid than ever before. The filth, dirt and overflowing population are now rising at an alarming rate and our present system is grossly incapable to handle the same. The common

man of this country is literally ragged and thrown on the roadside. He is more helpless than he was before independence and stands stripped and bewildered at the crossroads. **The parasitic system, in the name of democracy, is feasting with an ever rising greed on the carcass of the Indian economy and its negated subjects.**

## (II) RURAL BACKWARDNESS

I recall having read a few stories by Munshi Prem Chand (1880-1936) when I was in school, all written more than 75 years ago, on the village conditions that existed about a 100 years ago when we were in the thick of struggle for freedom. Most stories depict the rural life of that time. I am surprised, rural conditions today are not much different from what they were then. What Prem Chand had depicted then is true in today's scenario too. People were ill treated then and could curse their slavery. They are ill treated now but who should they curse now? It is even worse than before. Woes are they and woes betide! It is no surprise that even today the Indian farmers are born in debt and die in debt (64.6% of them are landless labour, Table 11.1). Many of them even lack means of living and commit suicide. In light of this government of Tamil Nadu introduced mid-day meal for farmers (2003). The recent being 100 days job/year to one person in each family living below the poverty line under National Rural Employment Guarantee (NREG) Scheme (2005). It may cost government exchequer about Rs 0.4-1.0 lac cr every year and more depending upon the extent they are able to reach out to them, there being 13.7 cr rural families alone below poverty line as identified by the government itself (India Today, Sept. 2005). In reality yet another appeasement scheme to render our poor masses remain poor and dependent on charity, reliefs and handouts. As if this was not enough Uttar Pradesh Chief Minister Mulayam Singh distributed Rs 500/- p.m. to each unemployed youth (June 2006). **It is a matter of shame for any civilised society or a nation to drag their masses knowingly to destitution rather than putting efforts to making them worthy citizens of a worthy nation to stand on their own feet, earn their livelihood themselves in a dignified manner and lead a graceful life.**

While over 73% of our population live in villages and have remained backward over the years, most others who migrate to cities for livelihood also remain poor and their plight remains much the same as those in villages except for marginal improvement in terms of some urban facilities. They too dwell in *jhuggy-jhoparpattis*, on footpaths, railway tracks, bus stands, under the flyovers, in gutters or in temporary hutments at construction sites, lacking civic amenities like in villages. A

**system that compels bulk of its masses live in such conditions can do little for their upliftment.**

For long it has been a known saying that if one wants to find God, he can find it in India. Our's is a country where nothing works yet life goes on. Surely there is some cosmic power that makes it go. **Seemingly it may be our unbound resilience that has seasoned us to endure all hardships and curses of life somehow or the other.**

### (III) EDUCATED REMAIN UNEMPLOYED

It is difficult to answer as to why our educated youth (except professionally qualified who are in gross short supply) remain unemployed or underemployed when our country produces hardly 36 lacs (2005) educated and partly educated youth per year in all disciplines<sup>4</sup> (Table 14.2), which is just 13% of all the new borns. If that be the situation, to cry for education is meaningless for our society. Moreover, many of them, particularly engineers, doctors, scientists and IT professionals like to go abroad due to lack of opportunities at home. Their parents and even our government take pride in this fact. The conspicuous cause of unemployment is our marginal development which requires only a few educated. The only developmental work that happens is focussed at about 14% of the population (Table 5.4). For this marginal development and its upkeep we require only a marginal work force. Therefore, urban areas also with such dismal development (except in private sector) cannot generate enough fresh employment opportunities to engage them. This is the reason why, despite such a low level of education we fail to provide jobs even to the few educated ones. In fact people are being retrenched and the number of unemployed youth is rising the threefold in 10 years (TOI, 22 June, 2005). Also see Section 21.3. All this is a consequence of underdevelopment of the nation. For long we had no answer as to why our educated youth should remain unemployed when their percentage was such a dismal low. Marginal development of the nation is the answer.

*Development is the key to progress and employment.  
Underdevelopment, means unemployment,  
poverty and sufferings.*

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4. Graduates, post-graduates, diploma-holders, para-medics, MBA's, engineers, scientists, doctors, CA's, lawyers and IT professionals, etc.

**Table 5.4**  
**Computation of population of different strata (2006)**

| <i>Strata</i>   | <i>Out of 73%<br/>and as %<br/>of total<br/>population</i> | <i>Total Strata</i>                     |   |                       |
|---|--|---|---|-----------------------|
|   |  | <i>by % of<br/>rural<br/>population</i> | <i>by % of<br/>total<br/>population</i> | <i>by nos.<br/>cr</i> |
| <b>A. Rural population</b>  |  |   |   |                       |
| i) Landless farmers<br>(most of them below<br>poverty line)<br>Considering those having<br>attained some affluence<br>∴ Net landless farmers  | 64%<br><br>3%* i.e<br>1.92% (a)<br>= 62.08%                | 62.08                                   | 45.32                                   | 52.12                 |
| ii) Marginal farmers<br>(Just above poverty line)<br>Considering those having<br>attained some affluence<br>∴ Net marginal farmers  | 33%<br><br>3% * i.e<br>0.99% (b)<br>32.01%                 | 32.01                                   | 23.37                                   | 26.87                 |
| iii) Total middle class<br>farmers (a+b)  | 2.91%  | 2.91                                    | 2.12                                    | 2.44                  |
| iv) Rich farmers  | 3%   | 3.0                                     | 2.19                                    | 2.52                  |
| <b>Total rural population</b>   |  | <b>100%</b>                             | <b>73%</b>                              | <b>83.95cr</b>        |
|   | <i>Out of 27%<br/>of total<br/>population</i>              |   |   |                       |
| <b>B. Urban Population</b>  |  |   |   |                       |
| v) Jobless & marginal<br>labour and lower<br>middle class<br>Considering those having<br>attained some affluence<br>∴ Net lower middle class<br>(we have considered<br>10% of them as jobless<br>& marginal labour and<br>7.46% as lower middle<br>class) | 18%<br><br>3% * i.e<br>0.54% (c)<br>17.46%                 |   | 17.46                                   | 20.08                 |
| vi) Middle Class  | 6% (d)   |   |   |                       |
| vii) ∴ Total middle class   | 6.54%  |   | 6.54                                    | 7.52                  |
| viii) Affluent class;<br>In government  | 1%   |   | 1.0                                     | 1.15                  |
| In public life  | 2%   |   | 2.0                                     | 2.30                  |
| <b>Total urban population</b>   |  |   | <b>27%</b>                              | <b>31.05cr</b>        |
| <b>GRAND TOTAL</b>  |  |   | <b>100%</b>                             | <b>115 cr</b>         |

## (IV) LITTLE SUPPORT TO SECONDARY SECTOR

The rural poor survive on primary resources. Their consumption is too meagre to contribute and support the secondary or the tertiary sectors in any significant way. Unless this sector is uplifted, we cannot grow in our secondary and tertiary sectors in true sense.

*We are a consumerist society with little means to buy.*

**5.3 Our per-capita income**

To determine the level of poverty of our people we have computed the distribution of income amongst the people of the land in Tables 5.4 and 5.5.

Assumptions for distribution of income as in Table 5.5

|  |                   |
|--|-------------------|
| (i) GDP at factor cost (2004 – 05) (Table 5.2) | ≡ Rs 28.38 lac cr |
| Black money 80% of GDP (Chapter 9)             | Rs 22.71 lac cr   |
| Total gross domestic product                   | Rs 51.09 lac cr   |
| (ii) Population                                | 115 cr            |

**Notes**

1. These are rough estimates just to have a feel of the level of poverty in our country. Based on this the corresponding income is worked out in Table 5.5.
2. We have not considered separately disability or destitution (Table 4.1) prevailing in our country, neither any poverty in urban areas to be more liberal. This may be considered included in 68% poverty to stark poverty stricken people noted above. Real poverty level may be much worse than considered by us.
3. Values of (a), (b), (c) in Table 5.4 are percentages out of total population.

This affluence is to account for some improvement, that meets the eye in general standards of the poor living in villages and cities, as some of the lower strata like industrial workers, small vendors, *pan* shop owners and owners of tiny and handicraft industries in rural and urban areas have also acquired some amenities of life over the years. The education level of their children is also improving. This affluence we have covered in 3% for rural, rural migrants to cities and urban poor. This much affluence is too optimistic yet too meagre for a vast country of 115 cr. Looking through the roving windows of a train we still notice the same sleepy villages, dark at night. Open fallow and unculturable lands haunting the rural poor as 60 years ago. A few scattered hamlets and the same style of habitation in most parts of the country. Things indeed have not changed much, what little have changed is covered in this 3%.

4. For all references in the book we have considered affluence level at 14% (iii+iv+vii+viii), while 18% (v) being lower middle class.

**Table 5.5**  
**Computation of distribution of income (2004-05)**

| Strata  | Population  |                 | Per<br>income<br>annual<br><br>Rs<br>(Rs) | Total<br>bution<br><br><i>money</i><br>Rs<br>(lac cr) | Distri-<br>BM<br>of <i>black</i><br><br>(BM) Rs<br>Rs |          | Total<br><br>Rs<br>(lac cr) |
|---|---|-----------------|---|---|---|----------|-----------------------------|
|   | capita<br><br>income<br><br>(cr)                    | (%)             |   |   | Rs  | Rs       |                             |
| S.No  | 1   | 2               | 3   | 4   | 5   | 6        | 7                           |
| <b>A. Rural population</b>  |   |                 |   |   |   |          |                             |
| 1   | Landless farmers<br>(living under stark<br>poverty) | 52.12           | 45.32                                     | 4,400 <sup>a</sup>                                    | 2.29  | Nil      | —                           |
| 2   | Small farmers<br>(just above poverty<br>line)       | 26.87           | 23.37                                     | 7,850 <sup>a</sup>                                    | 2.11  | Nil      | —                           |
| 3   | Rural middle class                                  | 2.44            | 2.12                                      | 30,000 <sup>b</sup>                                   | 0.73  | c        | c                           |
| 4   | Rich farmers  | 2.52            | 2.19                                      | 1,50,000 <sup>a</sup>                                 | 3.78  | c        | c                           |
|   | Subtotal  | 83.95           | 73.00                                     |   | 8.91  |          |                             |
| <b>Total rural income = Rs. 8.91 lac cr which is 31.4% of GDP</b> |   |                 |   |   |   |          |                             |
| <b>B. Urban population</b>  |   |                 |   |   |   |          |                             |
| 5 a   | Jobless and<br>marginal labour                      | 11.5            | 10.0                                      | 8,200 <sup>a</sup>                                    | 0.94  | Nil      | —                           |
|   | b Lower middle<br>class                             | 8.58            | 7.46                                      | 18,000 <sup>b</sup>                                   | 1.54  | Nil      | —                           |
| 6   | Middle class  | 7.52            | 6.54                                      | 50,000  | 3.76  | c        | c                           |
| 7   | Affluent society                                    |                 |   |   |   |          |                             |
|   | — In government                                     | 1.15            | 1.00                                      | 3,50,000 <sup>b</sup>                                 | 4.03  | 8,05,000 | 9.26                        |
|   | — In public   | 2.30            | 2.00                                      | 4,00,000 <sup>b</sup>                                 | 9.20  | 5,85,000 | 13.45                       |
|   | Subtotal  | 31.05           | 27.00                                     |   | 19.47   |          | 22.71                       |
|   | Total population:                                   | 115 cr          |   |   |   |          |                             |
|   | Total GDP:  | Rs 28.38 lac cr |   |   |   |          |                             |
|   | Gross GDP including black money:                    | Rs 51.09 lac cr |   |   |   |          |                             |

### Notes

- a. These assumptions are quite liberal. In reality they may be worse as analysed below because of large dependence of the rural populace on the agriculture income only, which is less than 25% i.e. < Rs 7.09 lac cr of the total national income at Rs 28.38 lac cr, while we have considered their income at Rs 8.91 lac cr which is 31.4% of GDP.

The higher figure considered must take account of their income through handicrafts and tiny industries and the money sent home by the migrant labour, government

poverty alleviation programs, relief expenditures on them by the government and a part of MLA's and MP's local area development fund also reaching them. These figures are sufficient to suggest the magnitude of stark poverty that the majority of our rural populace is forced to live in.

The authenticity of above data can also be corroborated on the following basis: Referring to Table 11.1, 3% of the rural people hold 44% of land while the remaining 97% (of which 64.6% are landless) hold 56%. Presuming the yield and income according to land holding the distribution of agriculture income of Rs 7.09 lac cr can be computed as follows,

$$\begin{aligned}
 3\% \text{ holding } 44\% \text{ land therefore income} &= 0.44 \times 7.09 \\
 &= \text{Rs } 3.12^{\text{a1}} \text{ lac cr} \\
 \text{Therefore per capita income of affluent} &= \frac{3.12 \text{ lac cr}}{3\% \text{ of } 0.73 \times 115 \text{ cr}} \\
 \text{farmers [Rural population = 73\% of 115 cr]} &= \frac{3,12,000}{0.03 \times 0.73 \times 115} \\
 &= \text{Rs } 1,24,000^{\text{a2}} \text{ per year} \\
 \text{Income of } 97\% \text{ farmers holding } 56\% \text{ land} &= 0.56 \times 7.09 \\
 &= 3.97 \text{ lac cr} \\
 \text{Therefore per capita income of poor farmers} &= \frac{3.97 \text{ lac cr}}{97\% \text{ of } 0.73 \times 115 \text{ cr}} \\
 &= \frac{3,97,000}{0.97 \times 0.73 \times 115} \\
 &= \text{Rs } 4,875^{\text{a2}} \text{ per year} \\
 &\text{(In reality it may be much less)}
 \end{aligned}$$

<sup>a1</sup> In fact this income will be much more as compared to smaller land holdings because of bigger farmers using better farm facilities, mechanisation, better seeds, fertilizers, good infrastructure and better marketing facilities etc. Besides many of the small farmers may not be growing at all for paucity of funds, lack of irrigation facility, floods and droughts etc. This will mean further erosion in the income distribution of 97% farmers having smaller land holdings than computed above.

<sup>a2</sup> To be more realistic we have considered the average income of rich farmers as Rs 1,50,000 per year and that of small farmers as Rs 7,850 and landless farmers as Rs 4,400 per year, total rural income remaining the same.

One can imagine the stark poverty the landless farmers may be compelled to live in. They may work as farm labourers for the land owners and be engaged hardly for a few months during the whole year and still majority of them may remain jobless. Therefore they may not be earning even Rs 4,400 per year.

**In many parts of the country even a land-owner is compelled to pull the yoke himself to plough his field as he is not able to buy the bullocks.** Regular news

item of farmers committing suicides invokes little surprise. Sensitive of us may shed tears on the plight of the nation.

- b. To further bifurcate the income slabs will be cumbersome; therefore only a few slabs have been considered to have a general idea of distribution of national income. In fact, some in group of Rs 50,000/- may be earning as low as Rs 20,000/- and some as high as Rs 3,00,000/- but we have clubbed them as they may fall in this category. Similarly in above Rs 3.00 lac groups also some may be earning a low of Rs 50,000 and high of any limit but percentage will remain this. The *Black money* may exist in both categories but it may be more in 3%. We have therefore considered all the *Black money* in this category. The purpose is to have an overall idea of distribution of income. While a more minute classification is possible, we consider the above as adequate to serve our purpose in the present context.
- c. This is covered under the most affluent strata at s.no. 7.

### *Analysis of computation*

1. Only about 15.93 cr (13.85% items 3, 4, 6, and 7 of Table 5.5 considered as 14%) of our people in rural and urban areas possess some consumption and buying capacity.
2. Income disparity reveals that the benefit of liberalisation is not reaching the lower strata of our people, constituting about 86% of our total population. Of the 14% (15.93 cr) also it may be reaching hardly to 6-9% belonging to the affluent society.

The situation may be grimmer than appears if we go by the data collected on individual spendings through credit cards or investments in stock markets, bonds, real estates, gold and jewellery etc. suggesting that about 50-60% of the gross GDP at 51.09 lac cr is handled just by 0.1% of our total population (about 12/15 lacs people). The wealth indeed is concentrated just in the hands of a few (based on India Today 19.12.05).

3. Of 15.93 cr middle class (including very rich) about 4.96 cr belong to rural areas and 10.97 cr to urban. That is to say about 31.1% of middle class belong to rural and 68.9% to urban areas [rural affluence is considered about 45% ( $31.1/68.9 \times 100$ ) that of urban]. This is the optimum we can consider. Many of them may still not be in a position of buying and supporting the consumer market. Yet our middle class sector (15.93 cr) makes one of the largest consumer sectors in the world.
4. The urban poor constitute roughly 11.5 cr (37%), ( $11.5/31.05 \times 100$ ) of urban population. Most of them may be dwelling in *jhopar pattis*, footpaths, railway tracks and construction sites etc. In fact many of the 8.58 cr marginal cases also may be living in this fashion making

minimum 45-50% of urban population living like this. Some metropolises like Mumbai have it of the order of 54.1% (TOI, 16.12.05)

*Some of us may gauge the prosperity of the nation by the rising sale of toothpaste.*

#### 5.4 Defining poverty

Earlier to liberalisation there were two kinds of thoughts of looking at the development of the nation. One, that we have progressed well but the period has been short. The second, that we have failed and are amongst the poorest nations in the world. But progress and poverty are relative terms. While some may call our country progressive others may call it dilapidating and pitiable. The level of assessment depends upon the knowledge, sensitivity and honesty of the person. Post-liberalisation the scenario is fast changing with a lot of money in circulation through FDIs and FIIs. In urban areas things are surely looking brighter with a feel-good euphoria. Most well-doing people may now often be heard telling "we are progressing" and see where we shall be in the next 5 to 10 years. This is true also to a great extent. But its benefits are concentrating in the hands of a few only and not reaching the masses. The general condition of the masses at large remains the same as before as corroborated in Table 5.5. This is a matter of grave concern and questions the propriety of our governments which still run with deficit financing and are incapable of doing any good for its deprived and poor people.

To define poverty is an attitude. Poverty line as defined by India or UN is the minimum earning of a person which is absolutely essential for bare survival and to prevent death. UN defines this @ \$ 1 per day for under-developed countries. India defines it by the food intake in terms of calories – minimum 2250 for the urban and 2400 for the rural population, in terms of money less than Rs 10 per day (Rs 296 for urban and Rs 276 per month for rural areas), unconcerned with the fact if one is living in a gutter or on a footpath and feeding on kitchen leftovers (of homes, parties, restaurants, hotels and flight garbage). We often witness destitute children, even the elderly persons feeding on leftovers along with stray cattle, dogs and pigs of the area. There are regular outlets also in our cities where such food is sold. In rural areas he may be living on grass, plant roots or mango kernels.

**To define poverty by calories is outrageous to assess the health of a nation as it compares the living of a human being with that of an animal.** It may mislead even the sensible and educated persons who

may think that to eradicate poverty it would be enough to ensure this amount of food intake to those languishing below the poverty line and of course nothing for those living on or about the poverty line. By this criterion also government's official poverty level is about 40% while by our estimates it is not less than 68% as computed in Table 5.5. It is this criterion that our national leaders and those supporting their views are often heard claiming with pride that there are no starvation deaths in our country. According to them those living in *jhopper-pattis* and possessing a TV, cooler or fan are prosperous. For them a TV or a cooler in a household defines the prosperity of our country. With such an outrageous criterion the process of upliftment of the people has also succumbed to dwarfness.

### Corollary

As per UN norm minimum per capita income = \$ 365/year  
 = Rs 365 × 46.5  
 = Rs 16,972.50

Our GDP (2004-05) = Rs 28.38 lac cr

From this we deduct income of the 3% affluent society of about 13.23 lac cr, then net income for the remaining 97% people of the country becomes

= Rs 28.38 - 13.23

= Rs 15.15 lac cr

∴ Factual per capita income =  $\frac{\text{Rs } 15.15 \text{ lac cr}}{97\% \text{ of } 115 \text{ cr}}$

=  $\frac{\text{Rs } 15.15 \text{ lac cr}}{111.55 \text{ cr}}$

= Rs 13,581

According to UN definition our entire country, even if the total national income is assumed to be distributed equally amongst the entire populace, is living below the poverty line and reflects the highly crumbled and dilapidated condition of the country. Looking at enormous disparity in the income levels amongst the haves and the have-nots, it is easy to assess the level of stark poverty in which the poorer section of our society is compelled to exist. This disparity is corroborated in Table 5.5.

Remember, minimum level of earnings should be able to give a person freedom from his basic wants and deprivation. The basic wants are shelter, clothing, minimum food for his family (children and parents), means to send his children to school, health care and social security

(freedom from fear of livelihood). Moreover, it is just one aspect of looking at poverty, the others being availability of civic and other amenities such as water, electricity, health care, clean air, sanitation, sewage disposal, roads, communication, telephones and commutation (road and rail transports), schools and other essential services, that the state is supposed to provide to its citizens. Absence of such amenities also makes a society poor. **One can therefore also define poverty as the paucity of means with the state (government) to provide basic civic services to its people. The people of our country are therefore poor on two counts (lack of means i.e. social security and absence of civic amenities).** To define poverty in isolation (even \$1 per day for an individual) is not enough. It may be okay for affluent societies where social security and civic amenities are provided by the state at their doorsteps. Also the means of earning and livelihood should be with dignity and honour and not by way of gratis or reliefs. A beggar or destitute living on alms and yet able to earn the minimum wage as per these norms cannot be regarded as living above the poverty line.

If we go by the above analysis, the situation is grimmer than we think. And that alone is the truth. By this assessment we are indeed backward and vulnerable and fall in the category of a third nation. Those who say we have progressed, are either ignorant or are hiding the truth. Let us not be carried away by such ill-informed and self-interested assessments.

*Even stray cattle can feed themselves on garbage.*

*[In Orissa people live on wild roots and mango kernels – (news item)]*

*But some of us may call this their delicacies.*

Those who remind you of the poverty of other nations as compared to ours, their crime rate, the garbage dumps in London and New York or the beggars in London and Rome have a strong conviction about their own righteousness. But are they able to see their prosperity and other achievements? Such people will never see the sufferings of the people, neither take recourse to mitigate that. They will always play ostrich to the stark realities of deprivation and sufferings of our people. Most in our polity and bureaucracy are of this kind. There are many in our society also who think so but it is their ignorance. **Let us therefore be virtuous and focussed in our acts and deeds and learn from others of their good deeds and prosperity. To excel one must search within not outside.**