



The multiple dimensions of poverty

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Posted online: 2010-06-29 21:57:15+05:30

Financial protection

In June 1991, the country embarked on a bold adventure by exposing to market vicissitudes its insulated manufactories, regulated (but pockmarked with soft spots) financial markets and inexperienced economic players. An economy, in those days, was about people, not giant factories and ships with riches. Though successive governments have secured the reformative underpinnings of the liberalisation process, it is to the credit of players in India that the sublime quest for economic equity and social justice has not been abandoned.

Understanding how the 'last man' has fared in the liberalisation maelstrom is today a major field of statistical research in India. In 1990, thanks to the vision of the late Pakistani economist, Mahbub ul Haq, the United Nations could announce a breathtakingly fresh composite statistic as an index to rank countries by the level of 'human development'. It is composed from statistics for life expectation, education and GDP collected at the national level using methodology evolved by a group of economists, who developed the conceptual framework. The annual publication of the UN Human Development Reports, therefore, became much-awaited events and their popularity inspired a large number of state governments in India to evolve state-specific HDRs. Some even went to the district level, but eventually, the original enthusiasm petered out, as manifested in their constant falling behind on schedules for publishing their SHDRs.

The aam aadmi is back on centrestage with the evolution of the India Protection Index, developed by NCAER using NSHIE 2004-05. It is a new mirror on the socio-economic well being of the Indian citizen. The IPI is about India's ability to care for its old, its infirm and victims of unforeseen tragedies. In developed countries, a citizen is entitled to State care in the event of income-loss caused by an accident or a debilitating illness. Old age and orphanhood are not reasons for destitution there. In India, however, the euphoria over new-found economic power status notwithstanding, the allocation for retirement and pensions, unemployment payouts and care for the infirm and disabled is less than 1% of GDP. It was time to form an understanding on this lacuna.

Protection is a huge, contentious field. One may recall the Bhutanese concept of 'Gross National Happiness' which proposed to measure the quality of life or social progress in holistic and psychological terms rather than merely the GDP. Though it can be argued that protection, like happiness, is a complex, multidimensional and often intangible concept, the IPI methodology framework makes a determined beginning. It is characterised primarily as a state or a process of financial and social well-being among Indian families. The conceptual framework of IPI encompasses the causes and consequences of vulnerability of households on the one hand, and their ability to sustain long-term viable livelihood means on the other through blending of quantitative, qualitative and contextual indicators measuring those household features.

The IPI is made up of about 78 indicators chosen on the basis of their relevance, analytical soundness and availability. The relationships among these indicators are complex, mutually interacting and multi-directional so that each of the components is both a cause of change in others and an outcome of the influence of the latter. Income earning capabilities, expenditure and liabilities and investment and savings are some of the major quantifiable household-level factors directly influencing financial security. Add to this, household status, occupational status, household asset possession, motivation for savings, feeling of well-being and other considerations. It is unique as it seeks to quantify psychological considerations and has evolved from a multi-disciplinary approach.

India's 1.1 billion population lives in 205.6 million households. Financially, nearly half of the households are average protected, whereas only 2% of the households (five million) are well-protected and 16% are 'fairly' protected (33 million). Unsurprisingly, a large proportion of the well-protected households in India are to be found in rural areas—nearly four million rural households compared to one million in urban areas are well-protected. Well protected families have about three times the average annual income, while the fairly-protected's annual household income is about 1.7 times the average household income. Expenditure pattern also shows similar trends with the 'fairly protected' and 'well protected' households, respectively recording 1.5 and 2 times the average expenditure.

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