

“HIMACHAL PRADESH – A GREAT SUCCESS STORY IN POVERTY REDUCTION”

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Abstract

Poverty is a very important and critical indicator of development of any state or nation because growth in itself is not the end but a means to an end to remove deprivations like poverty etc. This paper analyses the poverty situation in Himachal – both over a period of time (post reform period since 1993-94) and in comparison with India. The analysis has been done headcount ratio wise, rural-urban area wise, Poverty Gap Ratio wise and social group wise. The factors behind the success of Himachal Pradesh in poverty reduction have also discussed briefly. The paper concludes that there had been fourfold decline in Himachal Pradesh's poverty in the post-reform period and this decline was much faster in the immediate last decade with greatest gains in Rural areas.

Keywords: *Development, Poverty, Greatest Gains, Social Groups, Per Capita*

Introduction

The economy of Himachal Pradesh started its development journey from scratch. Today the State has emerged not only as a model of development for hill states in the country, but also for all the states – big or small. The State has made tremendous progress in industries, power, horticulture, agriculture and allied activities (GoHP 2015: 2). Himachal Pradesh possesses only 1.69 per cent of the total area and 0.57 per cent of the total population of the country (GoHP 2014a: 110) and in this way Himachal Pradesh is a very small state of India as compared to bigger states like Uttar Pradesh, Maharashtra, Rajasthan, Punjab. However, this small size or

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population has never come in the way of Himachal Pradesh for achieving big things in inclusive economic development; and the state has achieved high glory not only in socio-economic indicators of development, but also in ensuring that the development process is inclusive (Jain 2016).

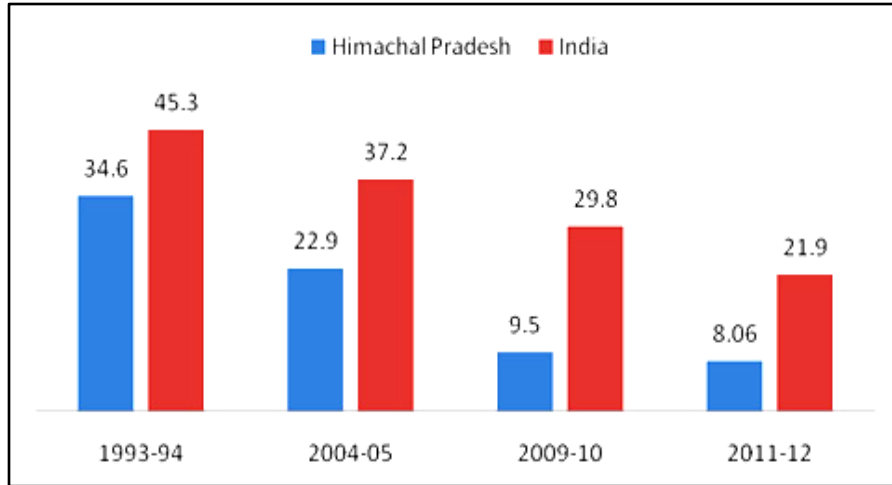
Development Saga of Himachal Pradesh

Himachal Pradesh has the reputation of being a stable, inclusive, cohesive and well-governed state and it stands apart in many respects from many states in India. It has achieved high growth especially in the last two decades, which has been accompanied by very good human development outcomes. Despite being a predominantly rural society, educational attainment in Himachal Pradesh is among the best in the country and life expectancy is 3.4 years longer than that in India. It has achieved and maintained a degree of equality—across income, caste, tribe and gender—that is admirable by any standard. The state and its citizens have created public goods of global significance, such as by vowing to become ‘carbon neutral’ by 2020 by their remarkable sense of environmental consciousness. Inter-group disparities are low in a state where traditionally disadvantaged groups such as the Scheduled Castes (SCs) and Scheduled Tribes (STs) make up 30 per cent of the population (World Bank 2015).

Poverty Decline in Himachal Pradesh

Poverty is a very significant indicator of inclusive economic development, as growth in itself is not the end of development efforts, but a means to remove or reduce various kinds of deprivations of which poverty is perhaps the most important one. Poverty headcount ratios for Himachal Pradesh based on Tendulkar methodology are given in Figure 1.

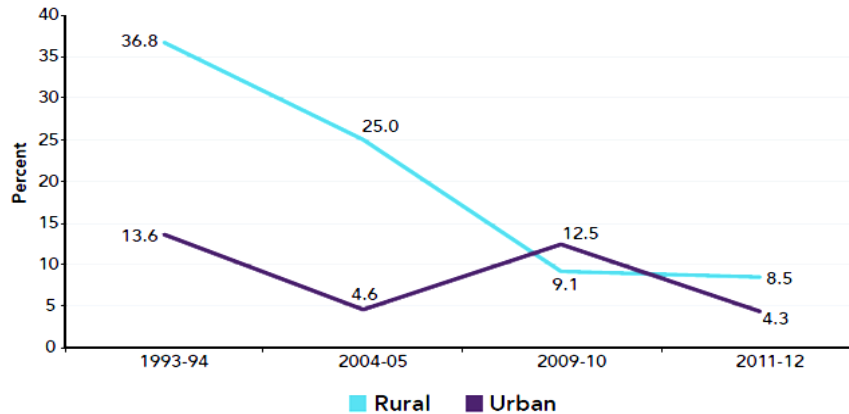
Figure 1: Poverty Headcount Ratios for Himachal Pradesh and India (%)



Source: GoHP (2014)

Poverty Headcount Ratio is the proportion of population that exists or lives below the poverty line. As shown in Figure 1, Himachal Pradesh's poverty headcount ratio declined sharply from 34.6 per cent in 1993-94 to 8.06 per cent in 2011-12 whereas the same declined at the national level from 45.3 per cent in 1993-94 to 21.9 per cent in 2011-12. It shows that there has been a fourfold decline in poverty in Himachal Pradesh in the two decades period since 1991, and this decrease in poverty is much sharper than that in India. Figure 2 shows that the poverty headcount ratio in case of rural sector was 36.8 per cent during 1993-94 which declined to 8.48 per cent in 2011-12 whereas over the same period the urban poverty ratio also declined from 13.6 per cent to 4.33 per cent (GoHP 2014b). The percentage of population below the official poverty line declined by about 2 percentage points per year after 2004-05, which is two and a half times faster than the rate of decline between 1993-94 and 2004-05. This basic finding that poverty declined faster would hold even if the poverty line is revised (Singh 2014: 71). Thus there has been a fourfold decline in Himachal Pradesh's poverty rate in the last two decades, and this rate of decline has been much faster in the immediate last decade.

Figure 2: Fourfold Decline in HP's Poverty Rate, Greatest Gains in Rural Areas



Source: World Bank (2015: 10)

One of Himachal Pradesh's achievements toward social inclusion has been its success in raising people out of poverty over the last two decades. Since Himachal Pradesh is predominantly rural, it can be judged that maximum number of people would have come out of poverty because of maximum decline in rural poverty. Yet, while rural poverty continued to consistently decline after 2004, urban poverty changed only marginally between 2004 and 2011. A sharp decline in poverty has thus, heralded the greatest change towards social inclusion in Himachal Pradesh.

Poverty Gap Ratio

Poverty gap ratio is the mean distance separating the population from the poverty line (with the non-poor being given a distance of zero), expressed as percentage of the poverty line. The poverty gap ratio is the mean shortfall of the total population from the poverty line. The poverty gap ratio of Himachal Pradesh in 2004-05 was 4.22 per cent in rural sector and 1.06 per cent in urban sector and this gap ratio declined continuously and reached to 1.03 per cent in rural and 0.76 per cent in urban sectors during 2011-12 (Motiram and Vamsi 2011: 59-68). Thus both the actual poverty rates as well as the poverty gap ratios have declined in rural as well as

urban areas during the post reform two decades period in Himachal Pradesh.

Social Group-wise Poverty Scenario

The proportion of Scheduled Castes (SC) and Scheduled Tribes (ST) in Himachal Pradesh has been much higher than the national average. Combined, they comprise nearly 30 per cent of the state's population. Table 1 presented percentage distribution of poor by social group (2011-12) as per which though SC account for 25 per cent of the State's population, but 45.5 per cent of the poor persons in the state. On the other hand, Other Backward Classes (OBC) constituting 18.9 per cent of the state population, were only 6.6 per cent of the total poor of the state. For Scheduled Tribe persons, there was not much difference. It indicated that within the various social groups, the SCs were relatively more poor and deprived as compared to the OBC persons. This has also in tune with the trend of India though the variations between the total persons and number of poor persons in SC and OBC categories were relatively lesser as compared to that in India. This pattern suggested policy prescriptions that efforts to bring Scheduled Caste people out of poverty were required more than that for the other categories.

Table 1: Percentage distribution of poor by social groups (2011-12)

		Himachal Pradesh	India
Per cent share of persons to Total persons	ST	7.2	8.9
	SC	25.0	19.0
	OBC	18.9	44.1
	Others	48.9	28.0
	All	100	100
Per cent share of poor to total poor	ST	8.3	17.4
	SC	45.5	25.4
	OBC	6.6	41.4
	Others	39.7	15.8
	All	100	100

Source: Radhakrishna (2015)

However, as shown in Table 2, the overall poverty decline has benefitted all social groups across rural and urban areas (except urban SCs and STs) (World Bank 2015: 9-10).

Table 2: Poverty decline among various social groups in Himachal Pradesh

Category of persons	Rural		Urban	
	2004-5	2011-12	2004-5	2011-12
STs	35.4	9.5	2.4	4.0
SCs	39.5	16.5	9.2	9.9
OBCs	19.0	2.3	10.8	9.9
Others	18.3	7.0	2.5	1.7
All	25.0	8.5	4.6	4.3

Source: World Bank (2015: 10)

Thus, Himachal Pradesh showed that great strides can be made in reducing extreme poverty within a generation, while at the same time, sharing prosperity even with groups that were historically left behind (World Bank 2015: vi).

Performance in Reducing Poverty during the Post-reform Period

Radhakrishna (2015) did a detailed analysis of the performance of various states of India in removing deprivations. Table 3 gives the ranking of Himachal Pradesh based on inverse of incidence of poverty and real per capita Gross State Domestic Product (GSDP). As per this, Himachal Pradesh ranked 11th in terms of per capita income, but 3rd in inverse of incidence of poverty.

Table 3: Ranking of Himachal Pradesh based on inverse of Deprivations, inverse of incidence of poverty and Real Per Capita GSDP

	H.P.'s rank
Average Per Capita SGDP (2009-12) Rank	11
Inverse of Incidence of Poverty 2011-12 Rank	3
Decline in Income Poverty during 1993-2010 Rank	1

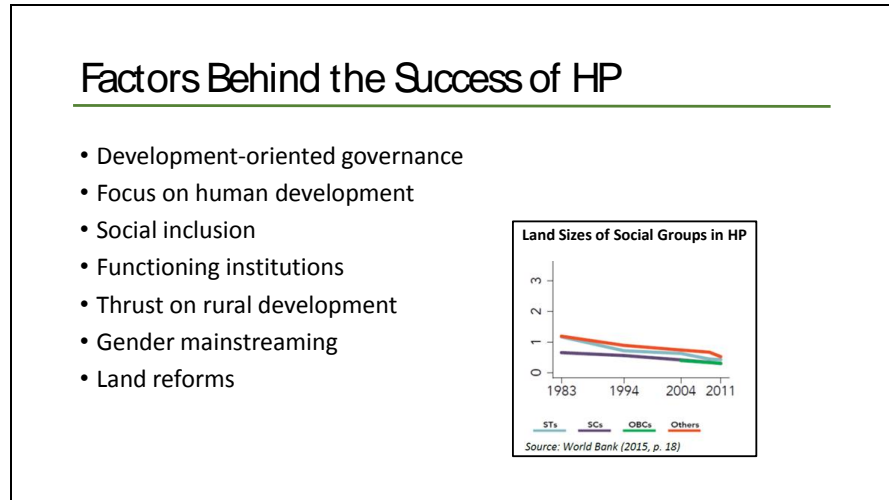
Source: Radhakrishna (2015)

However, as shown in Table 3, Himachal Pradesh stood All-India first in decline in income poverty during the period 1993-2010.

Factors behind the success of Himachal Pradesh

There has been various factors behind Himachal Pradesh's success in reducing poverty by four fold in the last two decades. Figure 3 described them briefly. These included development-oriented governance, focus on human development, social inclusion, functioning institutions, thrust on rural development, gender mainstreaming and land reforms.

Figure 3



Source: Jain (2017)

The graph in Figure 3 reflected that the disparities in land sizes of various social groups (like SCs, STs, OBCs and others) was less and tended to converge. This was unlike many other states in India where the traditionally marginalized groups like SCs, STs, OBCs etc. had much lesser land holdings as compared to general category population. The possession of land by these marginalized groups in Himachal Pradesh has led to poverty reduction among these groups, and resulted into the sharp decline in poverty among these groups also. Since Himachal Pradesh has been a predominantly rural and agrarian economy (with 90 per cent population living in rural areas), possession of land by various social groups has contributed significantly in poverty reduction. Even in the recent times,

the policy of the government to allot 2 Biswa land to landless people in both rural and urban areas, has a step in the right direction for poverty reduction.

Concluding Remarks

Despite being a small state, Himachal Pradesh has been a trail-blazer in its achievements in poverty reduction. It has made spectacular progress in terms of poverty reduction in relatively shorter period of only two decades. There had been fourfold decline in Himachal Pradesh's poverty in the post-reform period and this decline was much faster in the immediate last decade. The greatest gains had been in rural areas. The rate of poverty in Himachal Pradesh has been almost one-third of the All-India figure. Poverty decline benefitted all social groups in Himachal Pradesh. Himachal Pradesh has reduced poverty successfully and its progress in sharing prosperity is also noteworthy. The state has been rated best in poverty reduction during the post-reform period in India. Thus, Himachal Pradesh showed that poverty can be reduced, that too in short periods of time – provided right strategies and approaches are adopted. There is a lot for other states of India and also other nations of the world, to learn from Himachal Pradesh in the realm of poverty reduction (Jain 2017).

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Disclaimer: The ideas expressed in this paper are the personal opinion of the author. The paper is based on the doctoral research work of the author on the topic 'Economic Governance and Inclusive Economic Development – A Study of Himachal Pradesh'

