

An Analysis of Impact of Gross Domestic Product on Literacy and Poverty of India during the Eleventh Plan

Dr. Neeraj Emmanuel Eusebius

Assistant Professor Department of Economics, St. John's College, Agra

Abstract: India is one of the fastest growing economies. As at 2011, India was ranked 11th in terms of nominal GDP and fourth in terms of GDP purchasing power parity (PPP). The country has been striving hard since independence in order to propel economic growth further. The key factors that currently affect the Indian economic growth includes Capital flows and Stock Exchange Market, the RBI ranks, Global currency trends of economically powerful countries, Political changes. Energy and oil., Literacy and poverty rates. This study is an attempt to verify the extent to which Gross Domestic Product had an impact upon the two main indicators of an economy which are poverty and Literacy. The study made use of secondary data that covered the Eleventh Plan period basically the end of plan period which is the year 2011-12, the study examined the case of India. The impact of the GDP on the Literacy and the Poverty was done on the basis of State-Wise Ranking of the GDP, Poverty and Literacy. Sectoral growth rates of the GDP was also taken into consideration.

I. INTRODUCTION

Gross domestic product is the best way to measure a country's economy. GDP is the total value of everything produced by all the people and companies in the country. It doesn't matter if they are citizens or foreign-owned companies. If they are located within the country's boundaries, the government counts their production as GDP. The components of GDP are Personal Consumption Expenditures plus Business Investment plus Government Spending plus (Exports minus Imports). In India, the growth rate in GDP measures the change in the seasonally adjusted value of the goods and services produced by the Indian economy during the quarter. India is the world's tenth largest economy and the second most populous.

Poverty in India declined to a record 22% in 2011-12 according to report of the Planning Commission. The seven-year period between 2004-05 and 2011-12 saw the development expenditure of the government trending upwards, with its share increasing from 38% in 2004-05 to 45% of total expenditure in 2011-12. According to the release from the Planning Commission, 25.7% of people in rural areas were below the so-called poverty line and 13.7% in urban areas. This is comparable with 33.8% and 20.9%, respectively, in 2009-10, and 42% and 25.5%, respectively, in 2004-05. The poverty numbers are estimated on the basis of consumption expenditure captured in the five-year surveys undertaken by the National Sample Survey Office (NSSO). The decline in poverty numbers was first reported by The Hindu on 16 July.

The 15th official census in India was calculated in the year 2011. In a country like India, literacy is the main foundation for social and economic growth. When the British rule ended in India in the year 1947 the literacy rate was just 12%. Over the years, India has changed socially, economically, and globally. After the 2011 census, literacy rate India 2011 was found to be 74.04%. Compared to the adult literacy rate here the youth literacy rate is about 9% higher. Though this seems like a very great accomplishment, it is still a matter of concern that still so many people in India cannot even read and write. The numbers of children who do not get education especially in the rural areas are still high. Though the government has made a law that every child under the age of 14 should get free education, the problem of illiteracy is still at large.

Regardless of the fact that Gross Domestic Product is the indicator of the economic growth it is important to evaluate how the states with high GDP go as far as the two important indicators of an underdeveloped economy is concerned and these two important indicators are poverty and literacy

II. REVIEW OF LITERATURE

AGARWAL PRADEEP(2015) analyzed that growth is indeed the most crucial element in the fight against poverty by creating increased output and government revenues, increased employment, and higher wages. He reported that Government social expenditure on education, health, and welfare, etc. also helps in reducing poverty, but even a well-meaning and pro-poor government can increase social expenditure only with the help of increased tax revenue generated by high growth rates. Thus, in the final analysis, growth should be the paramount concern of government.

DUTT AND MARTIN (2002) emphasized the considerable diversity in performance across states, with important clues for understanding why economic growth has not done more for India's poor. He reported that,

by and large, the growth in India during the 1990s has not been occurring in the states where it would have the most impact on poverty nationally. If not for the sectoral and geographic imbalance of growth, he estimated that the national rate of growth would have generated a rate of poverty reduction that was double India's historical trend rate.

NINAN KN (2000) reported that a one percent rise in the per capita real NDP from agriculture reduces rural poverty levels by 1.4 percent in terms of HCR and still higher by 2.5 to 3.4 per cent in terms of PGI and SPGL. A one percent increase in the per capita real NDP from non agricultural sector reduces urban poverty levels by 0.7 to 1.6 per cent across the three poverty indicators .

ANAND, TULIN AND KUMAR (2014) analyzed that a better-educated labour force provides a foundation for robust and inclusive growth, as well as for continued poverty reduction. He reported that there is a positive association between a state's initial literacy rates and inclusive growth outcomes. Therefore, raising the quality of the labour force through better access to education can help unlock a virtuous cycle of higher potential growth. Needless to say, the presence of appropriate labour market policies and continued structural reforms are critical to enable education to enhance and broaden economic growth.

GHOSH (2010) reported that India, with its market driven and demand constrained system, has not only failed to deliver the same growth success, but has also been far less successful with poverty reduction. Clearly, macroeconomic flexibility in a market driven environment is not the best recipe either for growth and stability or for poverty reduction. India's growth experience, while higher than for many other developing countries, was still less than the rapid growth experienced by China and other East and Southeast Asian economies.

SINGH LALIMA (2013) reported that despite the progress, poverty remains one of the most serious international challenges we face up to 1.2 billion of the developing world 4.8 billion people still live in extreme poverty.

TILAK(2005) analyzed that both for development – growth and poverty reduction, and for education development, it is necessary to note that Higher education cannot wait until primary and secondary education is completely universal. The traditional sequencing of first primary education, then secondary education and then only higher education may not work any more. While primary education serves as a threshold level of human capital development for economic growth, it is secondary and higher education including investment in science and technology that accelerates and sustains high economic growth and development

AGGARWAL AND KUMAR(2012) analyzed that following the recent resurgence of structural economics it has been increasingly recognized that as labour and other resources move from traditional into modern economic activities, overall productivity rises, incomes expand to accelerate growth and reduce poverty.

MEHTA AND SHAH(2001) analyzed that the incidence of income poverty in India has declined steadily between 1973-74 and 1999-2000 but the pace of reduction in poverty has varied considerably. There was a large decline in the percentage of the population in poverty throughout the 1980s, a slowdown in the rate of poverty reduction in the early 1990s, and a reported but contested 10% decline in poverty in the second half of the 1990s. The share of urban poverty increased from 18.7% in 1973-74 to 24.5% in 1987-88 and fluctuated around this since then.

PANAGARIA ARVIND AND MUKMIM MEGHA (2013) Fourth, inter-state comparisons reveal that the states with large Scheduled Caste and Scheduled Tribe populations face a more uphill task with regards to combating poverty. The point is most forcefully brought out by a comparison of Punjab and Kerala. When we compare poverty rates in 2009-10 by social groups, the two states have very similar poverty rates. But because the poverty rates for the Scheduled Castes are higher than those for non-scheduled castes in both states and the Scheduled Castes account for much larger proportion of its population, the aggregate poverty rate in Punjab turns out to be significantly higher.

III. METHODOLOGY

- 1) to measure the extent to which states with high GDP have performed in case of poverty and literacy during Eleventh Plan .
- 2) to study the sectoral growth pattern of GDP
- 3) to measure Urban and Rural poverty with regards to the sectoral growth pattern of GDP.

IV. FINDINGS AND DISCUSSIONS

Table No : 1 State Wise Rank of GDP at Constant 2005-05 prices (in Rs. Crores), Poverty and Literacy

States	GDP	Poverty (in Lacs)	Literacy Rate	Rank as per GDP	Rank as per Poverty	Rank as per Literacy
A & N Island	3733	0.04	86.63	32	32	5
Andhra Pradesh	411184	78.78	67.02	4	14	28
Arunachal Pradesh	5444	4.91	65.38	29	24	31

Assam	78851	101.27	72.19	18	12	23
Bihar	143560	358.15	61.8	14	2	32
Chandigarh	13787	2.35	86.05	24	27	7
Chhattisgarh	84409	104.11	70.28	17	9	24
Delhi	197544	16.96	86.21	10	18	6
Goa	27045	0.75	88.7	22	30	3
Gujarat	395738	102.23	78.03	5	11	15
Haryana	176918	28.83	75.55	12	15	19
Himachal Pradesh	41908	5.59	82.8	20	22	9
Jammu & Kashmir	41312	13.27	67.16	21	19	27
Jharkhand	93510	124.33	66.41	16	8	29
Karnataka	282784	129.76	75.36	7	7	20
Kerela	204957	23.95	94	9	16	1
Madhaya Pradesh	195409	234.06	69.32	11	3	25
Maharashtra	777791	197.92	82.34	1	4	10
Manipur	7335	10.22	76.94	28	21	16
Meghalaya	11723	3.61	74.43	25	26	21
Mizoram	4852	2.27	91.33	31	28	2
Nagaland	10024	3.76	79.55	27	25	13
Odisha	129864	138.53	72.87	15	6	22
Puducherry	11357	1.24	85.85	26	29	8
Punjab	157303	23.18	75.84	13	17	18
Rajasthan	224103	102.92	66.11	8	10	30
Sikkim	5299	0.51	81.42	30	31	11
Tamil Nadu	433238	82.63	80.09	2	13	12
Tripura	15637	5.24	87.22	23	23	4
Uttar Pradesh	418403	598.19	67.68	3	1	26
Uttarakhand	60880	11.6	78.82	19	20	14
West Bengal	323419	184.98	76.26	6	5	17

Source (CSO 31st October, 2014) & Data.gov.in

In order to study the situation state-wise three different Ranks were prepared as shown in Table 1. Rank I was for GDP where the state with highest GDP at the end of the year 2011 was given 1st Rank and thereafter 2nd, 3rd and so on. Similarly in case of Poverty the state which has the highest poverty was given 1st Rank and so on and finally in case of Literacy the state which has the highest literacy rate was given 1st Rank and so on. Generally the common perception is that growth in GDP means the economic growth of the a country but this table has given a different picture. Here the states having high GDP were also high as far as poverty is concerned and low on Literacy. This can be seen as in case of Maharashtra. Maharashtra is having Rank 1 as far as GDP is concerned which means that it is having the highest GDP amongst all other states but it is 4th in terms of poverty which means that in terms of poverty it is just the fourth most poor state of the country and at the same time it Ranks 10 in terms of Literacy.

Table No : 2 Top 10 Rank State of GDP at Constant 2005-05 prices (in Rs. Crores), Poverty and Literacy

States	GDP	Poverty (in Lacs)	Literacy Rate	Rank as per GDP	Rank as per Poverty	Rank as per Literacy
Maharashtra	777791	197.92	82.34	1	4	10
Tamil Nadu	433238	82.63	80.09	2	13	12
Uttar Pradesh	418403	598.19	67.68	3	1	26
Andhra Pradesh	411184	78.78	67.02	4	14	28
Gujarat	395738	102.23	78.03	5	11	15
West Bengal	323419	184.98	76.26	6	5	17
Karnataka	282784	129.76	75.36	7	7	20
Rajasthan	224103	102.92	66.11	8	10	30
Kerela	204957	23.95	94	9	16	1
Delhi	197544	16.96	86.21	10	18	6

Source (CSO 31st October, 2014) & Data.gov.in

Table 2 takes into account the top 10 states in terms of GDP in order to study in details the effect of states with high GDP on Poverty and Literacy. It can be clearly seen that some of the key states like Maharashtra, Uttar Pradesh, West Bengal, Karnataka and Rajasthan which are high on GDP but also fall in the top ten list of the country's most poor states and as far as literacy is concerned states like Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Gujarat, West Bengal, Karnataka and Rajasthan fare badly too. Only Kerela and Delhi being the capital of the country being exceptional case

Table No : 3 State Specific Poverty Lines & Lorenz Ration Estimates, Monthly Per Capita Expenditure (Mpcpe) Based On Mrp

S.No	STATES	% OF PERSON IN RURAL AREA	% OF PERSON IN URBAN AREA	TOTAL
1	Maharashtra	24.22	9.12	17.35
2	Tamil Nadu	15.83	6.54	11.28
3	Uttar Pradesh	11.62	10.48	11.26
4	Andhra Pradesh	10.96	5.81	9.20
5	Gujarat	21.54	10.14	16.63
6	West Bengal	22.52	14.66	19.98
7	Karnataka	24.53	15.25	20.91
8	Rajasthan	16.05	10.69	14.71
9	Kerela	9.14	4.97	7.05
10	Delhi	12.92	9.84	9.91

Source Databook for PC 22nd December, 2014 Page 101 of 329

Another significant feature of the poverty in these states can be seen from the Table No. 3 . In all these states rural poverty is more than the urban poverty as can be seen as a percentage of person in the rural and the urban area.

Table No:4 Sectoral Bifurcation of GDP

S.No	Particulars	% to GDP
1	Agriculture Forestry and Fishing	17.86
2	Agriculture	15.50
3	Forestry and Logging	1.57
4	Fishing	0.80
5	Industry	27.22
6	Mining and Quarrying	2.65
7	Manufacturing	14.73

Source: Databook for PC 22nd December, 2014

A Combined study of Table No 3 and Table 4 brings another important fact into consideration that though rural poverty is more than the urban poverty but the share of rural sector in GDP is more than that of the urban sector as can be seen from Table No.4 that Agriculture, Forestry and Fishing accounts for the major portion of GDP which mainly lies in the rural sector. Hence here again we can see that growth in GDP has failed to promote the eradication of poverty and in the country

V. CONCLUSION

With the major economic policies directed towards achieving a growth in GDP it should not be forgotten than in an underdevelopment economy like India the parameters of growth are not only associated with achieving a growth rate of GDP but its impact on two of the major indicators of underdevelopment of our economy and that is poverty and literacy . Achieving a growth rate in GDP alongwith a sharp decline in poverty and rise in literacy is the need of the hour . With the population of the country crossing billionth mark the majority of the population is concerned more about eradication of poverty and the spread of literacy , heance the growth measures should be diverted from achieving a growth rate of GDP towards the eradication of poverty and spread of literacy.

REFERENCE

- [1]. **AGARWAL PRADEEP (2015)** Reduction of Poverty in India : The Role of Economic Growth, IEG Working Paper No.349.
- [2]. **DUTT AND MARTIN (2002)** Is India's Economic Growth Leaving the Poor Behind, Journal of Economic Perspectives-Volume 16, Number 3- Summer 2002-Pages 89-108
- [3]. **NINAN K N (2000)** Economic Reforms in India : Impact on the Poor and Poverty Reduction : IDS Working Paper 102
- [4]. **ANAND , TULIN AND KUMAR (2014)** India: Defining and Explaining Inclusive Growth and Poverty Reduction IMF Working Paper, Asia and Pacific Development
- [5]. **GHOSH (2010)** Poverty reduction in China and India: Policy implications of recent trends- DESA Working Paper No. 92- ST/ESA/2010/DWP/92
- [6]. **SINGH LALIMA (2013)** Globalization and Poverty in India , Voice of Research Vol 1 Issue 4 ISSN No 2277-7733
- [7]. **TILAK (2005)** Post-Elementary Education, Poverty and Development in India, Working Paper Series - N° 6
- [8]. **AGGARWAL AND KUMAR(2012)** Structural Change, Industrialization and Poverty Reduction : The Case of India Development Papers 1206
- [9]. **MEHTA AND SHAH (2001)** Chronic Poverty in India: Overview Study CPRC Working Paper 7 ISBN Number: 1-904049-06-0
- [10]. **PANAGARIA ARVIND AND MUKMIM MEGHA (2013)** Working Paper No. 2013-01, School of International and Public Affairs
- [11]. **BHATTACHARYA BB AND KAR SABYASACHI,** Shocks, Economic Growth and the Indian Economy
- [12]. **CSO 31st October, 2014)**
- [13]. **<http://www.Data.gov.in>**
- [14]. **Databook for PC 22nd December, 2014**