

Poverty Targeting and Economic Growth in India

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Abstract

The present study decomposes the actual change in the incidence of poverty over two sub-periods—1993–94 to 2004–05 and 2004–05 to 2011–12—in terms of growth effect and inequality effect. Second, based on the pooled cross-sectional results of growth effect and inequality effect on poverty change, regressions have been carried out to identify the major determinants. The paper adopts decomposition method to achieve its objective. Findings suggest that during the second sub-period, the decline in poverty has been more pronounced compared to the first. Though the beneficial effect of growth on poverty sharpened in the second phase, the adverse effect of inequality rise on poverty also went up to neutralize it. A wide range of supportive measures can be implemented to help poor households escape poverty as growth alone may not be able to do so. Further, industry-led growth can be an effective intervention as direct and indirect employment generation can be faster.