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In his book 'How the BJP Wins', Prashant Jha describes how Narendra Modi has led the Bharatiya Janata Party to near-invincibility by transmuting himself again and again over the past decade and a half. "If he was a Hindu Hriday Samrat (Emperor of Hindu Hearts) from 2002, Modi carefully transitioned into a vi-kas purush, the development man, delivering a 'Gujarat model', from 2007 onward. The combination of these two images led to his 2014 victory," Jha writes. "There has since been a third, under-appreciated, shift: Narendra Modi is today a garibon ka neta, a leader of the poor, even as he retains elements of his other two avatars." Poverty has indeed become the most popular hashtag in the marketing bumpf for the latest Yojana. You would hope that with the hundreds of schemes launched in the name of the poor over the 70 years since independence, we would bestow instant divinity on the leader who vows to never come up with another poverty-eradication plan because real poverty has been wiped out.

Spare A Thought For The Poor Indian

But that is not about to happen. When the Modi government took power, there was much talk of the 'neo middle class' and how it was going to propel the greatest expansion in consumption this country has ever witnessed. In actual fact, the lives of the lower middle classes have become even more precarious over the past few years. With spending on public health and education slowly being ratcheted down, a health crisis can tip a family backwards into poverty. There is, however, a promise to raise spending on healthcare to 2.5% of GDP from the currently abysmal 1%.

India's economy hit the \$1 trillion mark in 2007, and it has taken us just a decade to more than double our (economic) size. But we are still home to the biggest chunk of the world's poor: The Asian Development Bank estimates that as of 2015, 21.9% of Indians, that is about 284 million people, lived below the poverty line of \$1.90, or about ₹123 a day. What is more worrying, about 18% of the employed workforce lived below the poverty line. Think about it.

Eight years ago, a report titled "India 2039: An affluent society in one generation" prepared for the ADB by the Centennial Group said India ought to be a growth marathoner, not a sprinter. "It must start to put in place the institutions and policy frameworks consistent with a move from poverty to affluence in one generation. Few

countries have achieved this, so the challenge is enormous," the report said. It said India might eliminate poverty within 15 years (about when Modi hopes to complete his second term in 2024) if it could maintain annual growth of about 8.5%.

Sadly, we have not been growing at anywhere near that pace for the past few years, despite a spurt between 2003 and 2011. The main difference between a marathoner and a sprinter is the single-minded pursuit of their economic and social objectives regardless of which government is in power.

None of that is happening either: Our politicians are mostly preoccupied with cultivating vote-banks, and you would be hard put to find measurable success in moving a significant chunk of the population from 'historic' poverty to economic betterment, even if it is

to the 'lower middle class' category. Scheme is piled on top of scheme, reports by teams of experts are piled atop one another, but we skate past the essential question: will we ever eliminate extreme poverty in India?

The trouble is that in India, the preponderance of government weighs heavily on all economic activity. Economic policy is skewed towards the upper middle class and the richer elites; we are not very good at tracking the short- and medium-term effects of broader policy decisions.

THE PROBLEM AREA

Wages in small enterprises in India are only 20% of average wages in large enterprises

Even if more Indians are moving from agriculture to manufacturing or services—a transition essential for poverty reduction—government data show that 98.6% of non-agricultural establishments had 10 or fewer employees; in other words, they were very small in size and therefore both uncompetitive and not very productive.

A recent NITI Aayog-IDFC Institute Ease of Doing Business survey of 3,276 companies in 23 manufacturing sectors said that wages in small enterprises in India were only 20% of average wages in large enterprises. In China small enterprises' wages were 60% of their larger counterparts' wages. Why does such a large gap exist? "A plausible hypothesis is that because large enterprises disproportionately participate in the highly competitive world markets, they must constantly innovate and improve effi-

ciency to stay competitive. This makes them far more productive than small and medium enterprises," the report said.

To move out of this wage trap, we need to think big. NITI Aayog CEO Amitabh Kant told a Mumbai audience recently: "No country in the world has grown for long periods without penetrating global markets... Indians must start thinking in terms of size and scale. The problem with our exports is that our manufacturing is very minuscule. Indians never grow out of being small or medium. Unless you start thinking of large in size and scale, it will be very difficult for India to grow over a three-decade period."

Yet, we have clobbered our small enterprises not once but twice in the past eleven months with policy changes that have doubtless affected millions of already-worse-off workers.

While holding interest rates steady at its policy meeting this week, the RBI lowered its growth projection for 2017-18 to 6.7%—which means we have been on a downward slide during the Modi years. The RBI sees inflation moving up to 4.2-4.6% in the October-March period. It sees inflationary effects from pay hikes to millions of government employees. The central government has already spent 96% of its full-year expenditure budget in six months, but investment remains sluggish and jobs aren't growing. The

monsoon has been less bountiful than was hoped for; and the kharif crop is smaller than last year's. Farm-loan waivers have added to fiscal indiscipline. RBI Governor Urjit Patel said the combined central and state deficits stand at about six percent of GDP.

Sure, we can console ourselves that some indicators are looking up—exports, core industry sectors, the Purchasing Managers' Index. The truth is that these data do not mean anything to India's poor.

In a 2014 report, McKinsey Global Institute focused on what it called the Empowerment Line—what does an individual need to consume to meet basic development needs? MGI calculated the cost of fulfilling eight basic needs—food, energy, housing, drinking water, sanitation, healthcare, education and social welfare. It found that 56 percent of Indians find it difficult to meet all those needs; about half of spending on basic services does not reach the people. Three-quarters of potential impact could flow from more jobs and productivity growth.

"It is a harsh reality that 680 million Indians lack the means to achieve minimum acceptable standards of living. If India's recent slowdown in economic growth continues, it is likely that some 470 million of them would remain below the Empowerment Line in 2022, and 12 percent of the population would remain trapped in extreme poverty. Beyond the economic and political implications of these numbers, they represent millions of lives spent in hardship," the McKinsey report said. Note the report was written in 2014. One wishes none of this held true today.



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