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www.skirec.org Email Id: skirec.org@gmail.com

EXPANSION, POVERTY IN INDIAN ECONOMY

DR. GOPAL RAMKRUSHNA TADAS
Principal
Shri R.R. Lahoti Science College Morshi, Dist. Amaravati

Abstract

The reading presents comparative global facts on the transformation of economic growth to poverty drop in developing countries, with emphasis on the role of income dissimilarity. The focus is on the period since the early-mid-1990s when growth in these countries as a group has been relatively strong, surpassing that of the advanced economies. While in the majority of countries, growth was the major factor behind falling or increasing poverty, inequality, nevertheless, played the crucial role in poverty behavior in a large number of countries. And, even in those countries where growth has been the main driver of poverty-reduction, further progress could have occurred under relatively favorable income distribution. For more efficient policymaking, therefore, idiosyncratic attributes of countries should be emphasized. In general, high initial levels of inequality limit the effectiveness of growth in reducing poverty while growing inequality increases poverty directly for a given level of growth. It would seem judicious, therefore, to accord special attention to reducing inequality in certain countries where income distribution is especially unfavorable.

Key Words: *Growth, dissimilarity, Poverty*

INTRODUCTION

The last two decades have witnessed the economic emergence of developing countries, which have as a group exhibited relatively high GDP growth rates, in excess of those prevailing in the developed countries. The gap has been particularly apparent since the middle 1990s. Much of this ‘ shifting wealth’ has, furthermore, been translated to increasing human development, such as poverty reduction. Global poverty has fallen substantially, with a major portion of the decline attributable to China. Even when China is omitted from the sample, poverty reduction is still considerable. This record of achievement has, however, been far from uniform. A number of countries have experienced little poverty reduction or even increasing poverty. Part of the disappointing performance might be attributable to dismal growth, as experienced by many African countries in the 1980s and early 1990s.

It explores the extent to which the recent generally strong growth of developing countries may have been translated into poverty reduction. In particular, the paper provides country estimates of the relative contributions of inequality and income to the inter-temporal behaviour of poverty for a large global sample of developing countries, and decomposes the progress on poverty into income and inequality changes, during the relatively recent period when developing countries have experienced strong growth. The paper finds that while on average income growth has been the main factor behind poverty reduction globally, the role of income distribution has been critical for many countries. While the present results support the general view in the literature that growth is the main driver of the recent decline in poverty (e.g., Dollar and Kraay, 2002), it nonetheless suggests a prominent role for income distribution. Indeed, for a number of countries, it is the main factor behind the progress, or lack thereof, on poverty. By providing country-specific evidence on the relative roles of income and inequality, the current findings should inform the policy debate on especially the sustainable development goal 1 (SDG1), as well as provide a retrospective perspective on its MDG1 predecessor. More generally, though, the paper' s country-specific results present a useful comparative analysis that transcends the usual cross- country and regional analyses. After all, the challenge is at the country level where policymakers must seek the optimal mix of emphases on economic growth versus inequality, in order to maximize poverty reduction. The findings of the current study should, therefore, prove useful for both focused research and policymaking not only regionally but especially at the country level.

LITERATURE SURVEY

Raj Kumar (2016), viewed that GST model will bring improvements in different sectors of our Economy, by simplifying the tax structures and removing the cascading effect Research department, The institute of Cost Accountants of India (2015) concluded that provisions of GST should be clear to avoid any confusion and further added that Government should device effective mechanism for settlements of litigation Monika Sehrawat and Upasana Dhanda (2015), came to a conclusion that effective implementation of GST will be a great challenge Lourdunathan F and Xavier P (2017), concluded that GST will provide relief to both producers and consumers and at the same time will result in revenue gain to the Government.

Akanksha Khurana and Aastha Sharma (2016), suggested that all sectors of Indian economy will be benefitted by GST but its implementation needs concentrated efforts of all stake holders Jaspreet Kaur (2016) regarded GST as a positive change but added that it will have different impacts on prices of different commodities. Dr. R. Rupa (2017) focused on overall GST model and added that GST model even though effective for our economy but State Governments will face a lot of issues and challenges in initial days. Girish Garg (2014), stated that GST is a logical step of Government to divide the overall tax burden and lower the tax rates.

COMPARATIVE TRENDS IN GROWTH AND POVERTY

1) Current poverty rates:

Global evidence by country To provide global country comparisons, 80 developing countries that have sufficient data for the early-mid-1990s and also for the 2000s are selected. 6 We first examine the distributions of their poverty rates since the early-mid 1990s when developing countries' growth generally has accelerated. This is done in Table 3 . We find that at the $1.25 standard, the poverty rate ranges from 0.0 percent in Belarus (2005), Estonia (2005) and Latvia (2005) to 88.5 percent in Tanzania (2000), with a median of 17.9 percent. With respect to the emerging giants, China' s urban and rural poverty rates at the $1.25 level are 1.7 percent and 26.1 percent, respectively, with the latter above the ' global' median of 17.9 percent. Thus, ' extreme' poverty has become essentially a rural phenomenon in China. In contrast, at 43.8 percent and 36.2 percent, respectively, India' s rural and urban poverty rates are well above the ‘ global’ median. It appears then that India’ s strong GDP growth in the more recent period may not have similarly reduced poverty.

2) Poverty trends by region and for the ‘ emerging giants’

To shed further light on the trends in the global picture of poverty, Table 2 presents in greater detail the regional evidence corresponding to the two poverty standards. In addition to the six regions, evidence is provided for the two most populous countries and ‘ emerging giants’ , China and India. For the six regions, the table presents $1.25 and $2.50-standard headcount ratios for 1981, 1996 and 2005; these years span the 1981– 2007 period for which country data are sufficiently reliable to produce the regional averages (World Bank, 2009a). 5 Table 2 also reports statistics for these same years in the case of China. Evidence is presented for both rural and urban sectors as well as for the overall economy, computed as a population-weighted mean of the two sectors. For India, the years are 1983, 1994 and 2005, since these are the specific years spanning the 1981– 2007 period for which relatively reliable survey data are available.

3) Regional GDP growth and poverty reduction, 1981– 1995 vs. 1996– 2005

We present in this section the regional trends in GDP growth and poverty reduction for the periods: 1981– 1995 and 1996– 2005. The sample period begins in 1981 when much of the globally comparable poverty data became available. These two sub-periods are chosen to reflect the dichotomy of the growth pattern of developing countries, which exhibit relatively strong growth in the latter period Eastern Europe and Central Asia (EECA), Latin America and the Caribbean (LAC), Middle East and North Africa (MENA), South Asia (SAS), and sub-Saharan Africa (SSA). We note, first, that EAP registered spectacular GDP growth per capita, resulting in substantial poverty reductions over both sub-periods. Second, for EECA, the large per-capita GDP decline in the first period seems to account for the considerable increase in poverty during that period; conversely, a substantial decrease in the poverty rate during the latter period accompanied that period’ s strong economic growth. Third, considerable poverty reduction seems to have resulted from the rather modest GDP growth in LAC, especially during the latter period.

CONCLUSION

In a nut shell, to survive in GST regime, the E-Commerce business will have to reformulate its business model and redefine its business strategies and processes. GST law is supposed to stop revenue leakages as existed in earlier indirect tax law as the tax evaders will be caught easily. It will also eliminate cascading effect by ensuring seamless flow of credit from manufacturer to the trader. Since entry tax will also be subsumed in GST, overall tax burden will come down. Being the tax rate same in all states, the transportation and storage cost will come down. However, benefit of threshold limit is neither available to E-Commerce operators nor to the suppliers. It will increase compliance burden of registration, returns, records and payments on the both E-Commerce operator and supplier. Further provision of TCS and high sales returns as a normal feature of e-commerce business will increase working capital requirement for small traders.

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