

Abstract :

The project examines the role of fiscal policy in bringing about sustained reduction in poverty levels in India by improving their design and delivery mechanisms, particularly in the context of the provision of vital social and economic services. Poverty in this study has been viewed in a comprehensive sense, involving not only income or nutritional thresholds but also issues of access to services like education, health, water, and security. This study has examined the poverty issues in India focusing on four high poverty incidence states, *viz.*, Uttar Pradesh, Madhya Pradesh, Uttaranchal, and Chhattisgarh.

The study finds that poverty has become regionally more concentrated and urbanised and that, in all the four states, more than 40 percent of the poor are below 18 years of age. Gender discrimination, in terms of sex ratio and female literacy rate is also significant. New policy initiatives are needed to address these problems. The system of centrally sponsored schemes needs to be over hauled and the involvement of Panchayat Raj Institutions in implementing these schemes should increase substantially.

Some considerations for an efficient fiscal intervention for poverty alleviation are indicated below:

- i. Multiple policy objectives should not be attempted by a single policy instrument.
- ii. Efficiency should not be sacrificed by introducing distortionary policies, even if apparently pro-poor.
- iii. Targeted interventions are better than generalized subsidies even if there are administrative costs. However, targeting strategies should avoid extremely fine targeting and give more importance to avoiding exclusion errors rather than minimizing inclusion errors.
- iv. Asset inequalities should be looked into in addition to income shortfalls.
- v. A safety net should be used to supplement other direct and indirect interventions.