Sectoral Growth and Poverty Alleviation under Alternative Market Regimes: a Social Accounting Matrix Approach for India

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Dramatic shifts in policy regimes occurred in India post 1990 due to big bang liberalisation. Here, we make an attempt to evaluate the impacts of sectoral growth on poverty alleviation of various household groups in both urban and rural India over a decade of economic liberalization. Recognising the importance of the inter-linkages among the various socio-economic institutions in India, a linear SAM multiplier model has been used. The paper captures the relative importance of production sectors in alleviating poverty during alternative policy regimes in the year 1994 and, a decade later, in 2005, where the poverty elasticity plays a crucial role. Poverty alleviation effects of sectoral growth are estimated under four alternative policy regimes. The regimes are defined by choosing different closures in the SAM model: (1) closed and controlled regime, i.e. capital, government and rest of the world (ROW) accounts are exogenous, (2) more internal liberalisation, i.e. opening up of domestic capital market where the capital account is endogenous, (3) more external liberalisation where the ROW account is endogenous, and (4) fully liberalised regime i.e. opening up of both external trade and capital sectors. We find significant short and long run effects on sectoral production structure as well as on the poor as policy regimes keep shifting.