

# Poverty in India

## Meaning of Poverty

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Poverty is the inability to secure the minimum human needs of food, clothing, housing, education and health. When a person is unable to fulfil these basic needs, it leads to pain and distress.

Poverty can be categorised in many ways. In one of the methods of categorising poverty, the people who always remained poor or are usually poor but sometimes have a little more money are grouped together and are known as chronic poor. The people who are rich most of the time but sometimes become poor are known as occasionally poor. The people who are never poor are called the non-poor. They can be categorised as not so poor, middle class, upper middle class, rich, very rich, millionaires and billionaires.



### Relative Poverty

When we compare the incomes of different people and if some people are poorer than others, it is called relative poverty. Hence, if some people have lower income than others, then they are relatively poor. These relative deprivations are found in developed countries, whereas less developed countries are more concerned with absolute poverty.

### Absolute Poverty

Absolute poverty is the minimum physical quantity of cereals and pulses which are necessary for maintaining a subsistence level of living and the price quotations convert the physical quantities into monetary terms. The per capita consumption expenditure (PCE) per month is determined by aggregating all these price quotations. If a person's PCE remains below that fixed level, then he/she is considered below the poverty line. Here, the magnitude of poverty is expressed in terms of the absolute number of poor persons in a society.

The 'Gini' method is one of the methods which can be used to measure the relative poverty in terms of income. Income distribution of a population in different fractile groups is estimated and compared with the levels of living of the highest 5–10%. This method brings out the relative position of different statuses of people in income segregation.

## Poverty Line

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Poverty line is the cut off level of per capita consumption expenditure per month which is needed to maintain a minimum acceptable standard of living in a country. In pre-independent India, Dadabhai Naoroji was the first person to discuss the concept of a poverty line. After Independence, several attempts were made to identify a mechanism to measure the number of poor in the country. Accordingly, the 'Task force on projections of minimum needs and effective consumption demand' was formed in 1979.

Currently, the poverty line in India is based on private consumption expenditure which would be necessary to consume a food basket for the required amount of calories. The Planning Commission has fixed the daily minimum nutritional requirements for survival at 2400 calories for rural areas and 2100

calories for urban areas. People who cannot undertake this minimum amount of calories per day fall below the poverty line. The Planning Commission has fixed the daily minimum nutritional requirements for survival. Accordingly, the new formula states that the poverty line is consumption worth Rs 672.8 per person a month in rural areas and Rs 859.6 per person a month in urban areas.

## **Extent of Poverty**

Data on poverty is estimated on the basis of consumption expenditure data collected by the National Sample Survey Organisation (NSSO). According to NSSO, Uttar Pradesh, Madhya Pradesh, West Bengal, Bihar, Odisha, Andhra Pradesh, Tamil Nadu and Maharashtra accounted for more than 90% of the poor in India in 2004–05. In 2009–10, the poverty ratio was 29.8%.

## **Rural–Urban Break-up of Poverty**

The nature of poverty is the difference between poverty in urban and rural India. Based on the occupation and ownership of assets, poor people can be identified in society. Rural poor are engaged in agricultural activities in small land holdings or as landless labourers involved in non-agricultural work. Urban poor are mostly because of the overflow of the rural poor who have migrated to the urban set up in search of better jobs, livelihood and labour. They are into casual work or are self-employed in various activities.

## **International Comparison**

According to the World Development Report, 2010, 37% of the population in India lives below the poverty line. In the developed nations such as USA, UK, Japan and Germany, the percentage of people living below the poverty line is only 1% of the total population in these nations. On the other hand, the poverty ratios were comparatively lower in China (9.9%) and Sri Lanka (5.6%).

## **Features of Poverty in India**

- Variations: In the mid-seventies, the poverty ratio (which was more than 50%) got reduced to 22% by the end.
- Trend: There has been a secular decline in the poverty ratio. Because of the increase in population, the number of poor people remained stable for a long period of time.
- Interstate variations: More than 90% of the India's poor are living in Bihar, Odisha, Maharashtra, Tamil Nadu, Madhya Pradesh, Andhra Pradesh, West Bengal and Uttar Pradesh. Gujarat, Kerala, Haryana, Goa and Punjab have a low poverty ratio.
- Vulnerable groups: Among the economic groups, the most vulnerable groups are the rural agricultural labour households and the urban casual labour households. On the other hand, among the social groups, the most vulnerable groups are scheduled castes and scheduled tribes.
- Inequality of income within a family: Women, female infants and elder people suffer more than other members in the family. They are the poorest of the poor.
- Rural and urban poverty: Nearly 75% of the poor people live in rural areas. Many poor people from rural areas migrate to urban areas in search of jobs. However, the industrial and service sectors cannot provide sufficient jobs to these poor people.

## **Causes of Poverty in India**

- Inequality in the distribution of income and wealth: During the plan periods, the national income of India has been increasing, but it has not been distributed properly among the different sections of people. The majority of the income of the economy has been enjoyed by the rich. These inequalities in the distribution of wealth and income have worsened the problem of poverty in India.

- Underdevelopment of an economy: Physical and natural resources are underutilised because of lack of technology, capital and entrepreneurial ability. Therefore, the productive capacity and gross domestic product of the economy are low. Primitive technology of production occurs in the agricultural sector. They lack irrigation facilities, fertilisers and high-yielding variety of seeds. This backwardness in agriculture has given rise to rural poverty.
- Price inflation: Upward trends in the consumer price index during the plan periods led to a fall in the real income of fixed and low-income earners. It decreases the purchasing power and hence a lower standard of living and higher incidence of poverty.
- High rate of population growth: Because of increase in population, the dependency burden has increased. Hence, the provision for their minimum needs becomes a crucial problem. This high growth rate of population also signifies lesser availability of health facilities and other amenities and therefore a lower standard of living.
- Illiteracy: Because of lack of literacy, Indian farmers fail to learn new methods of cultivation, adopt new tools and implements. Also, the village moneylenders succeed in cheating them more easily. On the other hand, urban people are employed as unskilled workers and receive very low wages in return. They mostly live in slums and they lead a miserable life.
- Social causes: Many social factors such as caste system, religious faith and beliefs, and joint family system have hindered the process of economic growth.
- Political causes: The policies of the colonial government have ruined traditional handicrafts and discouraged the development of textile industries. Even after Independence, the government failed to protect the interest of the poor.

### **Three Dimensions of the Government's Approach to Reduce Poverty in India**

- The growth-oriented approach is based on the expectation that the effects of economic growth would rapidly increase the gross domestic product and the per capita income. This would reach all sections of society and work for the betterment of poor sections.
- In the Third Five-Year Plan, the second approach was initiated with a notable programme of food for work.
- The third approach is to provide minimum basic amenities to the people. Through this approach, programmes have supplemented consumption for the poor, generated employment opportunities and improved health and education.

### **Anti-Poverty Measures**

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The anti-poverty strategy of the government is based on the promotion of economic growth and targeted anti-poverty programmes.

- National Rural Employment Guarantee Act (NREGA), September 2005
  - 100 days assured employment every year to every household in 200 districts; will be extended to 600 districts later.
  - One-third of jobs reserved for women.
  - The Central Government will establish National Employment Guarantee Funds.
- National Food for Work Programme (NFWP), 2004
  - Launched in 150 most backward districts.
  - Open to all rural poor who are in need of wage employment and manual skilled labour.
  - 100% centrally sponsored scheme and food grains free of cost.

- Pradhan Mantri Gramodaya Yojana (PMGY), 2000
  - Additional central assistance to states for basic services.
- Swarnajayanti Gram Swarozgar Yojana (SGSY), 1999
  - To assist poor families above the poverty line by organising them into self-help groups through a mix of bank credit and government subsidy.
- Rural Employment Generation Programme (REGP), 1995
  - To create self-employment opportunities in rural areas and small towns.
  - To create 25 lakh jobs for the programme under the Tenth Five-Year Plan.
- Prime Minister Rozgar Yojana (PMRY), 1993
  - To create self-employment opportunities for educated unemployed youth in rural areas and small towns.
  - To help set up small businesses and industries.