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# UNIT 2 POVERTY

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## 2.1 INTRODUCTION

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Poverty involves an infinite variety of circumstantial misfortune experienced both at the household level and the societal level. Poverty has many faces, changing from place to place and across time, and has been described in many ways. Extreme poverty strikes when household resources prove insufficient to secure the essentials of dignified living. The very poor are those who can hardly afford more than one meal a day and depend exclusively on a single source of income. That fragility is defined by a lack of education, the absence of work opportunities, the diminution of household back up resources, and exclusion from valuable social and decision making networks. The trend of migration from poor farming regions has raised the incidence of urban poverty, especially in the slum zones of the world's major cities. Nevertheless, poverty remains inextricably linked with the disappointing progress in agriculture in developing countries. Rural poverty rates are more than double those in cities, often embracing the majority of the rural population. The most persistent poverty is found amongst ethnic minorities, scheduled castes, tribal and indigenous people experiencing discrimination, nomadic pastoralists, and landless labourer toiling on marginal land. Most often, poverty is a situation people want to escape. So poverty is a call to action - for the poor and the wealthy alike - a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in their communities.

After studying this unit you should be able to:

- explain the meaning and features of poverty
- examine the global poverty and historical trend of poverty in India
- describe the trends and dimensions of poverty in India

- analyze causes and remedies of poverty
- narrate measures for poverty alleviation, under taken during different Five year Plans in India.

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## 2.2 POVERTY: MEANING AND FEATURES

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### 2.2.1 Measuring of Poverty

India is poor compared with the USA, and, within India, Bihar and Orissa are poor compared to Punjab and Haryana. You might be aware about the poor - those who have inadequate income, housing, clothing etc. You also know that the definition and methods of measuring poverty differ from country to country. Poverty is the syndrome of assetlessness, landlessness, joblessness, deprivation and helplessness. It is not a pure economic phenomenon. It has social, cultural, political, historical, and geographical dimensions. It is lack of livelihood security and food security. It is hunger, starvation, and vulnerability. Poverty is lack of shelter, and lack of education, and lack of access to health care. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom. To know what helps to alleviate poverty, what works and what does not, what changes over time, poverty has to be defined, measured, and studied - and even lived. As poverty has many dimensions, it has to be looked at through a variety of indicators — levels of income and consumption, social indicators, and now, increasingly, indicators of vulnerability to risks, and of socio/political access. It has many non income and non quantifiable dimensions. Attempts to define or measure poverty do not give justice to the reality of its experience. The extreme poverty of the developing countries crushes the human spirit. It draws out many of finest qualities of human being. Family loyalties survive the desperate search for livelihoods. They display stoicism in the face of exclusion and dignity amongst deprivation. Extreme poverty strikes when household resources prove insufficient to secure the essentials of dignified living. That fragility refers to lack of education, the absence of work opportunities, and exclusion from valuable social networks.

Poverty and inequality are multidimensional – consumption and income, education, health, opportunities, voice, etc., and have multiple determinants: geographic and agro-climatic factors, services, infrastructure, etc. It has to be looked at through a variety of indicators - levels of income and consumption, social indicators, and indicators of vulnerability to risks, and of socio/political access. In general, poverty can be defined as a situation when people are unable to satisfy the basic needs of life.

The picture of dire poverty is found in India where the incidence of absolute poverty abounds. Absolute poverty is not related to income or the consumption level of the household but to some minimum standard of living. The concept of absolute poverty is relevant for less developed countries. In order to measure it, absolute norms for living are first laid down. It is expressed in terms of income or expenditure. A person falling below this norm (called the poverty line) is classified as poor. In India, the poverty norm is anchored in terms of daily intake of food. According to the definition by the Planning Commission of India, the poverty line is drawn at an intake of 2400

calories in rural areas, and 2100 calories in urban areas. If a person is unable to get that minimum level of calories, then he, or she, is considered as living below the poverty line. The consumption basket representing this calorie intake is then converted into a monetary equivalent by using price indices separately for rural and urban areas.

### 2.2.2 Features of Poverty

Poverty has many faces, many causes and many effects. It has several monetary and non monetary dimensions. It has several manifestations. It is caused by several obstacles and constraints, which do reinforce each other. It is characterized by the following features.

- i. Few assets, landlessness and low income
- ii. Low consumption, no savings and high indebtedness
- iii. Jobless, employment insecurity and food insecurity
- iv. Illiteracy and lack of formal education and training
- v. Poor health, housing, or ill health, poor sanitation
- vi. Marginalization and high dependency
- vii. Few contacts with key persons/institutions
- viii. Little involvement in influential forum
- ix. Competition for resources among the poor
- x. Economic vulnerability and subordination
- xi. Low self esteem, low social status and resignation
- xii. Subsistence living and no future plan.

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## 2.3 POVERTY SITUATION: GLOBAL AND INDIA

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The World Bank calculates an international poverty line by reference to the average of the national poverty lines in 15 of the world's poorest countries. According to the World Bank, the number of people living below the international poverty line of \$1.25 per day fell from 1.8 billion to 1.4 billion between 1990 and 2005. China accounted for 465 million of this reduction, implying that poverty has increased elsewhere over this period. In sub-Saharan Africa, the increase was 100 million. However, expressing global poverty as a percentage reverses the trend due to the rising global population. For example, extreme poverty in sub-Saharan Africa has fallen slightly from 57 per cent to 51 per cent between 1990 and 2005. The wealth of our new millennium has tended to increase inequality rather than reduce poverty. The UNDP has reported that, in 2005, the richest 500 people in the world earned more than the poorest 416 million. Global poverty is then assessed by reference to "data from 675 household surveys across 116 developing countries", according to the World Bank. This data is compared to the \$1.25 benchmark, not by standard currency exchange rates, but by purchasing power parity (PPP) rates which smooth out the different buying power of the dollar in each country. The World Bank figure of \$1.25 per day was intended to be a bottom marker. Unfortunately, the two countries with the largest populations in the world, India and China, have both defined

national poverty lines which are even lower. India's poverty line is \$1.02 which gives a national poverty rate of 26 per cent compared to 42 per cent on the international basis. In China the gap is even wider, tripling its national poverty numbers to over 200 million. These inconsistent measures are the source of much confusion. A second tier international poverty line of \$2 per day is derived from the average of national poverty lines in all lower and middle income countries. The World Bank reports that 2.6 billion people live below this benchmark, a figure which has changed little since 1981. Indeed, a slightly higher benchmark of \$2.50 per day captures more than half of the world's population. The population living below international poverty line in various countries is given in Table-1.

**Table-1: International Poverty Line**

Country	Year	Population (in per cent) below \$1 /day	Population (in per cent) below \$ 2/ day
Bangladesh	2000	36.0	82.2
China	2001	16.6	46.7
India	2000	34.7	52.4
Nepal	2003-04	24.1	68.5
Pakistan	2002	17.0	73.6
Sri Lanka	2002	5.6	41.6

There are two contrasting and complementary reasons for reducing global poverty. The first reason is ethical. It springs from religious teaching. This finds secular expression in the 1948 Universal Declaration of Human Rights which asserts that "everyone has the right to a standard of living adequate for the health and well-being of himself and of his family." The second reason lies in self interest. In a globalized world, countries, large and small, are interdependent. Poverty anywhere is a threat to prosperity everywhere. Extreme poverty is the engine of international labour migration which the richer countries are notoriously reluctant to accommodate. The spread of any disease is more difficult to control if weak countries lack the capacity to deliver an appropriate response. Whilst the risk of terrorism is often complex in origin, extreme poverty is the ideal recruiting ground for its foot soldiers.

The failure of the macroeconomic policies of the 1980s and 1990s created pressure on world leaders to find an approach which delivered measurable results for poverty reduction. This led to the Millennium Declaration, committing governments to eight Millennium Development Goals (MDGs) with targets to be met by 2015. Apart from the goal to provide primary education for all, the targets aim for reduction rather than elimination of poverty.

## **2.4 MEASUREMENT AND TRENDS OF POVERTY IN INDIA**

### **2.4.1 Measurement of Poverty in India**

Poverty has been measured by several economists and non economists. Among them, the most prominent scholars are: Dandekar and Rath, A K Sen, B S Minhas, Ojha, Ahuliwalia and Kakwani. The Planning commission of India has also estimated the poverty ratio during different plan periods. There are three commonly used

measures of poverty. They are:

1. Head Count Ratio (HCR):  $H = M / N$
2. Poverty Gap Ratio (PGR):  $R = 1 - i / z$
3. Amartya Sen's Index (ASI):  $S = H [R + (1 - R) G]$

Where  $H$  is the proportion of households who are poor;  $N$  is total number of households,  $M$  is number of poor households having incomes at, or below, the poverty line  $z$ . The mean income of the poor is  $i$ ; and  $R$  is the mean income shortfall of the poor, expressed as a proportion of the poverty line.  $G$  is the Gini Coefficient computed over the vector of poor incomes. The 'Sen Index',  $S$  satisfies the relative deprivation property since a regressive transfer (which leaves  $H$  and  $R$  unchanged) rises  $G$ , and hence  $S$  to rise.

The World Bank estimates that 456 million Indians (42 per cent of India's population) now live below the global poverty line of \$1.25 per day (PPP). This means that a third of the global poor now reside in India. However, this also represents a significant decline in poverty from 60 per cent in 1981 to 42 per cent in 2005. Income inequality in India (Gini coefficient: 32.5 in year 1999-2000) is increasing. On the other hand, the Planning Commission of India uses its own criteria and has estimated that 27.5 per cent of the population was living below the poverty line in 2004-2005, down from 51.3 per cent in 1977-1978, and 36 per cent in 1993-1994. The source for this was the 61st round of the National Sample Survey (NSS) and the criterion used was monthly per capita consumption expenditure below Rs. 356.35 for rural areas, and Rs. 538.60 for urban areas. About 75 per cent of the poor are in rural areas, and most of them are daily wagers, self employed householders and landless labourers.

Although the Indian economy has grown steadily over the last two decades, its growth has been uneven when comparing different social groups, economic groups, geographic regions, and rural and urban areas. Between 1999 and 2008, the annualized growth rates for Gujarat (8.8 per cent) Haryana (8.7 per cent) and Delhi (7.4 per cent) were much higher than for Bihar (5.1 per cent), Uttar Pradesh (4.4 per cent), and Madhya Pradesh (3.5 per cent). Poverty rates in rural Orissa (43 per cent) and rural Bihar (41 per cent) are among the world's most extreme.

According to the India State Hunger Index (2008) by the International Food Policy Research Institute, Punjab has the best nutritional situation, whereas malnutrition in Madhya Pradesh is worse than in Ethiopia or Sudan. India has a higher rate of malnutrition among children under the age of three (46 per cent in year 2007) than any other country in the world. Despite significant economic progress, 1/4 of the nation's population earns less than the government-specified poverty threshold of Rs. 12 per day (approximately USD \$0.25). Official figures estimate that 27.5 per cent of Indians lived below the national poverty line in 2004-2005. A 2007 report by the state run National Commission for Enterprises in the unorganised Sector (NCEUS) found that 77 per cent of Indians (or 836 million people) lived on less than 20 rupees (approximately USD \$0.50 nominal; \$2 PPP) per day.

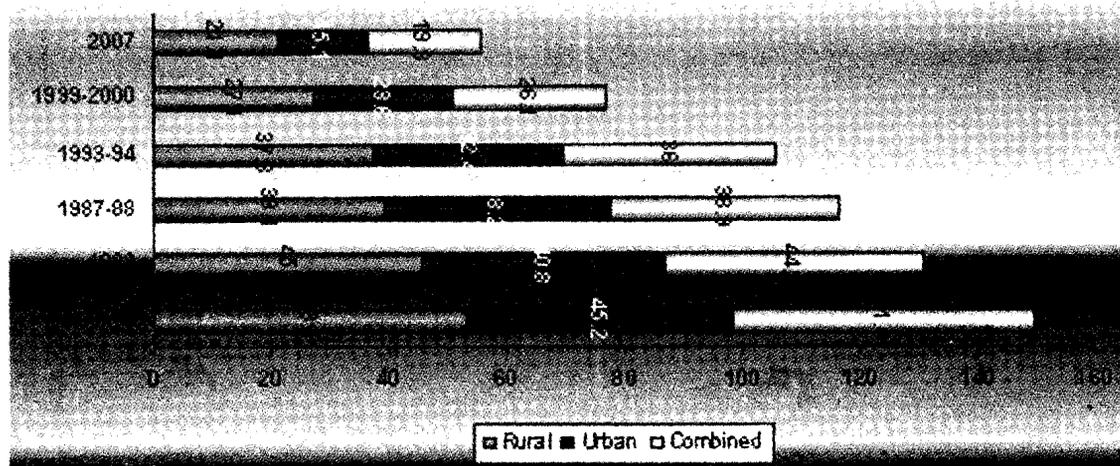


Figure 2.1 : Trend and Level of Poverty

Poverty in India is reducing but it continues as a major national issue. Rural Indians depend on unpredictable agriculture incomes, while urban Indians rely on jobs that are, at best, scarce. Since independence, the issue of poverty within India has remained a prevalent concern. According to the common definition of poverty, when a person finds it difficult to meet the minimum requirement of acceptable living standards, he, or she, is considered poor. Millions of people in India are unable to meet these basic standards, and according to government estimates, in 2007 there were nearly 220.1 million people living below the poverty line. Nearly 21.1 per cent of the entire rural population and 15 per cent of the urban population of India exists in this difficult physical and financial predicament. The above chart presents the poverty situation.

#### 2.4.2 Trend of Poverty in India

The proportion of India's population below the poverty line has fluctuated widely in the past, but the overall trend has been downward. However, there have been roughly three periods of trends in income poverty.

**1950 to mid-1970s:** income poverty reduction showed no discernible trend. In 1951, 47 per cent of India's rural population was below the poverty line. The proportion went up to 64 per cent in 1954-55; it came down to 45 per cent in 1960-61, but in 1977-78, it went up again to 51 per cent.

**Mid-1970s to 1990:** Income poverty declined significantly between the mid-1970s and the end of the 1980s. The decline was more pronounced between 1977-78 and 1986-87, with rural income poverty declining from 51 per cent to 39 per cent. It went down further to 34 per cent by 1989-90. Urban income poverty went down from 41 per cent in 1977-78 to 34 per cent in 1986-87, and further to 33 per cent in 1989-90.

**After 1991:** This post-economic reform period evidenced both setbacks and progress. Rural income poverty increased from 34 per cent in 1989-90 to 43 per cent in 1992 and then fell to 37 per cent in 1993-94. Urban income poverty went up from 33.4 per cent in 1989-90 to 33.7 per cent in 1992 and declined to 32 per cent in 1993-94. Also, NSS data for 1994-95 to 1998 show little or no poverty reduction. The evidence till 1999-2000 was that rural poverty had increased during post-reforms period. However, the official estimate of poverty for 1999-2000 was 26.1

per cent, a dramatic decline that led to much debate and analysis. The latest NSS survey (2004-05) shows poverty at 28.3 per cent in rural areas, 25.7 per cent in urban areas and 27.5 per cent for the country as a whole, using uniform recall period consumption. These suggest that the decline in rural poverty over the period during 1993-94 to 2004-05 actually occurred after 1999-2000. In summary, the official poverty rates recorded by NSS are as shown in the following table:

**Table-2: Profile of Poverty in India (in per cent)**

Year	1972-73	1977-78	1983-84	1987-88	1993-94	1999-00	2004-05	2007
<b>Round</b>	--	32	38	43	50	55	61	
<b>Rural</b>	54	51	45.6	39	35	27.09	28.34	21.7
<b>Urban</b>	44	38	42	40	41	23.62	25.21	15.1
<b>Poverty</b>	51	48	44.5	38.9	36.0	26.9	27.5	19.8

**Source:** Economic Survey (Different Volumes), Government of India Publication, Delhi

After going through the definition and meaning of poverty, the measurement of poverty, in the global and Indian contexts, now Check Your Progress-1.

**Check Your Progress 1**

**Note:** a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) What is poverty? Examine its features and manifestation.

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2) How do we measure poverty?

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3) What are the reasons of reducing global poverty?

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## 2.5 VICIOUS CIRCLE OF POVERTY

The vicious circle of poverty refers to the interconnectedness of different factors that reinforce each other for generating poverty. They are poor because they are too many. They are too many because they are poor. According to Nurkse and Kindleberger the reasons for this vicious circle of poverty can be classified into three groups.

- e) Supply side factors
- f) Demand side factors
- g) Market imperfection.

### 2.5.1 Supply Side Factors

The supply side of the vicious circle indicates that in underdeveloped countries, productivity is so low that it is not enough for capital formation. According to Samuelson, "The backward nations cannot get their heads above water because their production is so low that they can spare nothing for capital formation by which their standard of living could be raised." According to Nurkse on the supply side there is small capacity to save, resulting from low level of national income. The low real income is the result of low productivity, which in turn, is largely due to the lack of capital. The lack of capital is a result of the small capacity to save, and so, the circle is vicious.

#### Low Income

- Low Saving
- Low Investment
- Low Production
- Low Income

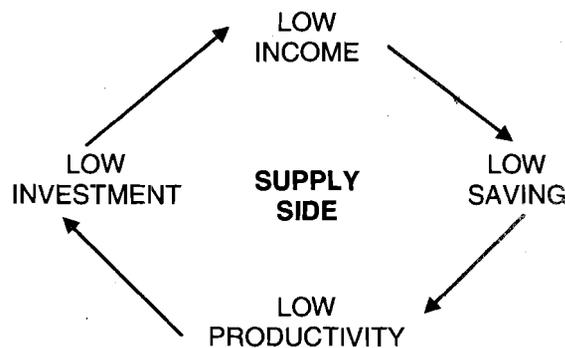


Figure 2.2 : Low Supply

Thus, it becomes clear from the above diagram that the main reason of poverty is the low level of saving. Consequently, investment is not possible in production channels. A huge chunk of GDP is used for consumption purposes. People cannot save. So, there is lack of investment and capital formation. Although rich people can save, they spend their surplus in some on luxurious goods instead of saving. They gave preference to high priced items and foreign products. Thus, their demand does not enlarge the size of the market. The developing countries, therefore, lack investment facilities.

### 2.5.2 Demand Side Factors

According to Nurkse, poverty is caused by several factors in the demand side. In underdeveloped countries the inducement to invest is low because of the low purchasing power of the people, which is due to their small real income. It is illustrated in the following diagram.

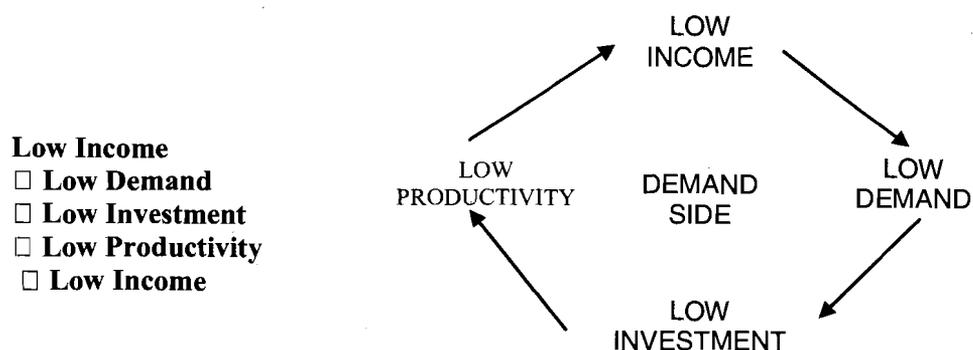


Figure 2.3 : Low Demand

The main reason for poverty in these countries is the low level of demand. Consequently, the sizes of markets remain low. The small size of the market becomes a hurdle in the path of inducement to invest.

### 2.5.3 Market Imperfections

According to Meier and Baldwin, the existence of market imperfections prevents optimum allocation and utilization of natural resources, and the result is underdevelopment, and this, in turn, leads to poverty. The development of natural resources depends upon the character of human resources. But due to lack of skill and low level of knowledge, natural resources remain unutilized, underutilised and misused. The vicious circle of poverty caused by market imperfections is shown in the following diagram.

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## 2.6 DIMENSION OF POVERTY IN INDIA

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The two main dimensions of poverty in India are:

- (i) regional dimensions of poverty
- (ii) social dimensions of poverty.

### 2.6.1 Regional Dimension of Poverty

Poverty in India has a regional dimension. Poverty profiles differ in rural and urban areas. They also differ widely across states and regions of India. This is primarily due to wide regional disparities. Regional imbalance in economic growth in major states is observed from the variations in the growth of Net State Domestic Product (NSDP). There is wide interstate imbalance in the economic growth of rich and poor states of India. During the post reforms period (1990-2004), some states have accelerated and some states have decelerated in terms economic development. There is a wide difference in the investment climate of different states of Indian union. Kerala's achievement in social development and reduction in poverty are very impressive. The percentage of poor in rural areas of Kerala declined from 50 per cent in 1973 to 12.7 per cent in 1999-2000. Its record of overcoming poverty, even with moderate economic growth has been attributed to its effective implementation of land reforms, comprehensive social and food security coverage, decentralized system of governance, and highly conscious civil society (see table. 3). The rural-urban divide in India is widening after economic reforms. There is deceleration in agricultural growth, which is the matter of concern in employment generation and poverty reduction.

Table 3 also shows the incidence of poverty across the states of India. It is seen that both rural and urban poverty ratios in India are declining over the decades. But some states are lagging behind. Orissa has the highest poverty ratio followed by Bihar and Madhya Pradesh. The percentage of chronically poor is quite high in Bihar (25 per cent in rural and 19 per cent in urban areas), Orissa (24 per cent in rural and 22 per cent in urban areas) and MP (21 per cent in rural and 22 per cent in urban areas). Chronic poverty is very low in Punjab, Haryana, Kerala, Himachal Pradesh, and Jammu and Kashmir.

**Table-3 : Inter –Regional Poverty Profile in India**

States	1973		1977		1983		1987		1993		2000	
	R	U	R	U	R	U	R	U	R	U	R	U
AP	46	51	38	43	27	37	21	44	16	38	11	27
Assam	52	38	62	34	42	23	22	29	17	08	11	10
Bihar	64	51	63	50	65	50	42	55	44	35	39	33
Gujarat	45	51	41	41	27	38	28	38	22	29	13	16
Haryana	34	40	27	34	19	20	18	21	27	18	08	10
Karnataka	55	53	47	49	35	40	34	34	21	40	17	25
Kerala	59	61	49	59	39	48	30	44	27	26	10	20
MP	63	61	63	59	49	51	41	46	41	48	36	37
Maharashtra	59	44	63	39	45	38	43	38	38	35	23	28
Orissa	69	58	73	52	68	49	59	45	50	41	48	43
Punjab	29	28	15	26	14	23	13	16	14	12	06	05
Rajasthan	44	57	37	44	34	38	29	43	27	31	13	21
Tamilnadu	58	52	58	49	54	45	46	43	33	39	21	22
UP	57	60	48	54	46	49	41	42	42	35	32	31
WB	73	35	69	36	62	31	49	33	41	23	32	16
India	56	47	51	42	43	38	37	37	37	33	27	24

Note: R = Rural Poverty Ratio, U= Urban Poverty Ratio

It is observed that in 1973 rural poverty was the highest in West Bengal and urban poverty was the highest in MP. During 1993, rural poverty was the highest in Orissa. The poverty level of STs in rural areas of Orissa is the highest at 73 per cent, and that of Bihar it is 59 per cent. The division of resources, as well as wealth, is very uneven in India, and this disparity creates different poverty ratios for different states. For instance, states such as Delhi and Punjab have very low poverty ratios. On the other hand, 40-50 per cent of the populations in Bihar and Orissa live below the poverty line.

## 2.6.2 Social Dimension of Poverty

Poverty in India is not merely an economic phenomenon but also a social one. Poverty is seen today as an outcome of multiple deprivations. It is disproportionately high among SCs and STs. Poverty gets disproportionately concentrated among casual labourers. The share of STs in poverty had gone up during the 1990s, and that of SCs remained more or less the same. Tribes are poor and deprived in India. Among social groups, SCs and STs and backward castes accounted for 81 per cent of the rural poor in 1999-2000. It is seen from the following table that the composition of the poor is changing. The percentage of poor among STs declined from 50 per cent in 1993 to 44.2 per cent in 2000. Rural poverty is getting mostly concentrated in agricultural labour and urban poverty in casual labour households. All households which accounted for 41 per cent of rural poor in 1993 increased to 47 per cent in 2000. Casual labour households constituted 32 per cent of urban poor in 2000

increasing from 25 in 1994 (Table 4). Growing dependency of rural and urban households on casual labour market exposes the poor to market risks and tends to increase transient poverty, whereby households move in and out of poverty due to fluctuations in the labour market. The incidence of poverty among SCs is very high in Bihar, MP and UP in both rural and urban areas. In terms of income poverty and other indicators of human development such as education and health, STs are at the bottom. The gender dimension of poverty is very important in India. There is gender discrimination against women in the labour market. A majority of women are illiterate. The female members of the poor household suffer the most from all kinds of deprivation. The standard of living index data reveals that 57 per cent of children belonging to poor households of rural areas and 50 per cent of children belonging to poor households of urban areas are stunted.

**Table-4: Social Dimension of Poverty**

Category	Rural				Urban			
	Very poor 1993-4 1999-0		Poor 1993-4 1999-0		Very poor 1993-4 1999-0		Poor 1993-4 1999-0	
ST	22.1	17.0	50.2	44.2	24.0	17.5	43.0	37.5
SC	21.7	11.5	48.3	35.3	26.1	16.4	50.9	39.1
AL /CL	26.2	14.1	54.4	39.7	36.6	26.0	64.5	53.0
AL = Agricultural Labour in villages, CL = casual labour in urban places								

**Source:** Computed from NSS data of 50<sup>th</sup> and 55<sup>th</sup> round on household consumption expenditure.

The NFHS (2005) reveals that 70 per cent of children in age group 6-59 months are anaemic and anaemia among children is considerably higher in rural areas and particularly among disadvantaged families and families with lower income. The survey also found that anaemia is pervasive among women age 15-49 and 55 per cent of ever married women are suffering from anaemia. According to NCAER, 50 per cent of the rural population suffer from “capability poverty”. Only 43 per cent of rural households have domestic lighting and 25 per cent have access to tap water.

It is widely recognised that while income poverty reduction is relatively easy, elimination of multiple deprivation is more difficult to achieve. So poverty reduction strategy should go beyond income poverty and inadequacy of basic needs and rights as well as inadequate access to both productive assets and social infrastructure. Therefore, empowerment of the poor is considered a critical factor in accelerating poverty reduction. Empowerment is sought to be achieved by giving a role to the poor in governance and development decisions. At present NGOs, donor agencies, and development activists are exerting pressure on policy makers to involve all stake holders in poverty alleviation projects and activate the panchayats and promote institutions like self help groups and user groups and mobilize the poor for collective action. According to SAPAP (2003) poverty is the product of livelihood systems and the socio-political and economic forces that shape them. SAPAP argues that multidimensional interventions revolving around land and other property rights, bargaining power for improved wage, holistic health care, micro finance and insurance, and physical and social security are needed for accelerating poverty reduction. The key issue is to weaken the stronghold of the rich in the governance of local institutions and facilitate the participation of the poor.

## 2.7 CAUSES AND REMEDIES OF POVERTY IN INDIA

### 2.7.1 Causes of Poverty in India

All types of poverty and deprivation in India are caused by the following factors.

i. **Colonial Exploitation:** Colonial rule in India is the main reason of poverty and backwardness in India. The Mughal era ended about 1800. The Indian economy was purposely and severely de-industrialized through colonial privatizations. British rule replaced the wasteful warlord aristocracy by a bureaucratic-military establishment. However, colonial exploitation caused backwardness in India. In 1830, India accounted for 17.6 per cent of global industrial production against Britain's 9.5 per cent, but, by 1900, India's share was down to 1.7 per cent against Britain's 18.5 per cent. This view claims that British policies in India, exacerbated by the weather conditions led to mass famines, roughly 30 to 60 million deaths from starvation in the Indian colonies. Community grain banks were forcibly disabled, land was converted from food crops for local consumption to cotton, opium, tea, and grain for export, largely for animal feed.

ii. **Lack of Investment for the Poor :** There is lack of investment for the development of poorer section of the society. Over the past 60 years, India decided to focus on creating world class educational institutions for the elite, whilst neglecting basic literacy for the majority. This has denied the illiterate population - 33 per cent of India – of even the possibility of escaping poverty. There is no focus on creating permanent income-generating assets for the poor people.

Studies on China (2004) also indicated that since universal and free healthcare was discontinued in 1981, approximately 45 million (5 per cent of its 900 million rural population) took on healthcare-related debts that they could not repay in their lifetimes. Since then, the government has reintroduced universal health care for the population. Given India's greater reliance on private healthcare spending, healthcare costs are a significant contributor to poverty in India.

iii. **Social System in India :** The social system is another cause of poverty in India. The social subsystems are so strongly interlocked that the poor are incapable of overcoming the obstacles. A disproportionately large number of poor people are lower caste Hindus. According to S. M. Michael, Dalits constitute the bulk of poor and unemployed. Many see Hinduism and its structure, called the caste system, as a system of exploitation of poor, low ranking groups by more prosperous, high ranking groups. In many parts of India, land is largely held by high ranking property owners of the dominant castes that economically exploit low ranking landless labourers and poor artisans, all the while degrading them with ritual emphases on their so-called, god-given inferior status. According to William A. Haviland, casteism is widespread in rural areas, and continues to segregate Dalits. Others, however, have noted the steady rise and empowerment of the Dalits through social reforms, and the implementation of reservations in employment and benefits.

iv. **India's Economic Policies :** In 1947, the average annual income in India was US\$439, compared with US\$619 for China, US\$770 for South Korea. But

South Korea became a developed country by the 2000s. At the same time, India was left as one of the world's poorest countries. India had the Hindu rate of growth which stagnated at around 3.5 per cent from the 1950s to the 1980s, while per capita income averaged 1.3 per cent. License Raj prevailed with elaborate licenses, regulations and accompanying red tape. Corruption flourished under this system. The labyrinthine bureaucracy often led to absurd restrictions. India had started out in the 1950s with: high growth rates, openness to trade and investment, a promotional state, social expenditure awareness, and macro stability but we ended the 1980s with: low growth rates (the Hindu rate of growth), closure to trade and investment, a license-obsessed, restrictive state (License Raj), inability to sustain social expenditures and macro instability, indeed crisis. Poverty has decreased significantly since reforms were started in the 1980s. India currently adds 40 million people to its middle class every year. An estimated 300 million Indians now belong to the middle class; one-third of them have emerged from poverty in the last ten years. At the current rate of growth, a majority of Indians will be middle class by 2025. Literacy rates have risen from 52 per cent to 65 per cent in the same period.

- v. **Over-reliance on Agriculture** : In India there is high level of dependence on primitive methods of agriculture. There is a surplus of labour in agriculture. Farmers are a large vote bank and use their votes to resist reallocation of land for higher-income industrial projects. While services and industry have grown at double digit figures, the agriculture growth rate has dropped from 4.8 per cent to 2 per cent. About 60 per cent of the population depends on agriculture, whereas the contribution of agriculture to the GDP is about 18 per cent. The agricultural sector has remained very unproductive. There is no modernization of agriculture despite some mechanization in some regions of India.
- vi. **Heavy population pressures** : Although demographers generally agree that high population growth rate is a symptom rather than cause of poverty and add to poverty. Mohmood Mamdani aptly remarked "people are not poor because they have large families. Quite the contrary, they have large families because they are poor". However this is a general argument in developing country that population growth is a major obstacle to development and cause of poverty.
- vii. **High Illiteracy** : Indian literacy rate rose almost tenfold during the British era. In 1947, India's literacy rate matched China's. However, in 2007, China reported at 91 per cent literacy rate versus 66 per cent for India. Now India suffers from about 35 per cent illiteracy among the adult population. Literacy levels among SC, ST and females are very low.
- viii. **High Unemployment** : There is high degree of underutilization of resources. The whole country suffers from a high degree of unemployment. India is marching with jobless economic growth. Employment is not growing, neither in the private sector, nor in the public sector. The IT sector has become elitist, which does not improve the poverty situation in the country. Disguised unemployment and seasonal unemployment is very high in the agricultural sector of India. It is the main cause of rural poverty in India.
- ix. **Lack of Entrepreneurship**: The industrial base of India has remained very slender. The industrial sickness is very widespread. The whole industrial sector suffers from capital deficiency and lack of entrepreneurial spirit.

## 2.7.2 Remedies for Poverty

There are different measures for tackling poverty is discussed below. Let us discuss these aspects in detail.

- i. **Increase in Saving** : In order to get rid of the supply side vicious circle in these countries, efforts should be made to increase savings so that investment in productive channels may be encouraged. To increase saving, expenditure on marriages, social ceremonies, etc., should be curtailed. In under developed countries, the possibility of voluntary savings is slim. Thus, in this regard, government interference is necessary. The government can increase saving by altering its fiscal policy. The government can impose heavy taxes on luxury goods. Moreover, it can increase the role of direct taxes. Thus, the government can curtail consumption by altering the tax system.
- ii. **Increase in Investment** : To break the vicious circle of poverty, apart from increasing savings, investment of saving in productive channels is also of immense use. The policies of short run and long run investment should be coordinated. By short period investment, people can get the necessary goods at fair rates, which will have a favourable impact on their skill. Moreover, along with short period investment, investment in the establishment of multipurpose projects, like iron and chemical fertilizers should be properly encouraged. In UDCs, proper monetary and banking policies should be adopted which may provide facilities and encouragement to small savings.
- iii. **Balanced Growth** : To resolve the demand side vicious circle in under developed countries, the extent of the market should be widened so that people may get inducement to invest. In this regard, Prof. Nurkse advocated the doctrine of balanced growth. According to the principle of balanced growth, investment should be made in every sphere of an economy so that demand of one sector can be fulfilled by another sector. Thus, an increase in demand will lead to wider extent of the market, and so, the inducement to invest. On the other hand, economists like Hirschman, Singer, and Fleming do not consider the policy of balanced growth effective. According to them, the policy of unbalanced growth would be more useful. In UDCs, there is every possibility of increase in demand and there is the need of increase in monetary income. The majority of UDCs have adopted the policy of planned development. Accordingly, due to more investment in the public sector, the supply of money increases. Due to increase in monetary income, sizes of the market widen. These countries endeavour to widen the size of foreign market by increasing their exports.
- iv. **Human Capital Formation** : In underdeveloped countries, the main obstacle to economic growth is the backwardness of human capital. Human capital should no longer be neglected. Many suggestions can be made to increase skill of manpower. For instance, in these countries, education, technical knowledge, and vocational training should be enlarged. Health facilities should be enhanced, which may increase the efficiency of the workers. Transportation and communication should be developed.
- v. **Industrialisation** : Poverty can be eradicated by a self-sustaining process of industrialization. All industries should have linkage to build a powerful process of ancillary industries and occupations. The percolation effect of industries can

be very strong through the establishment of auxiliary industries. Industry should be linked to agricultural growth. Agro-based industries should grow to provide employment to village people as they are very much labour intensive. Industrialisation can contribute to the growth process and bring improvement in the standard of living of people.

### Other Measures for Poverty Reduction

- i. More employment opportunities : poverty can be eliminated by creating more employment opportunities, so that people may be able to meet their basic needs
- ii. Minimum needs programmes: providing minimum needs to the poor people can help to reduce the problem of poverty
- iii. Social security programmes: various social security schemes, like worker's compensation, maternity benefit, provident fund, etc., can make a frontal attack on poverty
- iv. Small scale industries: encouraging and establishing small scale industries can create jobs in rural areas, which can reduce poverty
- v. Spread of education: education can create awareness and build confidence among people to find methods to overcome poverty
- vi. Empowerment of poor: poor people are voiceless due to the ruthless system of development. So, empowerment of poor people will reduce poverty
- vii. Land reforms: land belongs to the absentee landlords in India. Therefore, land reform is needed for giving rights to the actual tiller of the soil
- viii. Asset creation: productive assets must be created which will ensure regular income for the poor people
- ix. Political will: political will and thrust is needed to face the challenge of poverty. Government policy should be designed with determination for having a poverty-free country
- x. Social change: social strata and traditional values should be free from dogmas. The caste system should not discriminate any people for anything. Social reforms are also needed to remove poverty among the lower caste and women.

You have read about the vicious circle of poverty, dimensions of poverty, causes and remedies of poverty. Now, you should be able to answer the following questions in order to check your progress.

### Check Your Progress 1

**Note:** a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

- 1) What is the vicious circle of poverty?

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2) What are the regional dimension of poverty in India?

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## **2.8 PLANNED EFFORTS FOR ALLEVIATION OF POVERTY IN INDIA**

Since the early 1950s, the government of India has initiated, sustained, and refined various planning schemes to help the poor attain self sufficiency in acquisition of food and overcome hunger and poverty. Probably the most important initiative has been the supply of basic commodities, particularly food at controlled prices, available throughout the country as the poor spend about 80 per cent of their income on food.

During different Five Year Plans, the Government of India has adopted several strategies and devised several schemes to remove poverty in India. The following are some steps.

- IRDP: the Integrated Rural Development Programme was initiated in 1976 in 20 selected districts of India. Then, it was extended to all blocks in 1980. The objective of this program was to enable the selected families to cross the poverty line by creating productive assets for the poor people.
- NREP: the National Rural Employment Programme was launched in 1980 in order to generate gainful employment in rural areas.
- RLEGP: the Rural Landless Employment Guarantee Programme was launched in August 1983 to generate additional employment opportunities for the landless people in the villages.
- JRY: Jawahar Rojgar Yojana was introduced in 1989 to create 837 million man-days in the country.
- TRYSEM: Training of Rural Youth for Self Employment was launched in 1979 with the aim of generating self employment opportunities for unemployed educated rural youth.
- DWC: Development of Women and Children was launched during the Sixth Plan on a pilot basis in 50 districts, and continued in 7<sup>th</sup> plan.
- DPAP: the Drought Prone Area Programme was started in 1970 for drought areas with a view to create jobs through labour intensive schemes.
- DDP: the Desert Development Programme was started in 1977 to control the expansion of deserts and raise local productivity of desert areas.
- MNP: the Minimum Needs Programme was introduced in the Fifth Plan, in order to achieve growth with justice.

- PMRY: the Prime Ministers Rozgar Yojana was implemented in 1993 to give employment to more than 10 lakh people by setting up 7 lakh micro enterprises.
- SGSY: Swarna Jayanti Gram Swarozgar Yojana, created in 1999, is a combination of many previous poverty eradication programmes, like IRDP, TRYSEM, Minimum Wells Programme, and DWCRA.
- PMIUPEP: the Prime Ministers Integrated Urban Poverty Eradication Programme was implemented in 1995 to reduce urban poverty.
- EGS: the Employment Guarantee Scheme was launched in many states to provide employment for poor people.
- SJRY: Swarna Jayanti Rozgar Yojana was launched in 1997 for the urban poor.
- JGSY: Jawahar Gram Samridhi Yojana is the new name of Jawahar Rozgar Yojana with effect from 1999.
- PMGY: Pradhan Mantri Gramodaya Yojana.
- PMGSY: Pradhan Mantri Grama Sadak Yojana.
- AAY: Antyodaya Anna Yojana.
- JPRGY: Jai Prakash Rozgar Guarantee Yojana.
- VAMBAY: Valmiki Ambedkar Awas Yojana.
- DWCRA: Development of Women and Children in Rural Areas.
- MGNREGA: This was implemented since 2002 for providing 100 days employment in a calendar year to a family member interested for doing unskilled manual work.

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## 2.9 LET US SUM UP

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In this unit we dealt with the definition, features and measurement of poverty. We examined the incidence of poverty in India. We analysed the problems of poverty across the states. We analysed the vicious circle of poverty as well as the regional and social dimensions of poverty. Identified various causes of poverty in India. We analysed the falling trends of both rural and urban poverty. We dealt with governmental efforts for alleviation of poverty. We examined global income inequality.

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## 2.11 CHECK YOUR PROGRESS: POSSIBLE ANSWERS

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### Check Your Progress-1

1) What is poverty? Examine its features and manifestation.

**Answer:** Poverty has many faces. Poverty is the syndrome of assetlessness, landlessness, joblessness, deprivation and helplessness. It is not a pure economic phenomenon. It has social, cultural, political, historical and geographical dimensions. It is lack of livelihood security and food security. It is hunger, starvation and vulnerability. Poverty is lack of shelter and lack of education and lack of access to health care. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom.

2) How do we measure poverty?

**Answer:** Poverty has been measured by several economists and non economists. There are three commonly used measures of poverty. They are:

1. Head Count Ratio (HCR):  $H = M / N$
2. Poverty Gap Ratio (PGR):  $R = 1 - \bar{i} / z$
3. Amartya Sen's Index (ASI):  $S = H [R + (1 - R) G]$

Where: H is the proportion of households who are poor; N is total number of households, M is number of poor *households* having incomes at or below the poverty line z.  $\bar{i}$  is the mean income of the poor; and R is the mean income shortfall of the poor expressed as a proportion of the poverty line. G is the Gini coefficient computed over the vector of poor incomes. The 'Sen index', S satisfies the relative deprivation property.

3) What are the reasons of reducing global poverty?

**Answer:** There are two contrasting and complementary reasons for reducing global poverty. First reason is ethical. It springs from religious teaching. This finds secular expression “everyone has the right to a standard of living adequate for the health and well-being.” The second reason lies in self-interest. In a globalized world, countries large and small are interdependent. Poverty anywhere is a threat to prosperity everywhere. Extreme poverty is the engine of international labour migration which the richer countries are notoriously reluctant to accommodate. Poverty is one of the main causes of terrorism in the world.

**Check Your Progress2**

1) What is the vicious circle of poverty?

**Answer:** The vicious circle of poverty refers to the interconnectedness of different factors that reinforce demand and supply each other in terms of low income, low saving, low investment and low production.

2) What is the regional dimension of poverty in India?

**Answer:** Poverty in India has a regional dimension. The poverty profile differs in rural and urban areas. It also differs widely across states and regions of India. It is primarily due to the wide regional disparity.