

CHAPTER - 8 : POVERTY IN INDIA



Fig. 8.1 : Poverty

Introduction :

Poverty is one of the major challenges faced by Indian economy. It is a socio-economic phenomenon. Poverty is perceived as 'social exclusion' of a certain section of people in the society. Deprivation of basic needs and denial of opportunities has led to social exclusion.

Fig. 8.1 gives an idea about the concept of poverty.

Poverty in India has a long history. Economic drain of resources, decline of handicraft and cottage industries, oppressive economic policies, recurrence of famines etc. were responsible for mass poverty among the people during the British period.

Elimination of poverty has been the top agenda of the Indian Government since Independence. Policy measures such as economic planning, economic reforms and anti-poverty programmes such as 'garibi hatao' have helped in greater reduction of poverty.

Meaning of Poverty :

In the conventional sense, poverty refers to a situation in which a major section of the people in the society are unable to fulfil even the basic needs of life such as food, clothing and shelter due to lack of sufficient income.

Multi-dimensional Poverty :

Concept of poverty in the conventional sense was limited only to basic needs of life. However, in modern times, the scope of the concept of poverty has been enlarged. Of late, the concept of multi-dimensional poverty has emerged.

Multi-dimensional poverty refers to deprivation in terms of both material and non material dimensions. Material dimensions relate to deprivation in terms of food, clothing, shelter, health, education, road connectivity, electricity, access to safe drinking water and sanitation facilities etc. The non material dimensions are associated with social discrimination.

You should know :

According to **Prof. Amartya Sen**, "Poverty is not just a lack of money, it is not having the capability to realize one's full potential as a human being". Capabilities refer to economic, social and political freedom. Lack of substantive freedom such as freedom to satisfy hunger, lack of nutrition, healthcare and educational facilities, denial of political and civil liberties lead to poverty.

Do you know?



Noted Indian Economist and recipient of Bharat Ratna, Prof. Amartya Sen was awarded the Nobel Memorial Prize in Economic Science (1998) for his contribution to welfare economics and social choice theory as well as for his interest in the problems of the society's poorest members. In his book, 'Poverty and Famines: An Essay on Entitlement and Deprivation (1981)', Prof. Sen revealed that declining wage, unemployment,



rising food prices and poor food distribution systems led to starvation among certain groups in the society. His views encouraged policy makers to pay attention not only to alleviating immediate suffering but also finding ways to replace the lost income of the poor. For economic growth to be achieved, he argued that social reforms such as improvements in education and public health must precede economic reforms.

Can you tell :

Express your opinion on the following :

- There is a thick line of rural-urban economic divide in India .
- There is an equitable distribution of income and wealth in the country.
- All the citizens have equal access to education, health, energy and drinking water.
- There is no hunger, starvation or malnutrition in the country.
- There is lack of sanitation facilities in the country.
- Poverty ratio is uniform across all the states.

Concepts of Poverty :

Poverty is multifaceted. The major concepts of poverty in India include absolute poverty and relative poverty.

- a) **Absolute Poverty** : Absolute poverty is measured in terms of minimum calorie intake. Earlier, Planning Commission determined per capita daily calorie requirement of 2400 calories for a person living in the rural area and 2100 calories for a person living in the urban area. On an average, the per capita daily calorie requirement amounts to 2250 calories. Absence of minimum income to satisfy the desired level of calorie intake of food leads to absolute poverty. It is mostly found in the developing countries like India. Absolute poverty can be eradicated through effective poverty alleviation measures.

Find out :

Prepare a list of 5 Countries in the World having Absolute Poverty with reference to the latest World Bank Report.

- b) **Relative Poverty** : It is difficult to define the concept of relative poverty.

It is judged on the basis of comparison of relative standards of living of different sections of the people. Relative poverty is measured with respect to differences in the levels of income, wealth, consumption, economic inactivity (unemployment, old age) etc. Such poverty is found in all the countries of the world. It is an universal phenomenon. Relative poverty cannot be completely eradicated. However, it can be reduced to some extent through appropriate policy measures.

Poverty Line :

Poverty line is an imaginary line that divides the poor and non-poor. It is determined in terms of per capita household expenditure. Various Committees and Study Groups have defined poverty line in different ways.

As per the Task Force on Eliminating Poverty constituted by the NITI Aayog, Poverty line is defined as "the **threshold expenditure** or the amount necessary to purchase a basket of goods and services that are considered necessary to satisfy basic human needs at socially acceptable levels".

Poverty line helps to fulfil the following objectives :

- 1) To determine the population living above poverty line (APL) and below poverty line (BPL).
- 2) To identify the poor on the basis of the household consumption expenditure.
- 3) To track poverty in a region over a period of time and compare it across regions.
- 4) To provide an estimate of the required expenditure on poverty alleviation programmes.

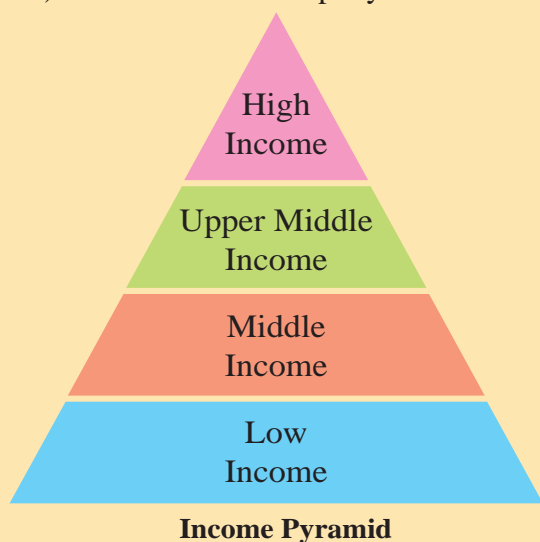


Poverty line differs from country to country. According to World Bank, "Poverty line was defined at \$1.90 per capita per day at 2011 prices on **purchasing power parity** basis (PPP)". On this basis, 21.2% of India's population lived below poverty line.

Can you tell :

Place the following individuals as per their income in the pyramid as given below:

- 1) Contract labourer
- 2) Salesman in a shop
- 3) CEO of a Multinational Company
- 4) Executive in a Company



Types of Poverty :

1) Rural poverty : Deprivation of basic needs among certain section of the people living in the villages is termed as rural poverty.

It is found among small and **marginal farmers**, agricultural labourers, contractual workers and landless labourers. Low agricultural productivity, drought, poor rural infrastructure, illiteracy, lack of alternative jobs, **rural indebtedness** have aggravated the problem of rural poverty.

2) Urban Poverty : Absence of basic needs among certain section of the population living in towns and cities is termed as urban poverty. Urban poverty is largely attributed to the spillover effects of migration among the rural poor, lack of affordable housing, illiteracy, slow industrial growth, lack of infrastructure etc. Urban poverty has led to the growth of slums

and **informal sector** as well as it creates law and order problems in the society.

Find out :

Information about the informal sector and list a few activities related to it as per your observation.

Do you know?

Following are some of the food and non-food items required to be on the poverty line.

Food Items

Cereals, pulses, milk and milk products, salt and sugar, edible oil, egg, fish and meat, vegetables, fruits, spices, beverages, processed food

Non Food Items

Fuel and light, medical, entertainment, durable goods, rent, clothing, bedding, footwear, education, toilet articles, conveyance

Try this :

- 1) Given the number of members in your family prepare a list of food items and non-food items purchased monthly.
- 2) Calculate the total monthly consumption expenditure of your family's consumption basket as per the current prevailing prices.
- 3) What is the per capita monthly expenditure?

Extent of Poverty in India :

Extent of poverty is measured by the **poverty ratio**. It is the ratio of the number of poor to the total population. Studies were conducted by individual economists as well as research institutions to ascertain the extent of poverty in India. Since 1962, the Planning Commission had appointed several working groups, task force and expert committees for estimation of poverty.

Estimates of Poverty :

Earlier, poverty lines were based on calorie intake. It did not include the non food components such as education, health etc. Government of India had appointed various Committees to

review poverty line from time to time. In 2012, an Expert Group, under the Chairmanship of Dr. C. Rangrajan, was constituted. This Committee submitted its report in 2014. As per the report approved by this Committee, a new poverty line has been decided for rural and urban areas.

Table 8.1 provides estimates of poverty by the Rangarajan Committee.

Poverty Estimates (2011-12)

Poverty Line (in Rs.) (Consumption Expenditure)		Poverty Ratio (%)		
Rural	Urban	Rural	Urban	Total
Rs. 972/- Per month (Rs. 32/- per day per person)	Rs. 1407/- Per month (Rs. 47/- per day per person)	30.9%	26.4%	29.5%

Table 8.1

Source : Government of India, Planning Commission Report, (June, 2014)

State-wise Poverty Ratios (2011-12)

State Ratio	Poverty Ratio (2011-12) in Percent	State Ratio	Poverty Ratio (2011-12) in Percent
Andhra Pradesh	9.20	Kerala	7.1
Assam	31.9	Madhya Pradesh	31.7
Bihar	33.7	Maharashtra	17.4
Chhatisgarh	39.9	Odisha	32.6
Gujarat	16.6	Punjab	8.3
Haryana	11.2	Rajasthan	14.7
Himachal Pradesh	8.1	Tamil Nadu	11.3
Jammu and Kashmir	10.4	Uttar Pradesh	29.4
Jharkhand	36.9	Uttarakhand	11.3
Karnataka	20.9	West Bengal	19.9

Table 8.2

Source : Economic Survey 2017-18

Find out :

From the above data on poverty ratios, find out Q_3 and P_{10} and name the states as per the derived partition values.

Causes of poverty : Following are the major causes of poverty in India :

- 1) Population explosion :** Unequal distribution of resources among the rapidly growing population has led to deprivation of basic facilities causing widespread poverty.
- 2) Slow Economic Growth :** Due to slow agricultural and industrial growth, the growth rate of national income and per capita income has been slow over the years. This has resulted in poverty and low standard of living among the people.
- 3) Unemployment and Underemployment :** Poverty in the rural and urban areas has also increased due to unemployment and underemployment.
- 4) Economic inequalities :** Wide inequalities have been observed in the distribution of income, assets, consumption expenditure, credit facilities, agricultural landholdings etc. This has also led to a high incidence of poverty.
- 5) Inaccessibility to infrastructural facilities :** Due to lack of purchasing power infrastructural facilities such as energy, transport, communication, health and education are inaccessible to the poor. This perpetuates poverty.
- 6) Inflation :** Inflation refers to a continuous rise in the price level of essential commodities especially the food items. Growing demand for food and its insufficient supply causes the prices to rise tremendously. This results in low purchasing power making the poor still poorer. Food crisis has led to malnutrition, hunger and starvation among the people.
- 7) Regional imbalance :** Regional imbalance is also one of the causes of poverty. States such as Orissa, Bihar, Madhya Pradesh, Chhatisgarh, Jharkhand, Sikkim, Arunachal Pradesh, Assam etc. lag behind in terms of economic development and therefore have a high poverty ratio.
- 8) Vicious Circle of Poverty :** This concept is given by Prof. Ragnar Nurkse. The

operation of vicious circle of poverty has trapped Indians into miseries which in turn leads to low national income, low per capita income, low capital formation, low-savings, low production, less employment. Fig 8.2 explains the vicious circle of poverty.

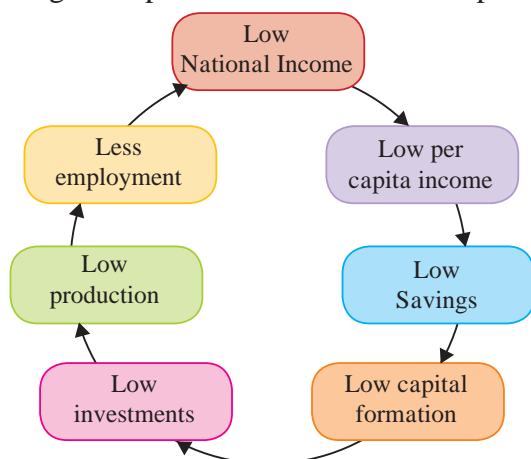


Fig. 8.2 : Vicious Circle of Poverty

9) Other Factors :

- Recurrence of natural disasters
- Caste, religious, racial and gender discrimination
- Administrative inefficiency and corruption
- Leakages in the public distribution system

You should know :

Effects of Poverty :

- Poverty retards the economic progress of a country.
- It leads to low national income and low per capita income.
- It leads to low standard of living.
- It results in low savings, investment and capital formation.
- It leads to concentration of economic power and unequal opportunities.
- It results in class conflicts between the rich and poor.
- Anti-social and anti-national activities are on a rise due to poverty.
- Increase in subsidies have increased government expenditure on welfare programmes resulting in misallocation of resources.

- Poor people become vulnerable to diseases, misery and economic hardships.
- Poverty also leads to environmental deterioration.

You should know :



The UN Sustainable Development Goals (SDGs) was adopted by the international community in September 2015 to comprehensively cover social, economic and environmental dimensions. The SDGs constitute a universal agreement to end poverty in all its forms and dimensions. There are 17 SDGs which have 169 targets to be achieved by 2030. India played an important role in shaping SDGs.

India being one of the signatories of United Nations Sustainable Development Goals, it is committed towards eradication of poverty by 2030 (SDG1).

General measures to eradicate poverty :

Policy measures undertaken for eradication of poverty are as follows :

- 1) **Control of population** : Family Welfare Programme and population policies have been introduced to keep a check over the population growth.
- 2) **Agriculture** : Farmers are provided with cheap credit facilities to purchase agricultural inputs. The Government also announces Minimum Support Prices for selected crops to ensure stable agricultural income.



- 3) **Rural Works** : Employment opportunities are provided to the poor through construction of rural roads, irrigation projects, rural electrification etc.
- 4) **Rural industrialization** : To promote employment in the rural areas, emphasis has been laid on setting up of small scale and cottage industries.
- 5) **Minimum Wages** : Minimum Wages Act was passed in 1948 to provide fair wages to agricultural and industrial workers. It has been revised from time to time.
- 6) **Public Distribution System** : To ensure food security, food-grains are made available to the poor people at highly subsidized rates through ration shops under the **public distribution system**.
- 7) **Nationalization of Banks** : To ensure **financial inclusion**, credit facilities are made available to the poor people at low rates of interest. For this purpose **nationalization of banks** was undertaken in 1969 and 1980.
- 8) **Progressive Tax Measures** : To reduce inequalities in the distribution of income, **progressive income tax system** has been introduced.
- 9) **Education** : To increase the **enrolment ratio**, primary education has been made free and compulsory for all. Free education for girls, mid-day meal programmes, sanitation and safe drinking water etc. have also been provided.
- 10) **Affordable Housing** : Slum rehabilitation programmes and affordable housing facilities are provided to the rural and urban poor.
- 11) **Health facilities** : Primary health centres, government hospitals have been established to provide medical treatment at subsidized rates to the poor people.
- 12) **Skill development and self employment** : Skill development is considered one of the important aspects for job creation in India. For this purpose opportunities need to be provided for skill based training. This will

inspire people towards entrepreneurship or self employment.

Try this :

To ensure food security, the Government of Maharashtra has introduced Tri Colour Family Ration Card. Find out the income criteria of each ration card on the basis of information provided by the Food, Civil Supplies and Consumer Protection Dept., GoM.

WHITE

SAFFRON

YELLOW



Try this :

Correlate the following Poverty Alleviation Programmes with the given points : food security, wage employment, self employment, education, health, sanitation, financial inclusion, housing.

- Employment Guarantee Scheme (EGS)
- Swarnajayanti Gram Swarozgar Yojana (SGSY)
- Jan Dhan Yojana (JDY)
- Swachh Bharat Mission (SBM)
- Sarva Shiksha Abhiyaan (SSA)
- Antyodaya Anna Yojana (AAY)
- Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)
- Pradhan Mantri Awaas Yojana (PMAY)
- National Health Mission (NHM)

Do you know?

17th October is observed as International Day for Eradication of Poverty.

Poverty retards the economic progress of the country. Therefore, anti-poverty programmes introduced by the government needs to be monitored from time to time. Leakages and bottlenecks need to be identified for its effective implementation.

EXERCISE

Q. 1. Assertion and reasoning questions :

- 1) **Assertion (A)** : Poverty level declines with a rise in agricultural output.

Reasoning (R) : Agricultural incomes have declined due to wide fluctuations in climatic conditions.

Options : 1) (A) is True, but (R) is False.

2) (A) is False, but (R) is True.

3) Both (A) and (R) are True and (R) is the correct explanation of (A).

4) Both (A) and (R) are True, but (R) is not the correct explanation of (A).

- 2) **Assertion (A)** : Urban poverty is attributed mainly to spillover effects of migration among the rural poor.

Reasoning (R) : Poor rural infrastructure, lack of alternative jobs results in forced migration.

Options : 1) (A) is True, but (R) is False.

2) (A) is False, but (R) is True.

3) Both (A) and (R) are True and (R) is the correct explanation of (A).

4) Both (A) and (R) are True, but (R) is not the correct explanation of (A).

- 3) **Assertion (A)** : Relative poverty is found in all the countries of the world.

Reasoning (R) : Differences in the levels of income is the only criteria for judging relative poverty.

Options : 1) (A) is True, but (R) is False.

2) (A) is False, but (R) is True.

3) Both (A) and (R) are True and (R) is the correct explanation of (A).

4) Both (A) and (R) are True, but (R) is not the correct explanation of (A).

- 4) **Assertion (A)** : Poverty is not just lack of money but also lack of capabilities.

Reasoning (R) : Lack of freedom to satisfy hunger, lack of health care facilities, denial of political freedom leads to poverty.

Options : 1) (A) is True, but (R) is False.

2) (A) is False, but (R) is True.

3) Both (A) and (R) are True and (R) is the correct explanation of (A).

4) Both (A) and (R) are True, but (R) is not the correct explanation of (A).

- 5) **Assertion (A)** : Food security, credit facilities guarantee social protection to the poor.

Reasoning (R) : Leakages in the administrative system perpetuates poverty.

Options : 1) (A) is True, but (R) is False

2) (A) is False, but (R) is True

- 3) Both (A) and (R) are True and (R) is the correct explanation of (A)

- 4) Both (A) and (R) are True, but (R) is not the correct explanation of (A)

Q. 2. Find the odd word out :

1) Colours of Ration card - White, Green, Saffron, Yellow

2) High Poverty ratio - Chhatisgarh, Jharkhand, Bihar, Kerala

3) Calories - 2400, 1800, 2100, 2250

Q. 3. Give economic terms :

1) Denial of opportunities to certain section of the people in the society.

2) Concept of poverty that covers material and non-material dimensions.

3) Poverty judged on the basis of relative standards of living of the people.

4) Poverty that can be completely eradicated.

5) Threshold expenditure needed to satisfy basic human needs at socially acceptable levels.

Q. 4. Identify and explain the concepts from the given illustrations :

1) Baban's daughter had to be hospitalized due to weakness caused by undernourishment or lack of minimum calorie requirement in the intake of food.

2) Dhanajirao is a wealthy landlord, but his annual income is relatively less in comparison to entrepreneur Raobahadur.

3) Urmi's family live in a situation whereby they are not able to fulfil even the basic needs of life such as food, clothing and shelter.

4) Sanjay's family receives food grains on the basis of yellow ration card through public distribution system.

5) In certain parts of the State, starvation-related deaths have been observed whereas in certain areas gross wastage of food has been reported.

Q. 5. State with reasons whether you agree or disagree with the following statements :

1) Population control is the only measure to eradicate poverty.

2) Relative poverty is universal by nature.

3) Regional imbalance is the only cause of poverty.

Q. 6. Answer in detail :

1) Assess various measures undertaken to eradicate poverty.

