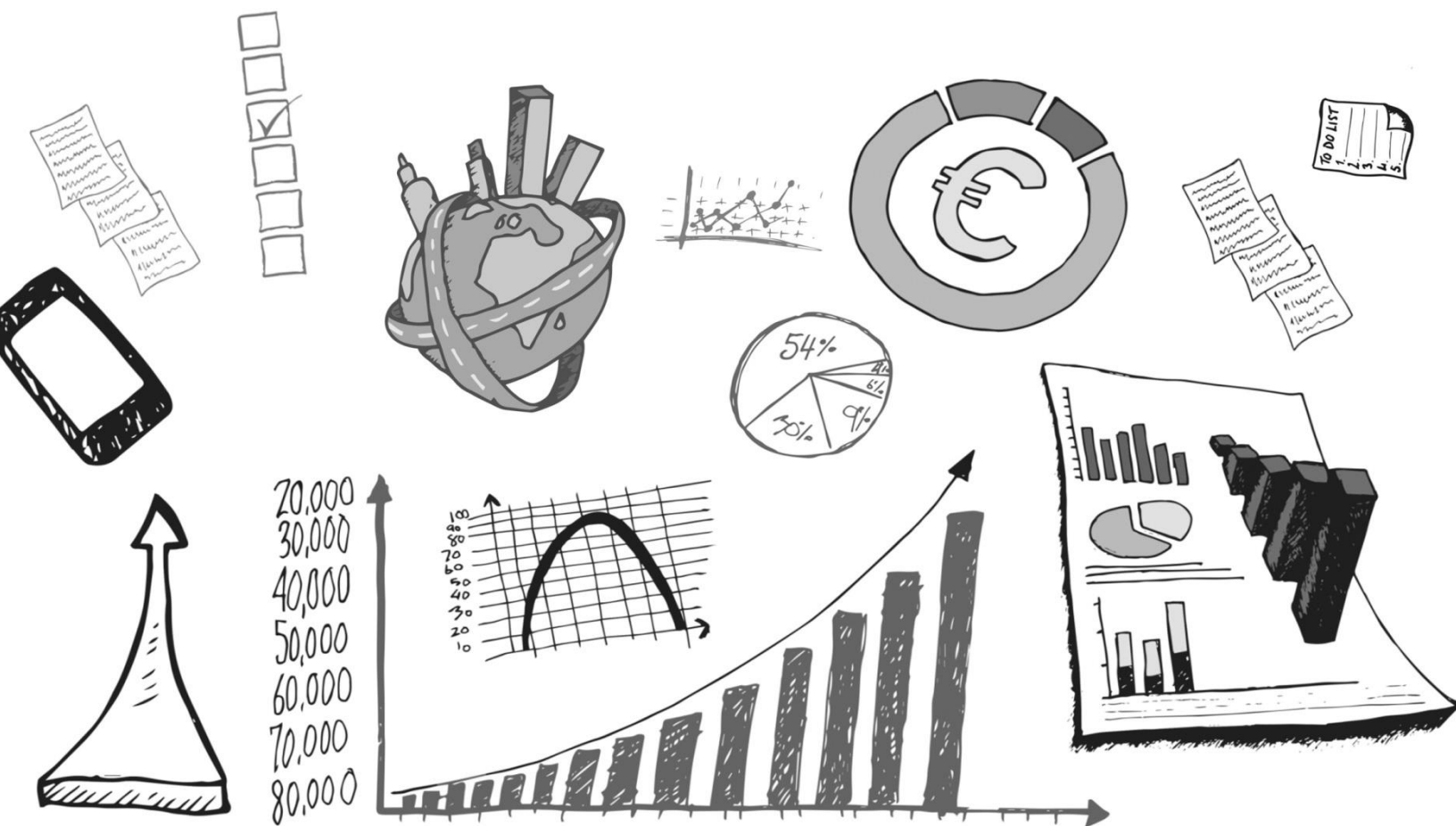


# ECONOMICS



# Poverty

## Topics covered

- + Meaning of poverty and its categories
- + Poverty trends in India
- + Causes of poverty
- + Poverty alleviation programmes

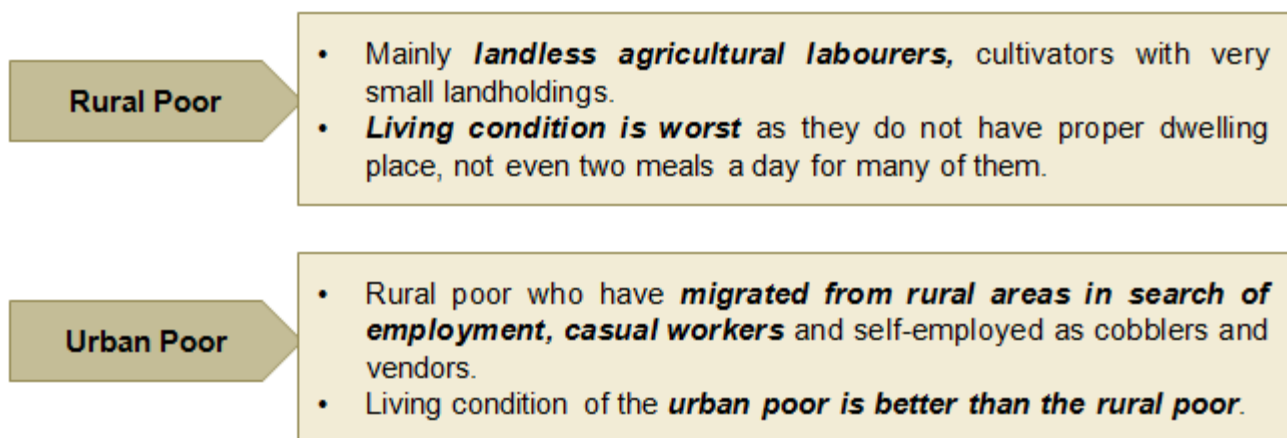
## Meaning of Poverty and its Categories

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

Basically, the poor are people who reside in **kutcha hutments** with walls made of baked mud and roofs made of bamboo, grass and wood. They are **illiterate with low skills and possess few assets** for their day-to-day requirement. Based on the occupation and the ownership of assets, the poor can be identified in the rural and urban areas.



### Nature of poverty in urban and rural areas



Many strategies were designed to help tackle the problem of poverty. The government has to identify the poor for implementing various schemes.

Poverty can be categorised in many ways.

### Categorising Poverty

#### Chronic poor

- People who **always remained poor** or are **usually poor but sometimes have a little more money** are grouped together

#### Transient poor

- Churning poor- people who **regularly move in and out of poverty** such as small farmers and seasonal workers.
- Occasionally poor- people who are **rich most of the time but many sometimes have a patch of bad luck** such as people who gamble.
- Churning and occasionally poor grouped together known as **transient poor**.

#### Non-poor

- People who are **never poor** and can be categorised as not so **poor, middle class, upper middle class, rich, very rich, millionaires and billionaires**.

### Poverty Line

- **Dadabhai Naoroji** was the first person to highlight the concept of a poverty line.
- The poverty line refers to the **cut-off point** which divides people of a region as poor and non-poor.
- Methods to determine the poverty line are many.
- The **monetary value** (per capita expenditure) is one such method. Here, the minimum calorie intake is estimated at 2400 calories for a rural person and at 2100 for an urban person.

### Reasons for calorie-based norm insufficient to identify the poor



- Does not **differentiate between the very poor and the other kind of poor** because it groups all the poor together.

- Considers the **expenditure on food** and other selective items as an alternative for income without any concrete base for measurement of poverty.

- **Difficult to identify** who among the poor really require the most assistance.

- Does not take into account important **factors associated with poverty** such as access to education, health and water.

- Does not take into account **social factors** responsible for people living in poverty.

- In 2011–2012, the poverty line was defined as consumption worth **Rs 816 per person a month in rural areas** and **Rs 1000 per person a month in urban areas**.
- However, the government uses **Monthly Per Capita Expenditure** (MPCE) as an alternative for income of household to identify the poor.

## Poverty Trend in India

- Poverty in India is estimated by the **Planning Commission** on the basis of consumption expenditure data collected by the National Sample Survey Organisation (NSSO).
- About **55%** of the total population was **below the poverty line in 1973–74** and it has **declined to 22%** in 2011–12.
- The state level trend shows that Uttar Pradesh, Madhya Pradesh, West Bengal, Bihar and Odisha accounted for about 70% of Indian poor.

Estimates of poverty ratio in India		
Year	Rural Poverty (in %)	Urban Poverty (in %)
1973–74	56	49
1983–84	45	40
1993–94	37	32
2004–05	28	25
2009-10	35	20
2011-12	26	15





*Source: Planning Commission Estimates*

- The table clearly indicates that over the years rural poverty has declined from **56% to 26%**, while urban poverty has declined from **49% to 15%**.
- **So, decline in the poverty level** is more in rural areas than in urban areas.
- Rural people **migrate to urban areas** in search of jobs but are not able to find jobs which provide an income beyond subsistence.
- Hence, this adds to the percentage of population living **below the poverty line** in urban areas.



## Causes of Poverty

The causes of poverty are varied in nature. They are grouped as economic causes, socio-cultural causes, political and administrative causes.

Causes of Poverty	
<p><b>1. Inequality in the distribution of income and wealth</b></p> 	<ul style="list-style-type: none"> <li>• During the plan periods, the <b><i>national income</i></b> of India has been increasing, but it has not been distributed properly among the different sections of people.</li> <li>• Majority of the income of the economy has been <b><i>enjoyed by the rich</i></b>.</li> <li>• These <b><i>inequalities in the distribution of wealth and income</i></b> have worsened the problem of poverty in India.</li> </ul>
<p><b>2. Underdevelopment of an economy</b></p> 	<ul style="list-style-type: none"> <li>• Physical and natural resources are <b><i>underutilised</i></b> because of lack of technology, capital and entrepreneurial ability.</li> <li>• Therefore, the <b><i>productive capacity</i></b> and gross domestic product of the economy are low.</li> <li>• <b><i>Primitive technology</i></b> of production occurs in the agricultural sector.</li> <li>• They lack irrigation facilities, fertilisers and high-yielding variety of seeds.</li> <li>• This <b><i>backwardness in agriculture</i></b> has given rise to rural poverty.</li> </ul>
<p><b>3. Indebtedness</b></p> 	<ul style="list-style-type: none"> <li>• Poor people take <b><i>loans from the rich section</i></b> of society to meet their basic needs.</li> <li>• In return, they pay a <b><i>high rate of interest</i></b> for the amount borrowed from moneylenders.</li> <li>• Moneylenders <b><i>exploit</i></b> them, and they thus live below the poverty line from one generation to another.</li> </ul>
<p><b>4. Price inflation</b></p> 	<ul style="list-style-type: none"> <li>• Upward trends in the consumer price index during the plan periods led to a <b><i>fall in the real income</i></b> of fixed and low-income earners.</li> <li>• Inflation decreases the <b><i>purchasing power</i></b>, and hence, there is a low standard of living and a high incidence of poverty.</li> </ul>
<p><b>5. High rate of population growth</b></p>	<ul style="list-style-type: none"> <li>• Because of an <b><i>increase in population</i></b>, the dependency burden has increased.</li> <li>• Hence, the provision for their <b><i>minimum needs</i></b> becomes</li> </ul>



a crucial problem.

- This high growth rate of population also signifies lower availability of health facilities and other amenities and therefore a lower standard of living.

### 6. Unemployment



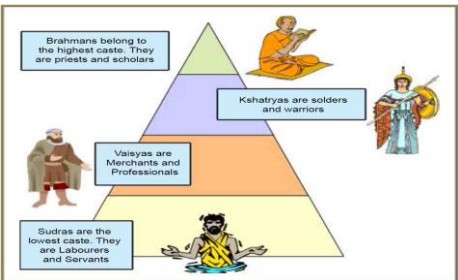
- The poverty level increases with the rise in the number of **unemployed**.
- Because of unemployment, the number of dependents on the employed population increases.
- This results in a **decline in the consumption expenditure** per head and a majority of people are living in poverty.

### 7. Illiteracy



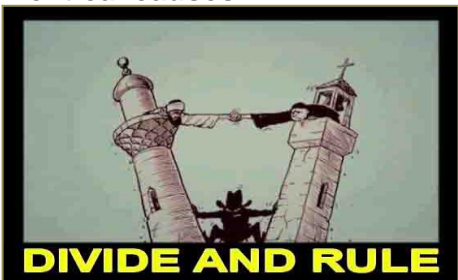
- Because of lack of literacy, Indian farmers **fail to learn new methods of cultivation** or adopt new tools for production.
- Also, village moneylenders **succeed in cheating** them more easily.
- On the other hand, urban people are employed as unskilled workers and receive **very low wages in return**.
- They mostly **live in slums** and lead a miserable life.

### 8. Social causes



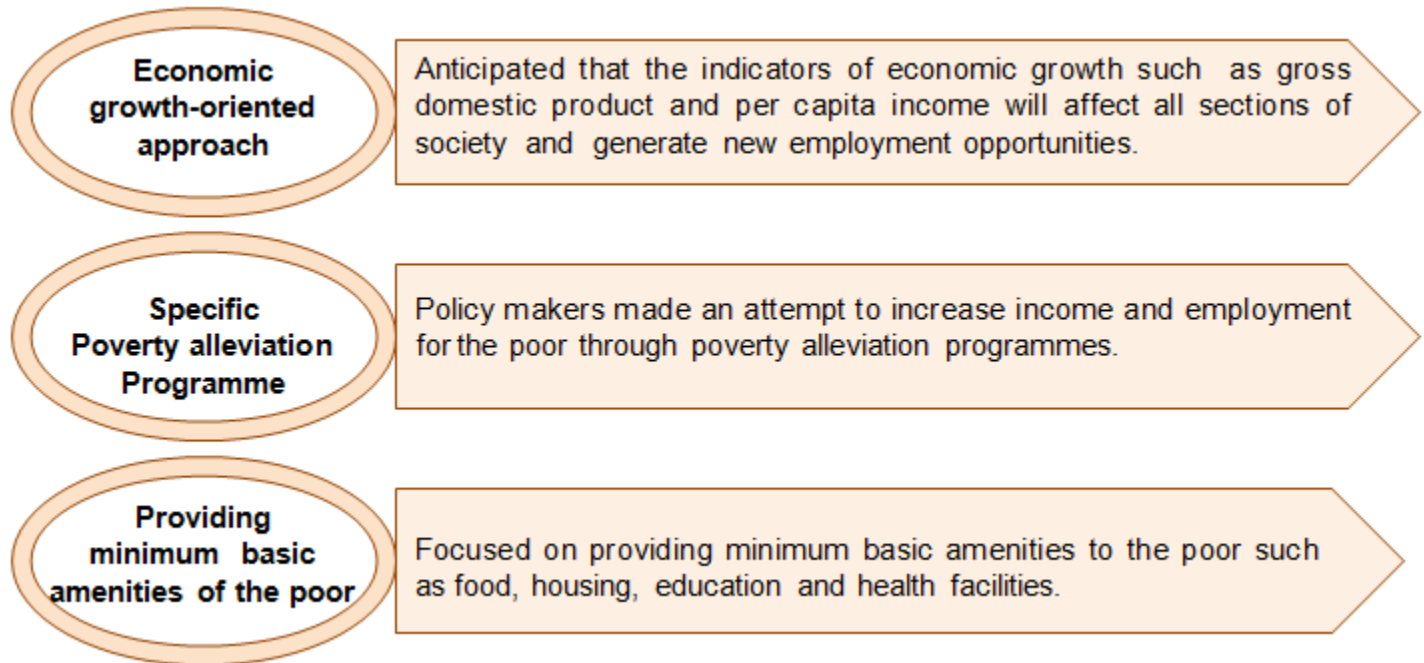
- Many social factors such as caste system, religious faith and beliefs, and joint family system have **hindered the process of economic growth**.

### 9. Political causes



- 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 **interests of the poor**.

### Three dimensions of the government's approach to reduce poverty



The government was not successful in poverty alleviation through the three-dimensional approach because of the following reasons:

- Although various initiatives were taken by the government to alleviate poverty, hunger and malnourishment, many regions of India **lack basic amenities and educational facilities**.
- The amount of resources allocated for poverty alleviation programmes was **not sufficient to cope with the magnitude of poverty** in India.
- **Unequal distribution of income, corruption and mismanagement** of poverty alleviation programmes created obstacles in the process of removing poverty in India.
- Thus, government programmes for employment generation, economic growth and poverty alleviation **failed to alleviate poverty in India**. In addition, government policies failed to tackle the majority of vulnerable groups.

### Poverty Alleviation Programmes

#### 1. Prime Minister Rozgar Yojana (PMRY)

- It provides **financial assistance** to set up any kind of enterprise.
- It generates **employment opportunities** to the educated unemployed from low income families in rural and urban areas.

#### 2. Rural Employment Generation Programme (REGP)

- It is implemented through the Khadi and Village Industries Commission to assist eligible **entrepreneurs to set up village industry units**.
- It creates **employment opportunities** in villages including small towns with a population of up to 20,000.

### 3. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

- In this scheme, the state governments provide at least **100 days of guaranteed wage** employment in every financial year to every household whose adult members volunteer to do unskilled manual work.
- If work is not provided within a 15-day period, then the applicant is eligible for **unemployment allowance** by the state governments.

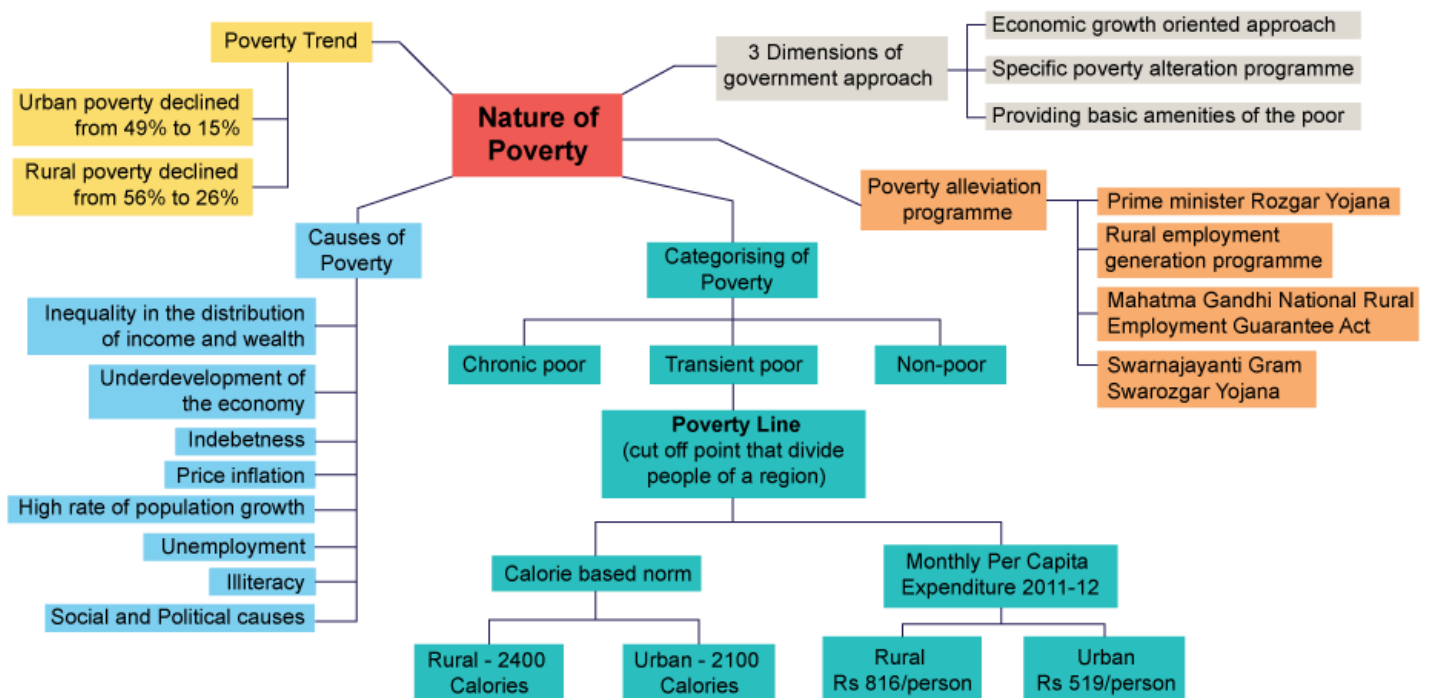
### 4. Swarna Jayanti Gram Swarozgar Yojana (SJGSY)

- This was launched in 2000 to reduce the levels of poverty in India.
- The central government provided **financial assistance** to the states for the fulfilment of necessities such as primary health and education.
- It also aims to provide **clean drinking water** in the rural areas and to provide shelter to the poor.

### A critical assessment on poverty alleviation programmes

- Due to unequal distribution of land and other assets, the benefits from alleviation programmes have been **appropriated by the non-poor**.
- Compared to the magnitude of poverty, the amount of **resources allocated** for these programmes is not sufficient.
- Resources are **inefficiently** used and wasted because the officials involved in the implementation of the programme are **ill-motivated**, inadequately trained, corrupt and vulnerable to pressure from a variety of local elites.
- Government policies have also **failed to address** the vast majority of vulnerable people who are living on or just above the poverty line.

#### Mind Map





### Important questions with answers

**Q1: Why is the calorie-based norm not adequate to identify the poor?**

**Ans:** The calorie-based norm is not adequate to identify the poor because of the following reasons:

- It does not differentiate between the **very poor and the other kind of poor** because it groups all the poor together.
- It considers the **expenditure on food and other selective items** as an alternative for income without any concrete base for measurement of poverty.
- It is difficult to identify who among the poor **really require the most assistance**.
- It does not take into account important factors associated with poverty such as **access to education, health and water**.
- It does not take into account **social factors** responsible for people living in poverty.

**Q2: Why are employment generation programmes important in poverty alleviation in India?**

**Ans:** Employment generation programmes are important in poverty alleviation because of the following reasons:

**Employment generation programmes** ⇒ Reduce migration from rural to urban areas; remove disguised employment; increase the level of income; provide basic facilities, socio-economic conditions and skill development through training ⇒ **Eradication of poverty**

**Q3: Is there any relationship between unemployment and poverty? Explain.**

**Ans:** Unemployment and poverty are directly related to each other, i.e. poverty increases with an increase in the unemployment level because

- Unemployed people are not able to **support their families and educate their children**.
- Per head consumption expenditure will tend to decline, implying an increase in people **below the poverty line**.
- The government initiated various programmes to alleviate poverty by **generating employment opportunities for the poor**.

**Q4: Explain any 2 measures taken by the government of India to remove poverty.**

**Ans:** Measures taken by the government of India to remove poverty:

- **Mahatma Gandhi National Rural Employment Guarantee Act, 2005:** In this scheme, the state governments have to provide at least **100 days of guaranteed wage employment** in every financial year to every household whose adult members volunteer to do unskilled manual work.
- **Swarnajayanti Gram Swarozgar Yojana:** The central government provided financial assistance to the states for the fulfilment of necessities such as primary health and education.