The Problem of Poverty in India: An Overview

Meaning of Poverty:

Poverty is often defined by economists and social workers with reference to certain basic amenities such as food, floor space per person, medical care, etc. When a family lacks these basic amenities, it is considered poor, regardless of its income.

An alternative approach is to define poverty **"in terms of both minimum needs of food consumption",** or, more specifically, calorie or nutrition requirements to sustain life is determined first. This is then converted into an income level for a particular base year. Families with income less than the **"critical level"** are classified as poor regardless of size and actual living conditions as a result of past savings, accumulated wealth and private gifts.

A third approach is to define poverty in terms of relative income, irrespective of accumulated wealth. The lowest 5% or 10% of the population is defined as poor. This is known as income poverty.

Poverty Estimates in India:

Poverty is of two types absolute and relative. Absolute poverty is measured by the percentage of people living below the poverty line or by the head count ratio. Relative poverty refers to income inequality.

In measuring poverty the first step is to set a standard and then estimate the number of persons who satisfy the standard in different regions of the country and at different points of time. However, specification of that standard has to be arbitrary, reflecting a social value judgment.

The poverty line is updated by estimating what would it cost to obtain the base year consumption basket with prices prevailing in subsequent years. The process has one major drawback; it does not take into account the substitution that consumers may make when the relative prices of some items of consumption change or their tastes change.

Various studies have been made in India on the extent of poverty. In this section we give an account of each of the estimates of poverty in India and then examine their validity.

1. Ojha:
P. D. Ojha estimates that, in 1960- 61, 190 million people (constituting about 44% of the then total population) lived below the poverty line. A vast majority—184 million—of the poor lived in rural India (51.8% of total rural population as compared to only 6 million in urban areas (7.6% of the total urban population). His study reveals that the rural poor increased to 289 million (70% of the rural population) in 1967-68.

2. Dandekar and Rath:
An alternative estimated made by V. M. Dandekar and Nilkantha Rath is based on the entire diet. Using a minimum for both rural and urban areas, Dandekar and Rath estimated that 40% of the rural population lived below the poverty line in 1960-61. For the country as a whole, the percentage was 41. Dandekar and Rath estimate that the percentage (not the absolute number) of poor in India remained more or less constant at 41 between 1960-61 and 1968-69.

3. Minhas:
Unlike Dandekar and Rath, Prof. B. S. Minhas rejects the concept of minimum calories for rural and urban areas. Rather, Minhas defines poverty line in terms of minimum amount of consumption expenditure of Rs. 240 per annum.

Using the National Sample Survey data and GNP deflator, Minhas estimated that 50.6% of the Indian population was below poverty line in 1976- 77. Minhas reports a declining trend in poverty from 65% in 1956-57 to 63.2% in 1957-58, 59.4% in 1960-69, 56.4% in 1961-62, 57.8% in 1963-64, 51.6% in 1964-65 and 60.5% in 1967-68.

4. Bardhan:

P. K. Bardhan contends that GNP deflator is a biased measure because it includes both agricultural and manufactured commodities. The agricultural labour price index was considered by him as more appropriate in view of the fact that the share of manufactured commodities in the typical budget of the rural poor was really insignificant and much below the national average.

Based on the same national minimum, but a different deflator, Bardhan arrived at the estimate that 38% of the rural population lived below the poverty line in 1960-61. According to Bardhan, the incidence of poverty, however, increased from 38% in 1960-61 to 54% in 1968-69.

5. The Sixth Plan (1980-85):

The Sixth Five Year Plan also defines minimum needs in terms of 'physical survival'. Using a minimum of calorie intake of 2,400 per person in the rural areas and 2,100 for urban areas, respectively, the Plan reports that 51.49% of the population lived below the poverty line in 1972-73.

The Plan records a decline in the incidence of poverty from 51.49% in 1972-73 to 48.13% in 1977-78. In the rural areas, the percentage of impoverished decreased from 54.09% in 1972-73 to 50.82% in 1977-78. In the urban sector, during the same period, the population living below the poverty line declined from 41.22% to 38.19%.

Official Definition:

Indian official definition of poverty goes in terms of calorie intake. It is measured by expenditure required for a daily calorie intake of 2,400 per person in rural areas and 2,100 in urban areas. The expenditure is officially estimated at Rs. 228.90 per capita per month in rural areas and Rs. 264.10 in urban areas at 1993-94 prices.

In India the official estimate of poverty is based on the head count ratio (HCR) which is the number of persons below the poverty line as a per cent of the total population. However, there are difficulties in comparing poverty estimates over time. The incidence of poverty changes from year to year depending on monsoon.

There is thus a difference between temporary poverty and permanent poverty. Thus a comparison between two time periods can be misleading. Yet there is clear evidence to show that poverty has gone down over the 1980s and 1990s. The fall over the 1990s is faster. Yet after 50 years of planning we have so many poor.

Poverty has fallen in almost all States. But it incidence varies across States. The State-wise estimates of rural poverty indicate that the percentage point reduction differs across States.

Causes of Mass Poverty:

Now, we will mention some factors which are operating in India to cause mass poverty despite planned efforts to reduce such poverty.

In the first place, ownership of industries in the hands of a few small businessmen in India has made the distribution of income inequitable. And poverty is a reflection of inequality. These people have accumulated huge profit and, hence, wealth.

Secondly, in the initial stage of planning, planners placed a great deal of emphasis on growth objective as growth itself would take care of inequality or poverty. The Fifth Plan stated that a higher rate of growth of national income would itself enlarge employment opportunities and, hence, standards of living of poor masses.

But this did not happen. In a society characterised by gross inequality in the distribution of assets, economic growth itself failed to reduce poverty. Thus, the problem of poverty in India lies in the economic structure—”skewed distribution of the ownership of income-yielding assets.”

The same trend is observed in rural area where we find inequitable distribution of land, which is most important income-earnings asset.

Thirdly, the most important cause of inequality and, hence, poverty, is the chronic unemployment and underemployment situation. This definitely has the potentiality of reducing output and, hence, income. This means that the low rate of economic growth is the cause of the low level of income of the vast majority of the people. Despite several measures to reduce unemployment, the problem in recent times has assumed a gigantic proportion, making the problem of poverty more acute as well as painful.

Fourthly, regressive tax structure of the country leading to tax evasion is another influencing factor in increasing inequality and poverty. Tax evasion has led to the growth of black money in a reckless speed. This black income is owned by the high income group people. This regressive tax structure is contributing greatly to fuel the inflationary fire. Inflation tends to widen economic inequality.

Fifthly, high rate of population growth in India has also made the problem of poverty a serious one. Because of illiteracy, population growth among the poor masses is high. Above all, as they consider male child an asset, they enlarge the size of their families. Obviously, with little employment and bigger families, incomes per head of the family are inadequate even to meet the basic needs. This is one aspect of the "vicious circle of poverty."

Finally, considering the extent of poverty, the anti-poverty measures adopted by the Government are grossly inadequate. As a result, a large number of people still live below the poverty line.

Generally, the two main causes of poverty are under-development of the economy and inequality in the distribution of income-earning assets. Both factors are equally responsible. Thus, our economy has got caught in a vicious cycle. The poor remain poor and do not earn enough to invest in any sector of the economy.

This slows down the growth rate of the economy. Growth and inequality have to be tackled successfully in, order to start remove poverty. Another problem to be well tackled is the population explosion in India because this is the root cause of income poverty.

Anti-Poverty Measures:

According to B. S. Minhas:
"Judged by any reasonable standards the extent of abject poverty in rural India is alarmingly massive. An important and practical need today is to focus policy analysis on concrete measures for the benefit of the poor."

The measures adopted so far to reduce poverty and inequality were the following:

1. Primarily the government has tried to remove poverty or inequality in income distribution through the Five Year Plans by accelerating economic growth and increasing employment opportunities.

2. Land reform measures such as abolition of the zamindari system, ceilings on land holdings, redistribution of land among poor peasants and farmers have helped to a great extent.

3. The encouragement of small-scale industries have helped to create much more employment and self-employment opportunities.

4. A very important aspect of the anti-poverty measure is the family planning programme. This is true for the present as well as the future well-being of the country.

5. To control the growth of large business houses in India, the Government of India has passed the Monopolies and Restrictive Trade Practices (MRTP) Act in 1969. However, this Act, in fact, has failed to check the trend toward monopoly.

Special Programmes:
Various special programmes have been undertaken to raise income of the poor people. Most of the schemes are in operation since the Fifth Plan (1974-79) whose basic objective was 'Garibi Hatao'.

1. Minimum needs programme introduced in the Fifth Plan encompassed:
(i) Elementary education for all children up to the age of 14,

(ii) Expansion of family planning programme and public health facilities,

(iii) Home sites for landless labour, etc.

2. Special programmes for the upliftment of the rural poor introduced in the 1970s are:
(i) Food for Work Programme (FWP)

(ii) Small Farmers' and Agricultural Labourers' Development Agency (SFDA and MFAL)

(iii) Crash Scheme for Rural Employment (CSRE)

(iv) Drought-Prone Areas Programme (DPAP)

3. The most important schemes to raise rural incomes operating at present are: (i) Integrated Rural Development Programme (IRDP); (ii) National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP). FWP scheme introduced in the 1970s has been merged with the NREP scheme introduced in the early 1980s.

The IRDP aims at helping the poor by creating assets for them in the form of bullocks and implements, animals for dairy, tools for cottage industries and handicrafts, etc. The NREP scheme launched in the Sixth Plan (1980-85) intended to employ landless labourers in the programmes of rural assets creation and development. The RLEGP scheme aimed at providing employment up to one hundred days in a year to one member of the rural landless family.

4. Another scheme to upgrade skills, productivity and earnings of rural artisans is covered by various programmes of Training for Rural Youth for Self-Employment (TRYSEM).

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5. Some of the actions of the Government are rural electrification and opening of branches in rural areas by banks. These measures are likely to help greatly in setting up industries in rural areas. The Reserve Bank has also issued instructions to the banks to give priorities for .providing credit to small farmers at low rates of interest. This would help them to reduce their dependence or the moneylenders.

So far nothing really significant has been achieved due to the low rate of growth of the economy and a high rate of population growth. It is necessary that the growth strategy aims at proper redistribution of income. The economic conditions of the poor, however, can be improved if they are given assets like land or capital and are trained to employ them more productively. In the present context, such action is impossible to initiate.

In fact, proliferation of employment generating schemes without any relevance to the return on investment leads to perpetuation of poverty, not removal of it. Data on those living below the poverty line show that nearly half of them have not benefited from development in any way. In the present socio-economic context, poverty is bound to exist. But the sad truth in that poverty is on the rise despite various anti-poverty measures adopted by the Government.

The Overall Record:

In 1947, Jawaharlal Nehru called for **“the ending of poverty and ignorance and disease and inequality of opportunity”.** Mahatma Gandhi, too, argued that India would become truly independent only when its poorest were free of human suffering and poverty.
Since then, India has completed 50 years of plans and programmes to promote development and eradicate poverty. What has been achieved?

Certainly, there has been progress in agriculture, industry, and, more recently, income poverty reduction.

But the overall record is mixed as the following description indicates:

1. Food and Nutrition:

Between 1951 and 1995 food-grain production increased fourfold and famines were .virtually eliminated. Yet 53% of children under age four—60 million—remain undernourished.

2. Education:

In 1961-91 literacy more than doubled, yet half the population is still illiterate. And for females aged seven and above, the proportion is 61%. More than 45% of children do not reach grade five.

3. Health:

During the period 1961-92 life expectancy almost doubled to 61 years and by 1995 infant mortality had been more than halved to 74 per 1,000 live births. Even so, each year, there are 2.2 million infant deaths, most of them being avoidable.

4. Safe Water:

More than 90% of the population has access to safe drinking water. But declining water tables, quality problems and contamination threaten the advances.

5. Income Poverty:

The share of people in income poverty has fluctuated widely in the past but the trend is downward. There has occurred significant improvement in real wage rates for agricultural labour. Since most agricultural labourers are the poorest people in the country, a higher wage rate should result in reduction of poverty.

Many people would credit the reductions in human poverty (and even more so those in income poverty) to economic growth. No doubt growth has been substantial. In 1950-94 the index of industrial production increased 13-fold and per capita net national product more than doubled. But the trends in income poverty over this period are far from uniform.

1. 1951 to mid-1970s, fluctuation:
In 1951 the proportion of the rural population living below the income poverty line was 47%. It rose to 64% in 1954-55; fell to 45% in 1960-61, then rose again, to 51% in 1977-78.

2. Mid-1970s to end of the 1980s, significant, steady improvement:
Between 1977-78 and 1985-86 rural income poverty fell from 51% to 39%; by 1989-90 it had fallen to 34%. Income poverty also fell in urban areas, from 40% to 33% between 1977-78 and 1989-90.

3. After 1991 — Progress and Setbacks:
During the period following economic reform there was first a rise, then a fall in income poverty. In 1989-90, the incidence of income poverty in rural areas was 34%; in 1992, 43%; and in 1993- 94, 39%. In urban areas in these years it was 33%, 34% and 30%.

But these national aggregates mask wide variation among States. Four States managed to reduce income poverty by more than 50%— Andhra Pradesh, Haryana, Kerala and Punjab. Other States were less successful and today 50% of India's rural income-poor live in three States Bihar, Madhya Pradesh and Uttar Pradesh.

How much of the reduction in poverty can be ascribed to economic growth? Growth was slower in 1950-75, averaging 3.6% a year. Over the next 10 years (1976-85), when income poverty fell the most, growth rose to 4% a year and in it averaged 6% a year. But equating growth with poverty reduction is too simplistic. In the second half of the 1980s, for example, despite rapid economic growth, income poverty fell little. Statistical analyses suggest that economic growth explains at best around 50% of the reduction in income poverty.

Whether faster growth leads to a fall in the incidence of poverty depends on social and political factors. Kerala, for example, ensured big reductions in income poverty, despite slow economic growth, through political activism' and rapid, equitable expansion of opportunities.

Nationwide, India did not see a consistent drop in poverty in the first period because of a greater emphasis on total output than on distribution. In rural areas, where three-quarters of the poor people live, the Green Revolution increased agricultural production, but inadequate efforts were made to distribute the benefits equitably. Land and tenancy reforms were introduced, but seldom implemented. Similarly, in urban areas, the focus was on heavy industry and public enterprises rather than on the micro-enterprises that employ most of the poor people.

Imbalances were also evident in human poverty. A large of the (limited) education budget was spent on higher education—at the expense of basic education. Health services were concentrated in urban areas, where they could best serve the middle classes. Nor was there much people's participation.

Village and local institutions were replaced by bureaucracies that administered centrally developed programmes. All these added to inequality. And those most affected were the scheduled castes and scheduled tribes, which have higher rates of illiteracy and child mortality.

The better performance in the second period is largely a result of pro-poor policies and programmes. As part of a strategy to alleviate poverty, the Government introduced new programmes of employment and asset generation and required banks to direct 40% of lending to priority sectors. Rural non-agricultural employment increased sharply, as did real agricultural wages.

But the most important part of the pro-poor effort was a massive increase in public spending. In 1976-90 real per capita development spending grew by 6% a year—twice the 3% annual growth in GDP. Comparisons among States show the significance of public spending income and poverty levels are closely correlated with public spending levels.

But State comparisons also show that reducing human poverty demands much more than income growth. Many aspects of deprivation—from poor health to discrimination to domestic violence—have little to do with income. Haryana's per capita income is among the highest and fastest growing in India. Yet its infant mortality rate, at 68 per 1,000 live births, is four times Kerala's.

Women in Haryana suffer systematic deprivation, reflected in one of the lowest female to male ratios in the country—865 to 1,000. If all of India had Kerala's birth and child death rates, there would be 1.5 million fewer infant deaths in the country every year and a dramatic reduction in population growth. The disaggregated HPI for India shows similar variations; while Kerala has reduced its HPI to 15%, for Bihar and Rajasthan the HPI is more than 50.

The Ninth Five Year Plan (1997-2002) called for eradicating income poverty by the year 2005. The Planning Commission interpreted this goal as reducing income poverty to around 5% over the next 10 years (1997-2007).

Apart from dealing with the immediate foreign exchange crisis, economic reforms initiated in India since July 24, 1991 were directed to deal with poverty and improving the well-being of the people. A high growth rate was considered to be absolutely essential for rapid reduction in poverty. For high growth it is necessary to use resources efficiently. For efficiency competition is considered essential. Deregulation is required to create competition.

A free trading environment and competition from imports are also necessary to control monopoly and big business and to direct investments into activities where India has comparative advantage. Thus it was expected that labour-intensive exports and production would grow, creating new jobs and reducing poverty. The primary goal of the reforms was to increase the well-being of the poor.