1. Details of module and its structure

Module Detail	
Subject Name	Economics
Course Name	Indian Economic Development 01 (Class XI, Semester - 1)
Module Name/Title	Poverty
Module Id	keec_10401
Pre-requisites	Knowledge about some of the terms like poverty, nutrition, income, employment etc.
Objectives	After going through this lesson, the learners will be able to understand the following: • Concept of Poverty • Poverty Estimates in India. • Causes of Poverty • Poverty Alleviation Programmes and Policies
Keywords	Poverty, poverty line, nutrition level, URP, MRP

2. Development team

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1. Introduction

Poverty is a challenge not only for India, but for the whole world. It is an outcome of multiple deprivation and lack of empowerment. Poverty can be viewed as social phenomenon in which a section of society is deprived of the minimum level of living. In other words, a person who is unable to fulfill minimum level of living can be termed as poor. The minimum level varies from society to society, nation to nation and changes over time as well. Usually the minimum level of living includes food, clothing, housing, education, health and others facilities.

The denial of minimum level of living causes personal, social and economic loss to the society. There is loss of health and efficiency which results in low earning. It is also said that poverty multiplies itself and becomes a vicious circle.

2. Measurement of Poverty in India

NITI Ayog (erstwhile Planning Commission) is the nodal agency in India for estimation of poverty. It estimates the incidence of poverty at the National and State levels in the rural and urban areas. The incidence of poverty is measured by poverty rate, which is the ratio of poor to the total population expressed as percentage. It is also known as Head Count Ratio (HCR). Poverty ratio is measured through a poverty line in terms of per capita consumption expenditure over a month. The expenditure data is obtained from NSSO surveys.

Erstwhile Planning Commission had constituted various Task force/ Expert Groups from time to time to review the methodology of estmination of poverty. It constituted a Working Group in 1962 to find a desirable minimum level of living for the population. The working group recommended that the National Minimum Consumption Expenditure (NMCE) for a house hold of five persons should not be less than Rs. 100 per month and Rs. 20 per capita per month in terms of 1960-61 prices. For urban areas, the figure was Rs. 125 per month or Rs. 25 per capita per month in view of higher prices in urban area.

It may be noted that the poverty line excluded the expenditure on education and health as they were assured to be provided by the government.

In 1977, the Planning Commission constituted a Task Force headed by Dr Lakdawala (Lakdawala Committee) which provided a quantitative measure of poverty by estimating the average calorie requirement for rural and urban areas. The estimated calorie norm was 2400 Kcal per capita per day in rural areas and 2100 Kcal per day in urban areas. In terms of expenditure, Rs. 49.09 per capita per month was associated with a calorie intake of 2400 per capita in rural areas and Rs. 56.64 per capita per month, with a calorie intake of 2100 per day in urban areas. The Monthly Per Capita Expenditure (MPCE) was termed as Poverty Line.

Table 1.1

Poverty Ratio and Number of Poor: Expert Group (Lakdawala) Method

Year	Poverty Ratio (%)			Number of Poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
1973-74	56.4	49.0	54.9	261.3	60.0	321.3
1977-78	53.1	45.2	51.3	264.3	64.6	328.9
1983	45.7	40.8	44.5	252.0	70.9	322.9
1987-88	39.1	38.2	38.9	231.9	75.2	307.1
1993-94	37.3	32.4	36.0	244.0	76.3	320.3
2004-05 (URP)	28.3	25.7	27.5	220.9	80.8	301.7

The Table 1.1 shows the poverty ratio in percentage and absolute number of poor people in both rural and urban areas from the year 1973-74 to 2004-05. There has been a decline in both absolute number as well as percentage. It may be noted that URP* or Uniform Reference/Recall Period consumption in which the consumer expenditure data for all the items are collected from 30-day recall period.

In view of some inadequacies pointed out by experts, an Expert Group under the Chairmanship of Dr. Suresh Tendulkar was constituted in 2005 to review and recommend a new Poverty Line. However, the Expert Group did not construct a new poverty line. It adopted the Lakdawala methodology and replaced URP (Uniform Reference/Recall Period) by MRP (Mixed Reference/Recall Period). URP uses 30-day reference/recall period for all items of consumption, food items and non-food items. But the Tendulkar Committee changed the reference period for past one year for 5 non-food items, i.e., clothing, footwear, durable goods, educational and institutional medical expenses, called ‘Mixed Reference/Recall Period’ (MRP).

Table 1.2

National Poverty Lines (in Rs. per capita, per month)

Year	Rural	Urban
2004-05	446.7	578.8
2009-10	672.8	859.6
2011-12	816.0	1000.0

The Tendulkar Committee estimated as shown in Table 1.2 that the all India Poverty Line for the 2004-05 for rural areas was Rs. 446.7 per capita per month and for urban areas Rs. 578.8 per capita per month. On this basis, 41.8 percent of the rural population and 25.7 percent of the urban population was estimated to be below the poverty line in 2004-05. For the country as a whole, 37.2 percent of the people were below the poverty line in 2004-05.

In 2013, using the same methodology, the poverty line was revised at Rs. 27.20 per capita per day for rural areas and Rs. 33.33 per capita per day for urban areas. This translates to Rs. 816 per capita per month in rural areas and Rs. 1000 per capita per month in urban areas. On this basis, 21.9 percent of the population was below poverty line in 2011-12 (21.7 percent in urban areas.)

A new Expert Group under the chairmanship of C. Rangarajan (set up in 2012) submitted its report in 2014 and came up with a new estimation of poverty line. It defined 'per capita monthly expenditure' of Rs. 972 in rural areas and Rs. 1407 in urban areas as the basis of poverty line. It used 'Monthly expenditure of household of five' for defining the poverty line, which was Rs. 4860 in rural areas and Rs. 7035 in urban areas. The Expert Group was of the view the expenditure of households was more appropriate than that of the individuals. Rangarajan Committee also took into consideration the average requirements of calories, proteins and fats based on ICMR norms, which are given below:

- Calorie requirement: 2090 Kcal in urban areas and 2155 Kcal in rural areas.
- Proteins: 50 grams for urban areas and 48 grams for rural areas.
- Fat: 28 grams for urban areas and 26 grams for rural areas.

The latest exercise of poverty estimation is based on Socio Economic Caste Census (SECC) carried out in 2011. This data has been used from 2015 onwards to identify poor families or households. This methodology uses seven indicators relating to assets, income, literacy, possession of modern amenities like mobile phone, vehicle, refrigerator etc. to differentiate between the poor and non-poor. Based on this method, 31.26 percent of population are considered to be poor.

3. Causes of Poverty

- **Institutional and Social Factors**: The causes of poverty lie in the institutional and social factors that mark the life of the poor. The poor are deprived of the quality education and are unable to acquire skills which fetch better incomes. Good health care facilities are also not available to poor people.
- **Rapid Population Growth among the Poor**: Growth rate of population went up from 1 percent in 1941-51 to 2.1 percent in 1991. Population growth among poor people is high because of their illiteracy, traditional attitudes, lack of family planning practices, preference for the male child etc. With large sized families and low income, they are unable to meet even the basic minimum needs of the family members.
- **Poor Implementation of Land Reforms**: After independence, the government tried to implement land reforms and redistribute land to those who do not have any land. This move was successful only to a limited extent. Large section of agricultural workers were not able to farm the small holdings, as they did not have either money or skills to make the land productive and the land holdings were too small to be viable.
- **Lack of alternative source of employment**: A large section of the rural poor are small farmers. The land they have is less fertile and is dependent on monsoon. Their survival depends on subsistence crops and sometimes on live-stocks. With rapid growth of population and without alternative sources of employment, per capita availability of land for cultivation has steadily declined leading to fragmentation of land holdings.
- **Indebtedness**: Often, there are reports of farmers committing suicide due to their inability to pay back the loans taken by them for cultivation and other personal needs. Many a times, their crops often fail due to drought or other natural calamities, causing acute stress and leading them to such extreme step.
- **Lack of infrastructure**: Economic and social infrastructures like energy, transport, power, education, health etc. serves as the foundation of growth and development. Lack of these infrastructures slows down growth in the economy and efforts to address poverty.
- **Social Factors**: Various social factors, like caste-system, joint family system, religious faith and beliefs, law of inheritance etc. often hinder the process of economic growth. For example, members of scheduled castes and scheduled tribes are not able to participate in the emerging employment opportunities in different sectors of the urban and rural economy as they do not possess necessary knowledge and skills.

3. **Policies and Programmes towards Poverty Alleviation**

Government's approach to poverty reduction has taken three forms. The first is growth oriented approach. It is based on the expectation that the effects of economic growth — rapid increase in gross domestic product and per capita income — would spread to all sections of society and will trickle down to the poor sections also in due course. This was the major focus of planning in the 1950s and early 1960s. However, population growth has resulted in a very low growth in per capita incomes. The gap between poor and rich has actually widened. The Green Revolution exacerbated the disparities regionally and between large and small farmers. There was unwillingness and inability to redistribute land. Economists state that the benefits of economic growth have not trickled down to the poor.

While looking for alternatives to specifically address the poor, policy makers felt that incomes and employment for the poor could be raised through the creation of additional assets and by means of work generation. This could be achieved through specific poverty alleviation programmes. This second approach was initiated from the Third Five Year Plan (1961-66) and progressively enlarged since then. One of the noted programmes initiated in the 1970s was Food for Work.

Expanding self-employment programmes and wage employment programmes are considered to be some of the major ways of addressing poverty. Examples of such self-employment programmes are *Rural Employment Generation Programme* (REGP), Prime Minister's *Rozgar Yojana* (PMRY) and *Swarna Jayanti Shahari Rozgar Yojana* (SJSRY). The first programme aims at creating self-employment opportunities in rural areas through financial assistance in form of bank loans. Educated unemployed from low-income families in rural and urban areas can get financial help to set up any kind of enterprise that generates employment under PMRY. SJSRY mainly aims at creating employment opportunities in urban areas.

Since 1990s, this approach has been changed. The government provides partial financial assistance to SHGs which are the nodal agencies for self mployment activities. *Swarnajayanti Gram Swarozgar Yojana* (SGSY) is one such programme. This has now been restructured as National *Rural Livelihoods Mission* (NRLM). A similar programme called *National Urban Livelihoods Mission* has also been put in place for urban poor.

In August 2005, a rights based approach was initiated to provide employment. The Parliament passed a new Act to provide guaranteed wage employment to every rural household whose adult volunteer to do unskilled manual work, for a minimum of 100 days in a year. The Act is known as Mahatma Gandhi National Rural Employment Guarantee Act. Under this Act, all those among the poor who are ready to work at the minimum wage can report for work in areas where this programme is implemented. In 2013-14, nearly five crore households got employment opportunities under this law.

The third approach to addressing poverty is to provide minimum basic amenities to the people. India was among the pioneers in the world to envisage that, through public expenditure on social consumption needs, i.e., provision of food grains at subsidised rates, education, health, water supply and sanitation, poverty can be addressed. The Fifth Five Year Plan states that, “even with expanded employment opportunities, the poor will not be able to buy for themselves all the essential goods and services. They have to be supplemented up to at least certain minimum standards by social consumption and investment in the form of essential food grains, education, health, nutrition, drinking water, housing, communications and electricity.” Three major programmes that aim at improving the food and nutritional status of the poor are Public Distribution System, Integrated Child Development Scheme and Midday Meal Scheme. *Pradhan Mantri Gram Sadak Yojana, Pradhan Mantri Gramodaya Yojana, Valmiki Ambedkar AwasYojana* etc also are attempts in developing infrastructure and housing conditions.

The government also has a variety of other social security programmes to help a few specific groups. From 2014, a scheme called Pradhan Mantri Jan-Dhan Yojana has been implemented, in which people are encouraged to open bank accounts. Each bank is obliged to open such bank account even if there is no balance. The account holder is also entitled to Rs. 1 lakh accident insurance and Rs. 30,000 life insurance cover.

4. Conclusion

The policy towards poverty alleviation has evolved over the last seven decades. The poor have benefited to a great extent with the poverty alleviation programs. As a result, there has been a gradual reduction of poverty levels. The extent of poverty that was around 55 percent of population (as per Lakdawala Committee) has come down to around 31 percent in 2011 (as per SECC data). But, the progress has been slow and the problem continues to persist, as there has not been any radical change in the ownership of assets and process of production and improvement of basic amenities to the needy. Without the participation from local level institution as well as the poor, these programs cannot be expected to be successful. It is essential that poor have access to the resources and are actively involved through social mobilization and participation in the growth process.