



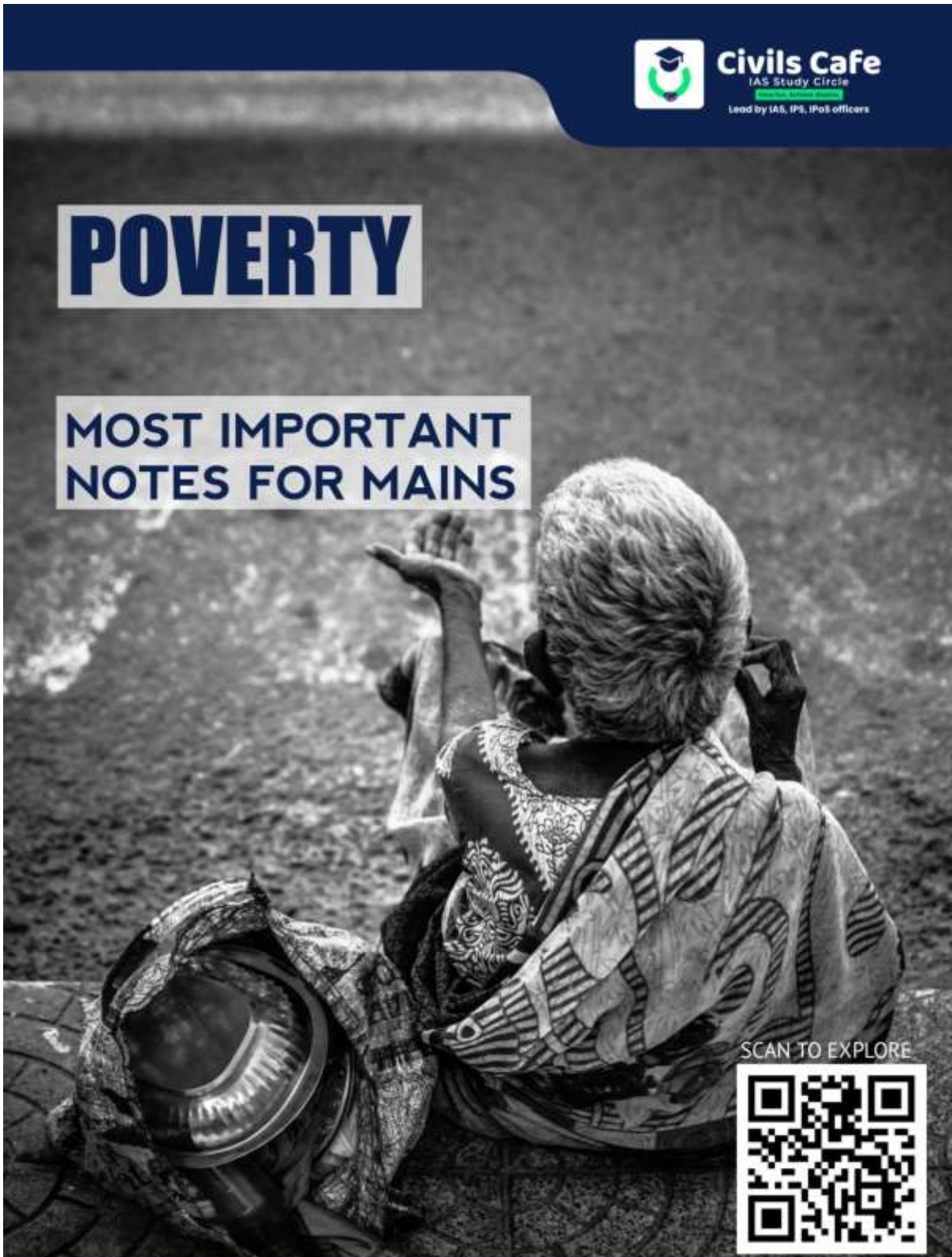
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IAS Study Circle

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# POVERTY

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**GS 2- SOCIAL ISSUES**  
**POVERTY**

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Traditionally, the term **poverty** refers to lacking enough resources to provide the basic necessities of life – food, clean water, shelter and clothing. But modern economists extend the term to include access to health care, education and even transportation.

Poverty is defined as a condition or state in which a person is unable to fulfill the basic necessities of life. It is a **Multidimensional concept**.

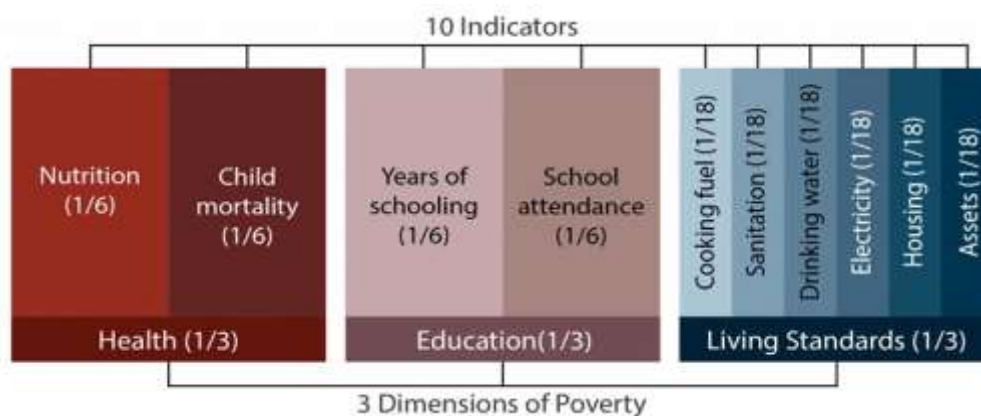
## **DEFINITION OF POVERTY**

- ❖ Definition by **United Nations Organisation (UNO)**
  - Fundamentally, poverty is a denial of choices and opportunities, a violation of human dignity.
  - It means a lack of basic capacity to participate effectively in society.
  - It means not having enough to feed and cloth[e] a family, not having a school or clinic to go to, not having the land on which to grow one's food or a job to earn one's living, not having access to credit.
  - It means insecurity, powerlessness and exclusion of individuals, households and communities.
  - It means susceptibility to violence, and it often implies living in marginal or fragile environments, without access to clean water or sanitation.
- ❖ According to the UN, poverty entails more than the lack of income and productive resources to ensure sustainable livelihoods. Its manifestations include hunger and malnutrition, limited access to education and other basic services, social discrimination and exclusion, as well as the lack of participation in decision-making.
- ❖ Definition by **World Bank**:
  - In 1990, the World Bank introduced the concept of 'poverty line' to capture absolute poverty. Then, it was set at \$1 per day.
  - As per the revised measures (2017), the World Bank defines extreme poverty as someone living on less than US\$1.90 per day. This figure is known as the **International Poverty Line (IPL)**.
  - In 2018, the World Bank introduced a **Societal Poverty Line (SPL)**, to capture the relative aspect of poverty. The SPL is a hybrid line, combining the US\$1.90-a-day absolute poverty line with a relative component that increases as median consumption

or income in an economy rises.

- In an attempt to be more precise with its classifications, the organization recently added new standards of poverty for people living in middle and high-income countries. Now, poverty lines are set at \$3.20 a day for people in “lower-middle-income” countries, such as Egypt or India, and \$5.50 a day for “upper-middle-income” countries, such as Jamaica or South Africa. The World Bank also released a third standard for high-income countries, like the US, at \$21.70 a day.
- ❖ Estimation of Poverty by Nobel laureate Dr Amartya Sen:
  - His **capability approach** to understanding poverty goes beyond income and stresses the whole range of means available to achieve **human capabilities such as literacy, longevity and access to income.**
- ❖ **Poverty Line:**
  - A conventional approach to measuring poverty is to specify a minimum expenditure (or income) required to purchase a basket of goods and services necessary to satisfy basic human needs. This minimum expenditure is called the poverty line.
  - The basket of goods and services necessary to satisfy basic human needs is the Poverty Line Basket (PLB).
  - The proportion of the population below the poverty line is called the **poverty ratio or headcount ratio (HCR).**
- ❖ **Global Multidimensional Poverty Index:**
  - Global MPI was first developed in 2010 by Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Programme (UNDP) for UNDP’s Human Development Reports.
  - **In 2021** the Index considered data from 109 countries and 5.9 billion people.
  - **1.3 billion people are multidimensionally poor.(global in 2021)**
  - MPI uses **three dimensions** and **ten indicators** which are:
    - **Education:** Years of schooling and child enrollment (1/6 weightage each, total 2/6);
    - **Health:** Child mortality and nutrition (1/6 weightage each, total 2/6);

- **Standard of living:** Electricity, flooring, drinking water, sanitation, cooking fuel and assets (1/18 weightage each, total 2/6).



#### ❖ Indian scenario:

##### ❖ India is positioned at 66 out of 109 countries in 2021.

- As castes and tribes are a more prevalent line of social stratification in India, this index presents the incidence and intensity of multidimensional poverty among castes and tribes and among individuals who are not members of any caste or tribe.
- In India **five out of six multidimensionally poor people are from lower tribes or castes.**

#### ❖ POVERTY ESTIMATION IN INDIA

- In India, the first official rural and urban poverty lines at the national level were introduced in 1979 by **Y.K. Alagh Committee** and official poverty counts began for the first time.
- Later, in 1993, **D. T. Lakdawala Committee** extended these poverty lines to states and over time allowing official poverty counts over time and in the states.
- In 2005, recognizing that the rural poverty line was too low, the government appointed the **Tendulkar committee** to take a fresh look at the poverty lines. Reporting in 2009, the Tendulkar Committee revised upward the rural poverty line. Continued media criticisms led the government to appoint the **Rangarajan Committee** in 2012.
- The Rangarajan committee estimate of poverty further increased rural and urban poverty lines which is yet to be decided by the

government. Therefore the Tendulkar poverty line remains the official poverty line and is the basis of the current official poverty estimates in 1993-94, 2004-05 and 2011-12.

- As per the Tendulkar estimation, the percentage of people living below the poverty line in India is **21.9%**. However, as per Rangarajan estimation, the percentage of people living below the poverty line in India is **29.5%**.

## Causes of Poverty

### 1. Economic Factors

- **High Unemployment Rate:** As per **Periodic Labour Force Survey (PLFS)** by National Statistical Office (NSO) unemployment rate in India stood at 9.3% during January to March 2021. It was 9.1% during the same period in 2020.
- **Lack of Access to Finance:** difficult to get formal credit which leads to exploitation by money lenders leading to poverty.
- **Financial Inclusion is Low** even after great success of PM Jan Dhan Yojana.
- **Low Agricultural Productivity:** A major reason for poverty in the low productivity in the agriculture sector. The reason for low productivity is manifold. Chiefly, it is because of fragmented and subdivided land holdings, lack of capital, illiteracy about new technologies in farming, the use of traditional methods of cultivation, wastage during storage, etc.
- **Rising Inequality:** The top 10% of the Indian population holds 77% of the total national wealth. This directly hampers the level playing field, leading to poverty traps. (Oxfam Report).
- Failure of Land Reforms in many states resulted in widening inequality.

## 2. Social Factors

- **Health related:** with 67% of health expenditure out of pocket, It pushed the families into debt and finally into poverty. Low health parameters also affects productivity of labour.
- **Education related:** poor learning outcomes, lack of vocational training, and lack of industry relevant skills result in poor employment rate for educated candidates as well this leads to low income level and poverty.
- **Poor Skills:** Just 5.4% of the Indian workforce have formal skills, pushing the major population to low skills jobs like construction laborers and Informal jobs.
- **Social cleavages: social stratification** in Indian society such as caste based professions which lead to low utilisation of individuals potential and it also determines individuals' command over resources.
- **Patriarchal Mindset:** India being a predominantly patriarchal society has created several hindrances to growth, gender disparity in resource utilisation and poverty alleviation.

## 3. Governance related

- **Failure of Social contract:** poor and unprivileged find it difficult to access the government welfare programmes and benefits due to reasons like lack of proper documents, complex procedure, exploitation by middleman, lack of awareness, corruption in government.
- **Inefficient service delivery:** because of problems like Corruption, nepotism, vested interests of the officials, lack of interest result in poor service delivery.
- **Lax Rules and regulations:** where despite provisions like equal wages act, they are less effective in reducing income inequality and poverty.
- **Decentralization related issues:** institutions like Panchayats lack funds, functions and functionaries to deal with poverty and local problems.

- **Population Explosion:** India's population has steadily increased through the years. During the past 45 years, it has risen at a rate of 2.2% per year, which means, on average, about 17 million people are added to the country's population each year. This also increases the demand for consumption goods tremendously.

#### **Other problems like :**

- **Digital Divide:** In the new era of Industrial revolution 4.0, Technology is the new normal and with problems like gender divide, rural urban digital divide, It will result in rising poverty. This was aggravated during COVID 19 pandemic.
- **Lack of Capital and Entrepreneurship:** The shortage of capital and entrepreneurship results in low level of investment and job creation in the economy.
- **Climatic Factors:** Most of India's poor belong to the states of Bihar, UP, MP, Chhattisgarh, odisha, Jharkhand, etc. Natural calamities such as frequent floods, disasters, earthquakes and cyclones cause heavy damage to agriculture in these states.

### **POVERTY ALLEVIATION PROGRAMMES IN INDIA**

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- **Jawahar Gram Samridhhi Yojana:** The JRY was meant to generate meaningful employment opportunities for the unemployed and underemployed in rural areas through the creation of economic infrastructure and community and social assets.
- **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2005:** The Act provides 100 days assured employment every year to every rural household. One-third of the proposed jobs would be reserved for women. Under the programme, if an applicant



is not provided employment within 15 days s/he will be entitled to a daily unemployment allowance.

- **National Rural Livelihood Mission:** Ajeevika (2011): It evolves out of need to diversify the needs of the rural poor and provide them jobs with regular income on a monthly basis. Self Help Groups (SHG) are formed at the village level to help the needy.
- **National Urban Livelihood Mission:** The NULM focuses on organizing urban poor in Self Help Groups, creating opportunities for skill development leading to market-based employment and helping them to set up self-employment ventures by ensuring easy access to credit.
- **Pradhan Mantri Kaushal Vikas Yojana:** It will focus on the fresh entrant to the labour market, especially the labour market and class X and XII dropouts.
- **Annapurna:** This scheme was started by the government in 1999–2000 to provide food to senior citizens who cannot take care of themselves and are not under the National Old Age Pension Scheme (NOAPS). This scheme would provide 10 kg of free food grains a month for the eligible senior citizens. They mostly target groups of ‘poorest of the poor’ and ‘indigent senior citizens’.
- **Pradhan Mantri Awaas Yojana:** It has two components: **Pradhan Mantri Awaas Yojana (Grameen)** and **Pradhan Mantri Awaas Yojana (Urban)**. It was launched in 2015. It unites schemes like **Ujjwala yojana (provides LPG to BPL)**, access to toilets, water, drinking water facilities (**swachh Bharat Mission**) and **Saubhagya Yojana** (electricity).
- **Pradhan Mantri Kisan Samman Nidhi:** This scheme aims to provide financial assistance to provide working capital support to all the landholding farmers. This brings in the idea of universal basic income for the farmers in India.
- **Pradhan Mantri Jan Dhan Yojana:** It aimed at direct benefit transfer of subsidy, pension, insurance etc. and attained the target of opening 1.5 crore bank accounts. The scheme particularly targets the unbanked poor.

- **Integrated Rural Development Programme (IRDP):** It was introduced in 1978-79 aimed at providing assistance to the rural poor in the form of subsidy and bank credit for productive employment opportunities through successive plan periods.

### Way Forward:

Accelerating rural poverty reduction measures:

- It's not just about agricultural growth, which has long been considered the key driver of poverty reduction. In fact, rural India is not predominantly agricultural and shares many of the economic conditions of smaller urban areas.
- Capitalizing on growing connectivity between rural and urban areas, and between the agriculture, industry and services sectors, has been effective in the past two decades and holds promise for the future.

Better, Reliable and Remunerative jobs

- The road out of poverty in India has been built on the performance of the labor market, but also benefited from rising transfers and remittances, and favorable demographics among other factors.
- Future efforts will need to address job creation in more productive sectors, which has until now been lukewarm and has yielded few salaried jobs that offer stability and security.

Focusing on development of women and Scheduled Tribes

- The most worrying trends are the low participation of women in the labor market and the slow progress of women among scheduled tribes.
- India's women have been withdrawing from the labor force since 2005 and less than one-third of working age women are now in the labor force. As a result, India today ranks last among BRICS

countries, and close to the bottom in South Asia in female labor force participation. (**Global Gender Gap Report 2021**, India is positioned at 140 out of 156 countries)

- Scheduled Tribes started with the highest poverty rates of all of India's social groups, and have progressed more slowly than the rest.
- Women and Scheduled Tribes are at risk of being locked out of India's growth and prosperity.

#### Reducing Regional Disparity in poverty

- Where people live largely shapes their prospects in life. India's states continue to see large and growing differences in poverty levels and basic opportunities.
  - More and more of India's poor are concentrated in the poorest states, and even within relatively prosperous states, certain pockets of deprivation persist where people are unable to share in the state's successes.

#### Improving human development outcomes for the poor:

- This is central to improving their quality of life and income earning opportunities.
  - The recent past shows that some problems, such as undernutrition and open defecation, are endemic and not only confined to the poor but others too, and have not improved with economic growth.
  - **Better health, sanitation and education** will not only help raise the productivity of millions, they will also empower the people to meet their aspirations, and provide the country with new drivers of economic growth.
- Banking sector reforms to improve financial inclusion to accelerate credit flow.

- Adopting progressive taxation policy for better income redistribution, thereby reducing poverty and inequality.

Despite great economic advancement and drastic reduction in india an unacceptably high proportion of our population continues to suffer from severe and multidimensional deprivation. Thus a more comprehensive and inclusive approach is required to eradicate poverty in india and achieve Sustainable Development Goal 1(SDG -1) – Zero Poverty by 2030





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