

Poverty in India 2022: Causes and Remedies

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Introduction:

According to the new Multidimensional Poverty Index (MPI) released by the United Nations Development Program (UNDP), between 2005-06 and 2019-21, the number of people living below the poverty line in India has declined by 415 million. However, the index states that India still has the highest number of poor in the world at 228.9 million, followed by Nigeria (estimated at 96.7 million in 2020). There are many causes of poverty in India. At the time of India's independence, 80% of the population lived in poverty. From that point to where we are now, India has done well in reducing poverty. Yet, the goal of poverty alleviation is still the highest goal for policymakers. Poverty is defined as the state of not having sufficient income or material possessions such as food, clothing and shelter to meet a person's basic needs. Despite a growing economy, poverty remains one of India's most pressing social and economic challenges.

Poverty eradication has been a major challenge since independence and building a fair and just society is at the heart of India's national development agenda. Given the limited resources, reliable estimation of poverty is the first step towards poverty alleviation in designing, implementing and monitoring anti-poverty programmes. Poverty measurement is also important in serving as a barometer of the extent of success of inclusive growth and poverty reduction policies.

Measurement of poverty:

The World Bank defines poverty as deprivation in well-being that encompasses multiple dimensions. They include low income and the inability to afford the basic goods and services needed to live in dignity. Among the 17 Sustainable Development Goals (SDGs), to which India is committed, the first two are to “end all forms of poverty and hunger”. SDG1 is to reduce the proportion of men, women and children by at least half by 2030. People of all ages live in poverty according to the national definition of the general international poverty line of \$1.25 per person (2005 Purchasing Power Parity or PPP) to eliminate poverty. The UN's 2030 Agenda for Sustainable Development affirms the importance of multidimensional approaches to poverty eradication that go beyond economic deprivation.

The erstwhile Planning Commission was the nodal agency in India for estimation of poverty. Based on the methodology suggested by the Expert Groups/Committees set up by the Planning Commission from time to time, India has undertaken periodic assessments of the incidence of poverty since the 1960s. The poverty ratio in India has been measured from an exogenously determined poverty line quantified in terms of per capita consumption expenditure over a month and the class distribution of persons obtained from the large sample survey of consumer expenditure data of the National Sample Survey Office (NSSO). Households with consumption expenditures below the poverty line are said to be “Below the Poverty Line (BPL)” and deemed poor. Consumption is measured in terms of a collection of goods and services known as reference Poverty Line Baskets (PLB). The last official estimate of poverty in 2011-12 was released by the Planning Commission of India at 21.92%, estimated using the Tendulkar Committee approach. No estimate has been officially released since then.

Trend of Poverty in India:

The proportion of India's population below the poverty line has fluctuated widely in the past, but the overall trend is downward. However, there are roughly four periods of income poverty.

1) From the 1950s to the mid-1970s: No clear trend in reduction of income poverty was observed. In 1951, 47 percent of India's rural population was below the poverty line. In 1954-55, this figure rose to 64 percent. It fell to 45 percent in 1960-61, but rose again to 51 percent in 1977-78.

2) Mid 1970s to 1990s: Income poverty declined significantly from the mid-1970s to the late 1980s. The decline became more pronounced between 1977-78 and 1986-87, with rural income poverty

falling from 51 percent to 39 percent. By 1989-90, it further fell to 34 percent. Urban income poverty declined from 41 percent in 1977-78 to 34 percent in 1986-87 and 33 percent in 1989-90.

3) Mid 1991s to 2000s: Rural income poverty increased from 34 percent in 1989-90 to 43 percent in 1992 and then to 37 percent in 1993-94. Urban income poverty declined from 33.4 per cent in 1989-90 to 33.7 per cent in 1992 and 32 per cent in 1993-94. Also, the NSS data for 1994-95 to 1998 shows little or no poverty. Evidence from 1999-2000 suggests that rural poverty increased in the post-reform period. However, the official poverty estimates for 1999–2000 was 26.1 percent, a dramatic decline that has led to much debate and analysis.

4) After 2000: The latest NSS survey (2004-05) shows poverty at 28.3 per cent in rural areas, 25.7 per cent in urban areas and 27.5 per cent in the country as a whole. According to NCAER, in 2009, out of 222 million households in India, very poor households (annual income less than ₹45,000 (US\$ 560)) constituted only 15.6% of them or about 35 million (about 200 million Indians). Another 80 million households are at an income level of ₹45,000 (US\$560) to ₹90,000 (US\$1,100) per year.

In November 2009, the Suresh Tendulkar Committee, set up to trace the people living below the poverty line in India, submitted its report. Provided a new method of calculating poverty line based on monthly or daily per capita consumption expenditure. For rural areas, it was Rs 816 per month or Rs 27 per day. For urban areas, it was Rs 1000 per month or Rs 33 per day. Using this method, the population below the poverty line was 354 million (29.6% of the population) in 2009–2010 and 269 million (21.9% of the population) in 2011–2012.

Causes of Poverty in India:

1) Inadequate industrialization in certain areas: Development of industries provides employment opportunities to the local people. Concentration of industries in any one state or region certainly increases employment in that particular place, but the deprived areas face severe poverty. Poverty occurs in areas with insufficient industrialization as employment opportunities are limited in these areas. Industry also offers better paying jobs as compared to short time jobs.

2) Lack of good education: Poverty is a cycle and without education people cannot improve their situation. According to UNESCO, more than 170 million people could be lifted out of extreme poverty if they only had basic reading skills. However, in many parts of the world, people are not educated. The reasons are different. Often, families need children to work, there are no schools nearby, or girls are not educated due to sexism and discrimination.

3) Price Rise: There is a constant rise in prices in the country and this has added to the burden of the poor. Although some people have benefited from this, the lower income groups have been hit hard and are unable to meet even their basic needs. The rising prices have reduced the purchasing power of money and thus have reduced the real value of money income. The people belonging to low income group are compelled to reduce their consumption and thus move below the poverty line

4) Unemployment: Unemployment is another cause of poverty in India. The ever-growing population has increased the number of job seekers. However, opportunities in India do not seem to have expanded enough to match this demand for jobs. Lack of employment is mainly due to problems of infrastructure, investment, credit, technology and marketing support. Opportunities for gainful employment are few in this system.

5) Heavy pressure of population: India's population is growing rapidly. This increase is mainly due to a decrease in the death rate and an increase in the birth rate. India's population was 84.63 crore in 1991 and 102.87 crore in 2001. This population pressure is a hindrance in the way of economic development. Rapid population growth means slower growth in per capita income for any given rate of growth in gross domestic product (GDP) and hence a slower rate of improvement in average living standards. Further population growth increases consumption and reduces national savings and adversely affects capital formation thereby limiting growth in national income.

6) Low Productivity in Agriculture: Low productivity in agriculture is a major cause of poverty. There are many reasons for low productivity. Mainly, fragmented and subdivided land, lack of capital, illiteracy about new technology in agriculture, use of traditional methods, wastage during storage etc.

7) Underutilized natural resources: Natural resources are a gift from God and blessed is a place with rich natural resources. So, it is necessary to fully explore the natural resources of each place and utilize them to get their full economic benefits. Due to underutilization of natural resources, there is

no scope for industrial growth and employment generation. As a result, poverty seems to be increasing.

8) Social System in India: Another cause of poverty in India is the social system. Social subsystems are so tightly interwoven that poor people are unable to overcome barriers. According to S. M. Michael, Dalits are among the poor and unemployed. Many people see Hinduism and its structure, called the caste system, as a system of exploitation of poorer, lower status groups by richer, higher status groups. In many parts of India, high-class property owners of dominant castes own vast tracts of land who economically exploit low-class landless laborers and poor artisans, while also despising them by religiously emphasizing their so-called, God-given inferior status.

Remedies for Poverty:

1) Increase in Investment: In addition to increasing savings, investment of savings in productive avenues is also very helpful in breaking the vicious circle of poverty. Short-term and long-term investment strategies should be coordinated. Through short-term investment, people can get essential goods at fair prices, which will positively affect their skills. Moreover, investment in setting up of multi-purpose projects like iron and chemical fertilizers should be properly encouraged along with short-term investments. In UDCs, appropriate monetary and banking policies should be adopted to facilitate and encourage small savings.

2) Increase in Saving: To break the vicious circle of supply, efforts should be made to increase savings so that investment in productive avenues can be encouraged. Expenditure on weddings, social functions etc. should be reduced to increase savings. In less developed countries, voluntary savings are less likely. So, government intervention is necessary in this regard. The government can increase savings by changing its fiscal policy. The government can impose heavy taxes on luxury goods. Moreover, it can increase the role of direct taxes. Thus, the government can reduce consumption by changing the tax system.

3) Population Control:

India's population is growing rapidly. The population growth rate is 1.8%. Population growth rate should be reduced to eradicate poverty.

4) Development of Agriculture:

Agriculture should be developed to eradicate poverty. Rapid growth of agricultural production will help alleviate urban as well as rural poverty. Agriculture should be mechanized and modernized. Financial assistance should be given to smallholder farmers.

5) Equal distribution of Income:

Growth in production and control of population growth alone will not eradicate poverty in India. Inequalities in income distribution must be reduced.

Conclusion:

With 228.9 million, India has the largest proportion of the poor in the world. According to the recently published Global Multidimensional Poverty Index in the year 2022, 415 million persons in India have been lifted out of multidimensional poverty between 2005-2006 and 2019-21, with the poverty rate falling from 551% to 16.4%. In India, 16.4% of people are considered poor and 4.2% are considered extremely poor. 18.7% are considered to be at risk of poverty. 374 million poor people equally lack nutrition, sanitation, housing and cooking fuel. 445 million people lack access to electricity and clean drinking water.

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