

Unit III- Poverty

Poverty and Identification of Poor

Objectives

After going through this lesson, you shall be able to understand the following concepts.

- Meaning of Poverty
- Identification of Poor
- Types of Poverty

Introduction

Around us we can see people with varied financial status. There are slum dwellers, construction workers, rickshaw pullers, beggars, helpers at roadside eateries, etc. More often such people are not able to make ends meet. They are hardly able to manage two meals a day for themselves and their family.

There prevails hunger and starvation. Often, they live in miserable conditions in a *kutch* house or a slum. Infact some of them have no shelter at all and spend their lives living on roadsides, or temporary shades. Facilities such as safe drinking water, power and fuel for cooking are also absent to them. Also, such people suffer from low health and literacy levels. Thus, it can be said that such people are not able to fulfill the basic needs of food, clothing and shelter.

This situation where one is unable to fulfil the minimum requirements of life such as food, clothing, housing, education and health facilities is referred as poverty.

Categorisation of Poverty

Poverty can be classified into the following three categories.

- **Chronic Poor:** Chronic poor refers to those who have always been in a state of poverty. For example, landless workers, casual workers, etc. can be considered as chronic poor.
- **Transient Poor:** Transient poor refers to those who keep on moving in and out of the state of poverty. For example, seasonal agricultural workers can be considered as transient poor.
- **Never Poor:** It refers to those who are never in the state of poverty.

Measuring Poverty

In order to identify the poor, it is necessary to have a common yardstick for its measurement. The following are some of the measures followed for determining poverty India.

Poverty Line

Poverty line refers to the cut-off point in terms of per capita expenditure incurred by the people to satisfy the basic needs. The people lying below this cut-off point are considered as poor. For example, if the per capita expenditure of Rs 500 per month is taken as a cut-off point, then those surviving on a monthly income of less than Rs 500 are considered as poor.

On the other hand, those having monthly expenditure of more than Rs 500 will be regarded as comparatively non-poor vis-a-vis those below the cut-off point. Dadabhai Naroji first coined the concept of poverty line. For this, he prepared a menu for prisoners. This menu was prepared by him after appropriating for the prices prevailing in the market and was named as '**Jail Cost of Living**'. After preparing for adults, he appropriated this scale for children. For this, it was assumed that one-third of the population comprises of children. Among this one-third, it was also assumed that half of them ($\frac{1}{3} \times \frac{1}{2} = \frac{1}{6}$) consumed very little (or nil), while the rest half consumed half of the diet of adults. The weighted average of consumption of these three segments of population gives an estimate of poverty line. Algebraically, poverty line is estimated as follows.

$$\frac{1}{6}(\text{nil}) + \frac{1}{6}(\text{half}) + \frac{2}{3}(\text{full}) = \frac{3}{4}(\text{full})$$

Since Independence, various other attempts have been made by the government for measuring the population of poor. Some of the efforts are highlighted in the formation of the following groups and commissions.

1. Study Group formed by Planning Commission (1962)
2. Task force on Projection of Minimum Needs and Effective Demand (1979)
3. Expert Group (1989)

Calorie Based Norm

Presently in India, poverty line is defined on the basis of the money value of the consumption basket required to consume a minimum number of calories. The minimum average calorie requirement is determined by the planning commission at 2435 calories and 2045 calories respectively for the rural and urban households. It should be noted that the calorie requirements of rural households is greater than that of urban

households.

This is because people in rural areas are found to be engaged in more physical work as compared to the people living in urban households. Based on the calorie requirement, in 1999-2000 poverty line was fixed at Rs 328 per person per month for rural households and Rs 454 per person per month for urban areas.

It implies that in rural areas a person must consume 2435 calories. To purchase a consumption basket providing this amount of calories, Rs 328 are required. Thus, in rural areas, a person who has less than Rs 328 is regarded as below poverty line. Similarly, in urban areas a person is required to consume 2045 calories and to purchase a consumption basket providing these amount of calories, Rs 454 are required. This suggests that in urban areas, a person who has less than Rs 454 is regarded as below poverty line



It is argued that calorie based norm of poverty line is plagued with some major weaknesses. Some of the problems associated with this method are as follows.

1. Does not indicate the extent of poverty: This mechanism does not differentiate a poor from very poor. It categorises them into just one category that is, 'poor'. This poses a problem in the formulation and implementation of policies as it does not make clear who among the poor is the neediest.

2. Inappropriate proxies: This mechanism uses Monthly Per Capita Expenditure (MPCE) on food as a proxy for income. However, this does not prove to be a good and sufficient proxy for the identification of poor.

3. Ignores other related factors: This mechanism does not consider various important factors such as health care, clean drinking water, proper sanitation, basic education etc.

that are associated with poverty. Such factors must also be considered for a proper estimation of poverty line.

4. Fails to consider social factors: Another shortcoming of calorie-based norm is that it fails to account for social factors that exaggerate and worsen poverty, such as ill health, lack of access to resources, lack of civil and political freedom, etc.

Types of Poverty

Classification of poverty can be done in the following two ways.

(i) On the basis of the ability to fulfill the minimum needs

(ii) On the basis of the region

On the basis of the ability to fulfill the minimum needs

On this basis, poverty is classified in the following two types.

1. **Absolute Poverty:** Absolute poverty is the one which is expressed in terms of income needed to sustain the basic necessities of life such as food, clothing and shelter. Those who are not able to earn such minimum amount of income are known as absolute poor. Absolute poverty can change over the time as the amount of money required to buy the minimum requirements of life changes due to the rise in the price levels. As per the data released by NSSO in 2004-05, the numbers of absolute poor in the India are 21.8% of total population.

2. **Relative Poverty:** Relative poverty refers to the poverty of one set of people in relation to the other. In other words, it implies the poverty of one class in relation to other classes, regions or countries. The class of people having low standard of living are treated as poor (in relative terms) in comparison to the other class of people having high standard of living.

Such kind of poverty is not the absence of basic requirements of life but is based on the environment in which an individual resides. For example, if a person has all the minimum requirements necessary to sustain his/her life but has a lower income as compared to his/her neighbour, then he/she will be categorised as relatively poor.

On the basis of the region

On this basis, poverty is classified in the following two types.

1. **Urban Poverty:** Urban poverty refers to the poverty faced by the poor living in the urban areas. The urban poor enjoy a comparatively higher standard of living as

compared to the rural poor. They also have better access to education and healthcare services. Further, urban poor live in '*Pucca Houses*'.

2. **Rural Poverty:** Rural poverty is common to the people living in rural areas. As compared to the urban poor, rural poor live under dismal living conditions. Rural poor also lack access to good health and educational facilities. The houses in which rural poor usually live in are known as '*Kuccha Houses*'.

Poverty Alleviation Programmes – Critical Appraisal

Objective

After going through this chapter, you shall be able to understand the following concepts.

- Three Dimensional Approach to Alleviate Poverty
- Poverty Alleviation Programmes and its Critical Appraisal
- Analysis of Three Dimensional Approach

Alleviation of Poverty

Poverty alleviation has been one of the prime objectives of the five-year plans in India. Poverty has plagued India for long and thereby, measures are required for addressing the issue. Government of India has adopted a three dimensional approach for poverty alleviation. The following are the three aspects of the approach.

1. **Trickle-down approach:** This approach is based on the expectation that the positive effects of economic growth will trickle down and benefit all sections of society, including the poor people.

2. **Poverty alleviation programs:** This approach aimed at the creation of income-earning assets and employment generation opportunities.

3. **Providing basic amenities:** This approach aimed at providing the basic amenities such as proper medical and health care facilities, better education, proper sanitation, etc. to the poor people. These basic amenities positively affect health, productivity, income-earning opportunities and, thereby, alleviate poverty.

1. Trickle-Down Approach

This approach is based on the assumption that the benefits of economic growth in the form of high GDP and per capita income will trickle down or spread to the lower and

poorer sections of society. The policy makers assumed that the rapid growth rate due to industrialisation and commercialisation in agriculture would automatically spread to every section of society. They were of the view that the increased income from the economic growth will raise the overall standard and quality of living in the country.

Thus, in other words, it was assumed that rapid economic growth rate will automatically pull the masses out of poverty. However, this belief did not turn out into reality. This approach was solely based on the rapid economic growth. However, the economic growth rates in India remained at a low level. The average annual growth rate during the planning period has been a mere 4%. Moreover, the benefits of growth could not spread to the masses and the gap between the rich and the poor has actually widened over the years.

Poverty Alleviation Programmes (PAPs)

To alleviate poverty from the economy, Indian Government started various policies and programmes. In this direction, various poverty alleviation programmes have been started by the government. The basic motive of these programmes is to eliminate poverty by generating employment opportunities for the people.

Some of the important Poverty Alleviation Programmes initiated by the Government of India are discussed below.

1. *Swaranjayanti Gram Swarozgar Yojana (SGSY)*: This programme was launched in the rural areas in April 1999. This programme emphasised on the establishment of a number of small-scale and micro enterprises in the rural areas on individual and collective basis. Such enterprises are commonly known as Self Help Groups (SHGs). Under the yojana grants were forwarded in the form of loans and subsidies to the poor.

It also aims at providing training, credit and technical facilities to the Self-Help Groups. The amount of loan to be granted was fixed at 30 % of the cost of project for an individual and 50 % of the cost of the project for the SHGs. The progress of the project is monitored by the banks associated with this scheme.

The expenditure on this scheme is to be shared by the Central Government and the State Government in the ratio of 75:25. Under this scheme, approximately, 27 lakh SHGs have been formed till December 2007, and around 93 lakh swarozgaries have been assisted.

2. *Sampoorna Grameen Rozgar Yojana (SGRY)*: This programme was launched on September 01, 2001. The main objective of this yojana was to provide employment opportunities to the workers with a view of regional, economic and social development. Under this programme, various infrastructural projects such as construction of roads, wells, tanks, embankments etc. were undertaken.

This particular yojana targets to generate employment for 100 crore man-days of labour.

The expenditure on this scheme is to be shared by the Central Government and the State Government in the ratio of 87.5:12.5. Later in 2006, this programme was merged with National Rural Employment Guarantee Scheme (NREGA).

3. National Food for Work Programme (NFWP): This programme was started in 2000-01 with the objective of generating ample employment opportunities for unskilled labourers concentrated in the drought-affected states of Chattisgarh, Gujarat, Himachal Pradesh, M.P, Orissa, Rajasthan, Maharashtra and Uttaranchal.

This programme provides food in exchange of the work done by the labourers. This programme was aimed to protect poor people against reduction in their purchasing power capacity in the natural calamities prone areas. The work done by the labourers includes watershed development works, water harvesting and construction of metal roads connecting rural and urban areas.

This programme not only provides labourers with food but also creates semi-durable assets that facilitate economic and social development of the backward areas.

4. Swarn Jayanti Shahri Rozgar Yojana (SJSRY): This yojana was launched in December 1997 by merging two yojanas, namely, Nehru Rozgar Yojana (NRY) and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP). The objective of this yojana was to provide self-employment and wage employment to the urban unemployed or under employed people. The two important features of this programme are as follows.

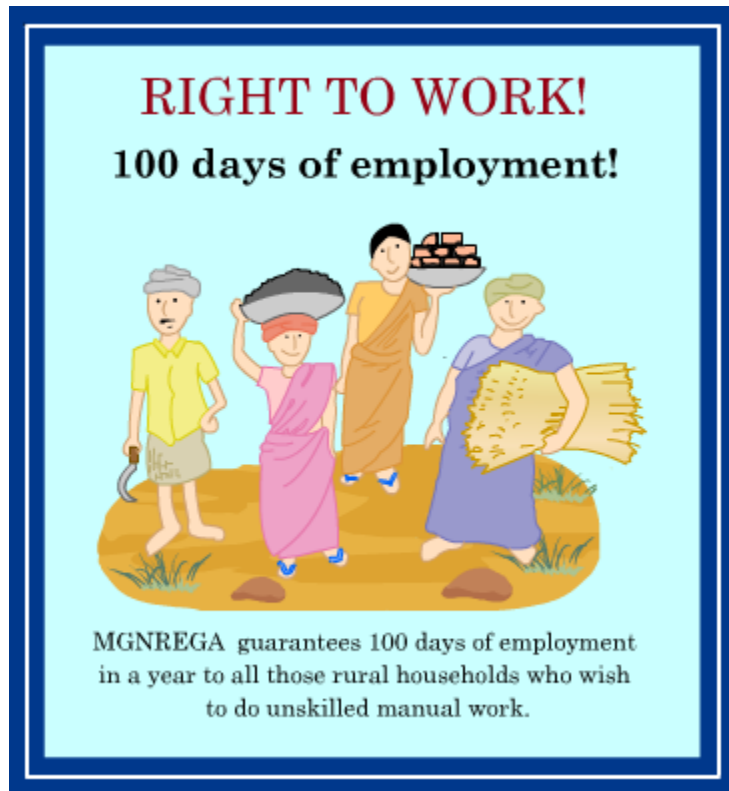
a. *Urban Self-Employment Programme (USEP):* This programme aimed at providing assistance to the underemployed and unemployed urban poor for setting up self employment enterprises/workshops such as petty businesses, manufacturing, etc. This encouraged local skills and local crafts.

b. *Urban Wage Employment Programme (UWEP):* This programme was launched with the motive of providing assistance to the poor urban women for setting up self-employment enterprises/workshops.

5. Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA): Mahatma Gandhi National Rural Employment Guarantee Act was enacted in the year 2005. It aimed at enhancing the livelihood of the rural people by guaranteeing the adult members (who are willing to work) of each rural family one hundred days of wage employment every year. This act was implemented in all the states of India except Jammu and Kashmir.

This act provided a minimum per day wage of Rs 120 (in 2009 prices). NREGA facilitated rural development by emphasising on dual objective of achieving development by developing rural infrastructure and simultaneously providing employment opportunities to the rural unskilled labour. The act aimed at creation of infrastructure such as water conservation, canal irrigation facilities, afforestation, flood

control and embankments, etc. Thus, it served the dual objective of infrastructure development and providing employment opportunities.



6. Prime Minister's Rozgar Yojana: Prime Minister's Rozgar Yojana (PMRY) aimed at providing employment to the educated unemployed. The scheme was expected to provide employment to more than one million educated youth by setting up 7 lakh micro-enterprises. By 2003-04 approximately 30 lakh persons got employment under this scheme.

7. Pradhan Mantri Gramoday Yojana (PMGY): To improve the standard of living and quality of life in rural areas, PMGY was launched in the year 2001. This programme includes five crucial areas - health, primary education, drinking water, housing and roads. PMGY comprises the following three projects.

- a. Pradhan Mantri Gram Sadak Yojana which aimed at building all-weather roads by 2007 in all villages having population of 500 persons or more.
- b. Pradhan Mantri Gramin Awas Yojana and,
- c. Pradhan Mantri Gramin Drinking Water Yojana.

8. Minimum Needs Programme: This programme was launched during the fifth five-year plan with the aim of raising the standard of living of the poor. It lays emphasis on

primary education, adult education, rural health, rural water supply, rural roads, rural electrification, rural housing and improvements of the urban slums. This programme was expected to raise the overall quality of life of the poorer sections of the society.

9. Twenty-Point Programme: A twenty-point Programme was launched by the government on 14th January, 1982, that includes (1) Increase in irrigation capacity (2) Increased production of pulses and oil seeds (3) Extension of Integrated Rural Development Programme and National Rural Employment Programme (4) Fixation of ceiling on landholdings (5) Minimum wages to agricultural workers (6) Rehabilitation of bonded labour (7) Expansion of scheduled castes and scheduled tribes programmes (8) Drinking water in villages (9) Provision of houses in rural areas (10) Improvement of slum areas (11) Development of power capacity (12) Development of forests and gobar gas (13) Family planning (14) Setting up of primary health care centres (15) Welfare programme for women and children (16) Primary education for children between 6-14 years (17) Expansion of Public distribution system and fair price shops (18) Simple industrial policy (19) Checking of generation of black money (20) Efficient management of public sector industrial units.

2. Poverty Alleviation Programmes- Critical Appraisal

The absolute decline in the percentage of population below poverty line and increase in wages that helped in increasing the nutritional level of poor are the commendable achievements of PAPs. However, despite these achievements, the PAP's can be regarded as unaccomplished due to the below mentioned reasons.

1. Improper planning and management: The poverty alleviation programmes require a comprehensive and complex management system. In the absence of proper planning and accountability, the administration and staff could not work efficiently. Insufficient man power made the follow-up of plans difficult.

2. More inclined towards rich: These PAPs were often influenced by the rich and elite people to suit their own motive at the cost of the needy poor population.

3. Difficulty of reach: The benefits of PAPs did not reach the population living in the far-flung and remote areas. That is, the programs were not accessible by the people in these areas. As a result, the overall impact of PAPs remained diluted.

4. Lack of support: PAPs did not receive full support from the institutions such as banks, panchayats, etc. Such institutions failed to provide facilities such as marketing and credit to the needful.

5. Lack of Participation of people: These programmes lacked the participation of the local people as these were largely government sponsored programmes.

6. *Undue advantage by non-poor.* The non-poor section of the population took undue advantage of these programmes due to the absence of any specific definition of the 'poor'.

3. Providing Basic Amenities

This approach comprises of provision of basic amenities such as medical and health care facilities, better education, proper sanitation, etc. to the poor. To achieve this objective, efforts are made by the government to increase public expenditure on the social needs of the people. In this direction, Public Distribution System (PDS) has also been launched by the government to increase the access of poor on the essential commodities such as rice, edible oils and wheat etc. Also, to ensure food security to the people, programmes such as Integrated Child Development Scheme (ICDS) and Mid-Day Meals at school have been started by the Government of India.

Three Dimensional Approach- An Analysis

The steps taken by the government for the alleviation of poverty in the form of the three-dimensional approach have been commendable. We have been able to achieve the objective of poverty alleviation to a great extent. The number of people below the poverty line has reduced tremendously. However, a thorough analysis of the approach to alleviate poverty yields the following conclusions.

1. *Lack of basic amenities:* Although there has been a reduction in the percentage of absolute poor in some of the states still the poor people lack basic amenities, literacy, and nourishment.

2. *Insignificant change in the ownership of resources:* There has not been significant change in the ownership of income-earning assets and productive resources.

3. *Failure of land reforms:* The land reforms initiated by the government did not show successful results (except in the states of West Bengal and Kerala)

4. *Lack of capital and technology:* Lack of capital and availability of easy credit, lack of modern technology and poor access to information and marketing became the major bottlenecks for the small productive houses like cottage industries and other small scale industries.

5. *Improper implementation of programmes:* Improper implementation of poverty alleviation programmes by ill-motivated and inadequately trained bureaucrats further worsened the situation.

6. *Corruption:* Corruption along with the inclination towards interest of elites led to inefficient and misallocation of scarce resources.

Causes of Poverty and Measures to Remove Poverty

Objectives

In this lesson, you will go through the following topics.

- Causes of Poverty
- Measures to Remove Poverty

Introduction

In the previous lesson, we learnt about the meaning of poverty and how poor are identified. But have we ever thought of the reasons that lead to the situation of poverty and the probable ways through which this problem can be reduced? In this lesson, we will analyse the various causes of poverty and the measures to remove it.

Causes of Poverty

Even after 62 years of Independence, India is still struggling with the problem of poverty. Many reasons can be attributed to the problem of poverty. Some of the reasons of poverty are discussed below.

1. **Low levels of economic growth:** The economic growth rate measured in term of growth rate of GDP has been very low in India. The average GDP growth rate for the planning period has been 4%. The low level of economic growth rate coupled with the high population growth rate has resulted in a low growth rate of per capita income.

The growth rate of per capita income during the planning period was a mere 2.4%. According to the UNO norms, the per capita growth rate in India is one of the lowest. Low level of economic growth can be attributed to factors such as lack of infrastructural facilities and low level of capital formation in the country. Low level of economic growth implies low income and poverty.

2. **Low level of economic development:** The level of economic development in India has not been remarkable. We are still not able to fully utilise our physical and natural resources. Thus, the productive capacity remains at a low level. This has resulted in low income and poverty in the country. Besides, a large section of population is still dependent on agriculture for their livelihood.

Moreover, production in agriculture is based on the primitive and backward techniques. Also, various other problems such as lack of infrastructural facilities, lack of credit facilities, lack of awareness, etc. have contributed to the backward state of agriculture. Such state of agriculture has given rise to rural poverty. Moreover, the industrial sector, although growing at a rapid pace, has been unable to absorb the

increasing labour force. This has left a large section of population with low income and poverty.

3. **Lower levels of literacy and skills:** Owing to low level of literacy and skill, people find it hard to get employment opportunities. They often engage themselves in low skilled jobs that are associated with less wages and salaries. Similarly, in the field of agriculture, low level of literacy implies that the farmers fail to adopt new and modern techniques of production. As a result, the production and income remain low. Thus, illiteracy contributes to poverty.

4. **High inflationary pressure:** Overtime the prices of food grains and other essential commodities have tended to rise continuously. The cost of production of goods and services remains high due to inefficiencies and low level of technology. The poor and the wage earners are worst hit by the soaring prices. Often due to high prices they are not able to purchase even the basic and essential commodities. As a result, a large section of population is compelled to live below the poverty line.

5. **High population:** Another important cause of poverty in India has been the rapid rise in population. There has been a sharp rise in the population due to low death rate and high birth rate. According to the Census 2011, the population in India stands at approximately 1.22 billion. Higher population implies a greater dependency burden. Moreover, the population growth rate among the poor is even higher.

For poor, greater number of members in the family implies greater earning hands. In addition to this, the bias in favour of the male child leads them to increase the family size irrespective of the consequences. Higher population implies lower per capita income. Also, it acts as a hurdle in the way of quality education, health care facilities and other facilities necessary for a quality life. Thus, high population leads to a low standard of living and aggravates poverty.

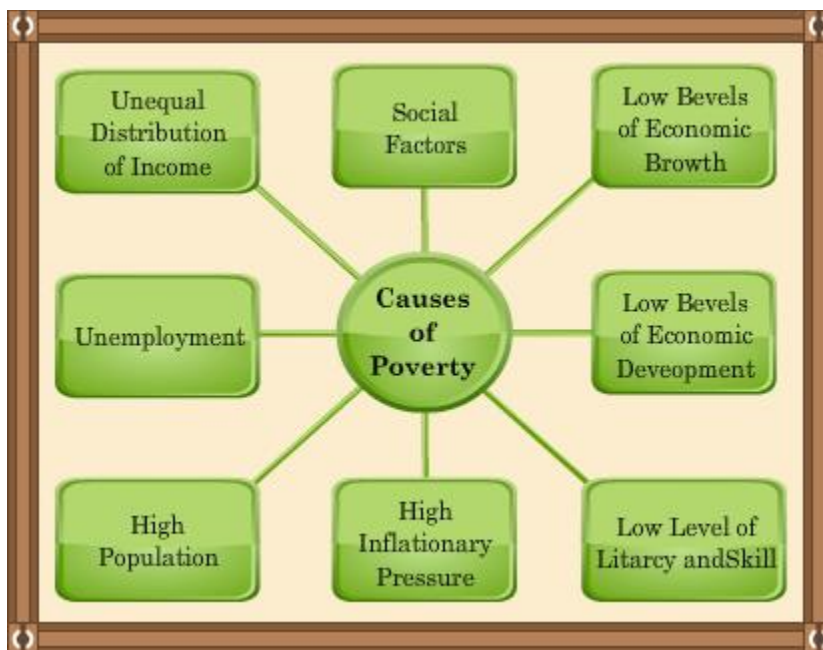
6. **Unemployment:** Unemployment is one of the major causes of poverty in India. There exists a direct and positive relationship between unemployment and poverty. An unemployed person has no means to earn money and cannot fulfill his own and his family's basic needs. The unemployment rate in India is at a staggering 3.8%.

The agriculture sector in the rural areas suffers from disguised unemployment and seasonal unemployment, while in urban areas there exists educated unemployment and under unemployment. An unemployed person cannot avail quality education, medical facilities and has no means to create income-earning assets. Such circumstances often compel indebtedness exaggerates poverty.

7. **Unequal distribution of income:** Although India has made substantial progress in terms of GDP growth but this growth has not been shared equally by all the sections of the society. The rich are becoming richer while the poor are becoming poorer. The major share of the growth is shared by the rich section of India. The gap between the

rich and the poor has tended to rise over time. This inequitable distribution of income further worsens the situation of poverty.

8. **Social factors:** Indian society is full of backward and outdated social beliefs and systems such as the caste system, law of inheritance, rigid religious beliefs, joint family system, etc. Such beliefs and systems obstruct the process of growth. For example, the caste system hinders the mobility of labour to take advantage of the better employment and income earning opportunities. Similarly, the joint family system encourages dependency. It is common to see a huge sum of money being spent on social obligations such as wedding ceremonies. In some instances, people even resort to loan and debt to fulfill these obligations. The net result of such social beliefs is poverty.



Measures to Remove Poverty

Measures to remove poverty consist of the ways through which poverty can be combated. Some of the measures to remove poverty are as follows.

1. **Speeding up the pace of economic growth:** The problem of poverty can be solved by accelerating the pace of economic growth. Higher growth rate creates new employment and income earning opportunities. Efforts should be made to incorporate new and modern techniques of production so as to improve the productivity and production. Similarly, mechanisation should be followed in the agriculture sector so as to improve the production. An increase in the production would lead to higher income and thereby, help eradicate poverty.

2. **Reducing inequality of income through fiscal and legislative measures:** In addition to rapid economic growth, it is necessary to ensure that the increased income

does not remain concentrated in a few hands. In other words, to remove poverty it is necessary to remove the inequality of income and wealth. This can be achieved by means of legislative and fiscal measures. Legislative measures include such measures as Minimum Wages Act, Minimum Support Price, Right to Education, etc. Such measures raise the income earning capacity of people and improve their standard of living.

On the other hand, fiscal measures comprise of taxation and subsidy measures of the government. High rate of taxes can be levied on the high income group while the poor are granted subsidies. In this sense, the purchasing power is transferred from the rich to the poor. Similarly, pensions, scholarships, grants, etc. can be granted to the poor. Both the legislative as well as fiscal measures aim at encouraging egalitarian society and reducing poverty.

3. **Controlling population:** High population growth rate offsets the benefits of high economic growth rate. Even when the level of national income is high, the per capita income will remain low if the population growth rate is high. Thus, to combat poverty, it becomes necessary to control the population growth rate.

People should be made aware of the benefits of a small family and different family control measures. Another measure of controlling population is encouraging female education and employment. Stress should also be laid on other similar measures such as education, research in the field of family planning and population control.

4. **Controlling inflation:** Poor are worse hit by the rising prices. Rising prices reduces the purchasing power and makes it difficult for the poor to purchase even the basic necessities. To reduce poverty steps must be taken to ensure stability in the prices. Two-fold methodology can be adopted for price stability. First, by increasing the production of goods and services and second, by distributing the essential goods to the poor through fair price shops and ration shops.

5. **Reducing unemployment:** Unemployment is one of the major causes of poverty. Steps must be taken to eradicate unemployment. India being a labour abundant country, one of the measures to increase the employment can be to adopt labour intensive techniques of production. Similarly, to absorb the labour in rural areas cottage and small scale industries must be encouraged.

Self-employment must be encouraged in both the rural areas and urban areas. Self-employed persons should be provided with such facilities as credit, marketing, transportation, technical training, etc. Besides, to improve the employment in the country, it is necessary to make the education system more job-oriented, so that people have the practical knowledge and skill required for gainful employment. A reduction in the unemployment through these measures will help in the reduction of poverty.