5 | Poverty

Introduction

Poverty is such a situation existing in the economy, under which one class of economy is unable to fulfill the minimum basic needs. In most of the developing economies, where the per capita income is very low and there exists high level of income inequality, a large portion of poor population can not enjoy a healthy life because of unavailability of minimum basic requirements such as nutritive food,

clothes, proper housing. On the other hand, rich and resourceful class enjoys high income and high standard of living. Due to existing economic inequality in the country, the society faces dissatisfaction, restlessness, hatred and class conflict. According to HDR 1997, Economic Development is a resource and Human Development is the goal. So, it is expected that economic development should result in reduction in poverty. Unless there is reduction in income inequality and poverty, economic development cannot be said to be the Development in true sense. Poverty eradication was one of the main goals of some of the five year plans in this context. Especially in the fifth five year plan and following plans, poverty eradication and alleviation special programmes and schemes were started but poverty could not be reduced to the targeted level.

5.1 Meaning of Poverty

A situation where a major portion of population cannot even satisfy their minimum requirements are said to be poor. If a larger population is living below the minimum required standard of living, there exists wide-spread poverty.

Many nations of the world have tried to interpret poverty in their way. But poverty being a relative concept, its meaning changes with change in time, place and society.

In most of the interpretation of poverty, an average standard of living is considered as base and existing inequalities in society are shown. Hence, there exists a difference in the level of poverty.

In this context, poverty can be divided into two parts : (1) Traditional meaning of poverty or income poverty. (2) Modern meaning of poverty or non-income poverty.

According to income definition of poverty "A certain normative minimum level of per capita consumption expenditure required to ascertain minimum basic needs and services is called poverty line."

All people, who have less than required income or spend less than required minimum expenditure are said to be poor. So according to this interpretation, Poverty is a state of scarcity.

In India, poverty line is defined in reference to consuming minimum required calories or minimum consumption expenditure required to get minimum calories. But the limitation of this method is that, it only shows the situation of non-availability of food or starvation. Poverty is not only a situation of starvation.

In the concept of minimum required standard of living, apart from food, other necessities such as clothing, housing, education, health, cleanliness, pure drinking water are also included and then only the non-income poverty has become a popular modern concept of poverty.

According to modern economists, income poverty is one of the important elements of poverty but it only reflects a single aspect of human life. Freedom of choice in occupation which is available to rich is never available to poor. In this context, to get a broader meaning of poverty, income should not be the sole measuring rod of deprivation but other important elements of human development such as knowledge, long and healthy life, good standard of living, individual freedom, availability of opportunities and a life with choices and self respect should also be considered.

UNDP, while preparing a development report through HDI (Human Development Index) and HPI (Human Poverty Index), induded three important parameters namely, Knowledge, Health and Standard of living. Under which knowledge - literacy rate and enrollment ratio, for health-life expectancy and for standard of living - per capita total house production is considered.

5.2 Nature of Poverty

To understand the concept of Poverty more clearly, according to its nature, economists have divided poverty in two parts : (1) Absolute Poverty (2) Relative Poverty

5.2.1 Absolute Poverty

The minimum expenditure or income required to satisfy the minimum basic needs and services is known as Poverty line. The population having income or expenditure below this poverty line are said to be Absolutely poor. Absolute poverty is also known as complete poverty. The concept of Absolute poverty helps us to categorize people living below poverty line and to reduce poverty among these, target-oriented policies can be framed.

5.2.1.1 Poverty Line : To understand the level of absolute poverty, the minimum consumption expenditure required to fulfill the minimum physical amount of cereal, pulses, milk, butter, etc. should be studied.

To ascertain this minimum per capita consumption expenditure, in the intial years of planning, Indian Council of Medical Research has decided that for Rural areas per person per day, 2400 calories and for Urban areas per person per day, 2100 calories are required. This method was accepted by Planning Commission in 1969 and taking 1960-61 prices as base year, ₹ 20 per capita per month was decided as the measuring rod for poverty.

With this working method, Dandekar and Rath for Rural Areas, on the basis of 1960-61 prices, decided ₹ 15 per capita per month as poverty line and for urban areas ₹ 22.50 per capita per month. Later, Planning Commission appointed an expert committee under the chairmanship of Prof. D. T. Lakdawala which estimated poverty for the year 1993, taking 1973-74 prices as base year prices, for rural areas, ₹ 49 per capita per month and urban areas ₹ 57 per capita per month consumption expenditure was estimated to fulfil the requirements for the above poverty line.

In the method of calculating poverty line, one of the major drawbacks is that it only takes into account calorie consumption. But poverty is an economic situation and hunger is a physical situation. So that Poverty line becomes "starvation line".

To make the concept of poverty line more progressive, the minimum standard of quality life should be decided and for that required facilities for quality life such as nutritive and balanced food, health, electricity, kitchen fuel, clothing, educational expenditure, housing etc. should be included. In this context, to redefine the measuring rod of poverty, the committee under the chairmanship of Prof. Suresh Tendulkar submitted its report to the Government in the year 2009. The Committee decided a new method of measuring poverty, in which apart from consumption expenditure for minimum calorie, expenditure on educaiton and health was also included. According

to this new method in the year 2011-12, the per capita monthly consumption expenditure for Rural areas ₹ 816 and for Urban areas ₹ 1000 was decided as the poverty line.

In order to calculate absolute poverty at an international level, the cost of all resources consumed by an average adult are considered. At international level, poverty line based on Purchasing Power Parity decided as 1.25 $ per day for the year 2005 which was 1 $ for the year 1990 and for the year 2015, it is adopted as $ 1.90 per day. With the help of international poverty line, absolute povery for the different nations can be measured using a uniform method.

Measurement of Absolute Poverty in India

In the 68th round of NSSO (National Sample Survey Organisation) (2011-12) using per joint family expenditure data, Tendulkar committee estimated that in India, in the year 2004-05, the measurement of absolute poverty was 37.2% which reduced to 21.9% in the year 2011-12.

Table 5.1 Measurement of Poverty in India (%)

Poverty	2004-05 (%)	2011-12 (%)
Rural	41.8	25.7
Urban	25.7	13.7
Total	37.2	21.9

Source : Economic Survey, 2015-16

In rural India, the measurement of poverty in the year 2004-05 was 41.8 % which reudced to 25.7 % in the year 2011-12. Whereas in urban area the measurement of poverty was 25.7 % in the year 2004-05 which reduced to 13.7 % in the year 2011-12.

State-wise magnitude of Poverty in India

According to the Planning Commission 2011-12, state-wise magnitude of poverty is as follows :

Table 5.2 State-wise Magnitude of Poverty in India (2011-12)

Percentage of population below poverty line	States
Below 10 %	Goa, Kerala, Himachal Pradesh, Sikkim, Punjab, Andhra Pradesh
10 to 20 %	Jammu and Kashmir, Haryana, Tamil Nadu, Gujarat, Rajasthan, Maharashtra, Tripura, Nagaland, Meghalaya
20 to 30 %	West Bengal, Mizoram, Karnatak, Uttar Pradesh
30 to 40 %	Madhya Pradesh, Assam, Odisha, Bihar, Arunachal Pradesh, Manipur, Jharkhand, Chhattisgarh

Source : Economic Survey, 2015-16

According to the above information, states less than 10 % of poverty are Goa, Kerala, Himachal Pradesh, Sikkim, Punjab and Andhra Pradesh. Whereas in Jammu Kashmir, Haryana, Tamil Nadu, Gujarat, Rajasthan, Maharashtra, Tripura 10 % to 20 % measurement of poverty is seen. Madhya Pradesh, Assam, Bihar, Odisha, Jharkhand, Chhattisgarh, Arunachal Pradesh have measured highest poverty that is 30-40 %. According to the Annual Report of 2013, among various states of India, Goa has the lowest poverty 5.09 % and the highest measurement of poverty is for Chhattisgarh which is 39.93 %.

5.2.2 Relative Poverty

In the concept of absolute poverty, the minimum consumption expenditure required for satisfying minimum needs is taken into consideration but in the concept of relative poverty, income inequality existing in different groups of people living in society is considered. Commonly in every economy, income disparity is seen in that case lower income class is considered relatively poor than the higher income class.

To study Relative Poverty, society is divided into different income groups and unequal distribution of income is studied. Relative poverty exhibits the level of income inequality among different class of people.

It is argued in context of India that as a rapid developing economy, instead of studying the concept of poverty and poverty line, relative poverty or unequal distribution of income should be considered.

The concept of Relative poverty can be studied with the help of a hypothetical example. For example, a nation's population is divided on the basis of five income groups.

Table 5.3

Group	Income group (In ₹)
Group 1	0 - 30,000
Group 2	30,000 - 1 lakh
Group 3	1 lakh - 3 lakh
Group 4	3 lakh - 10 lakh
Group 5	10 lakh and above

In the above example the class in group 2 has more income than the class income of people in group 1. It can be said that people in group 1 are relatively poorer than group 2. But the people of group 2 has lower income than income of people in group 3, 4 and 5. Hence people of group 2 are relatively poorer than the groups 3, 4 and 5.

To measure relative poverty or income inequality, generally formation of income group, Lorenz curve and Gini co-efficient are useful.

5.3 Indicators of Poverty

The level of Poverty and their components are called its indicators. In our country various factors showing poverty are known as its indicators. Indicators are useful to know poverty and levels of poverty. With this, we can know the nature and measurement of poverty. The Indicators of Poverty are as follows :

5.3.1 Per Capita Household Consumption Expenditure

Per Capita household expenditure is the amount of income a family spends on an average on consumption of goods and services. It is calculated at the market prices of durable goods like cars, washing machines, computers and so on. The nation's total spending on such goods is divided by the total population to calculate this. The per capita consumption expenditure for developing countries is much lower than that of the developed countries and in this sense, developing countries are poor. The following table shows per capita consumption expenditure of many countries.

Table 5.4 Per Capita Consumption Expenditure

Countries	Fixed price of 2005 in US $ Year 2014
US	31,469
UK	25,828
Japan	22,149
Pakistan	603
China	1,420
India	725

Source : w.w.w.worldbank.org

According to the above information, on the basis of base year price of year 2005, in the year 2014, the per capita household consumption expenditure was $ 725 in India, $ 31,469 in US, $ 25,828 in UK, $ 22,149 in Japan, it is $ 603 in Pakistan., The per capita household consumption expenditure is very less in India as compared to US and UK.

5.3.2 Level of Malnutrition

Malnutrition is such a situation in which the food taken by individual lacks calories proteins, carbohydrates, vitamins and minerals. In India, inspite of an increase in agricultural production, people with low income are unable to get nutritive food because of low per capita income and unequal distribution of income. India's information regarding people with malnutrition is as follows :

Table 5.5 Measurement of Malnourished People (in percentage)

Year	Total malnourished people (in percentage)
1990-92	23.7
2000-02	17.5
2005-07	20.5
2010-12	15.6
2014-16	15.2

Source : Economic Survey, 2015-16

According to the above table, in the time period of 1990-92, India had total 23.7% of malnourished people. Likewise in the year 2000-02, 2005-07 and 2010-12, India had 17.5 %, 20.5 %, and 15.6 % of malnourished population respectively. According to FAO, 2015 report, the situation of food security in India ranked 2nd in the world in measurement of malnourishment which indicates poverty in India.

5.3.3 Life Expectancy and Infant Mortality Rate

Life expectancy means that how long new born baby is expected to live on an average. The average life expectancy of people in a country is based on nutritive food, cleanliness, pure drinking water and health services. Poor people are deprived of such facilities so they have low life expectancy.

Infant mortality means number of death taking place per thousand children born before reaching the age of one year. The rate of infant mortality depends on availability of health services, mother's education, vaccination among children and nutrition of food. Infant mortality is also an indicator of poverty in respect to poor health services.

Life expectancy and infant mortality rates of various countries of the world are shown as below :

Table 5.6 Life expectancy and Infant mortatily

Countries	Life expetancy (in years) (Year 2014)	Infant Mortatily (Year 2014)
Norway	81.6	02
USA	79.1	06
Sri Lanka	74.9	09
China	75.8	10
India	68.0	39

Source : Compiled from HDR-2015, Economic Survey (2015-16) and www.dataworldbank.org

According to above information, in Norway, life expectancy is 81.6 years, in America 79.1 years, in Sri Lanka 74.9 years, China 75.8 years whereas in India it is 68.0 years which is even less than China and Sri Lanka.

In case of child mortality rate in Norway, 2 children die per thousand, in America 6, in Sri Lanka 9, in China 10 whereas in India, the rate is 39 which is very high.

5.3.4 Medical Facilities

In health sector, doctors, nurse, compounders etc. are included and their scarcity adversly affects health services. India as compared to other countries, lacks medical services and doctors.

In developing economies, people get less medical services. They often suffer from various diseases as poor people do not get complete nutritive food. As a result, their immunity is too low. The country has less medical facilities. People are deprived of such services. As a result poverty is more.

In developing countries, every six thousand population, one doctor is available whereas among developed economies, every 350 people, service of one doctor is available.

In developing countries every year 1.7 crore people die from diarrhoea, Malaria and T.B. In the whole world, 2.3 crore people are suffering from AIDS. Out of this, 90 % belong to the developing economies.

5.3.5 Drinking Water

Health of population is very much connected to drinking water and facilities of cleanliness. According to the Census Report 2011, in India 63.3 % families get pure drinking water through treated source. 8.67 % families get untreated tap water, 26 % people get water from other sources such as well, handpump, tubewell, spring river, canal, pond. In the absence of pure drinking water, polluted water (contaminated) increases the chances of having water borne diseases and hence make the problem of poverty more severe.

5.3.6 Provision of Toilets :

According to the census report 2011 in India, 70 % of total population lives in villages. They are more prone to water borne and contagious diseases. To save them from diseases, cleanliness is very important and for that, toilet facilities are a must.

Table 5.7 Calssification of Slum Families with Toilet Facilities

Total Families	Toilet facility within house	Houses without toilet facility
100 %	66 %	34 %

In India, 66 % houses have toilet facility within house whereas remaining 34 % families use common toilets. Lack of cleanliness, pollution and physical weakness, keeps the production and productivity at low level, which is one of the factors of rise in poverty.

5.3.7 Housing :

One of the indicator of poverty is also housing facilities and its nature. Developing countries lack housing facilities. People live in dirty hutments and slums. This is called measurement of existing poverty. Housing is a primary need for human being. Types of housing facilities decidesed the level of poverty. Construction of a house, varandah, members in the house, tap in the house, drainage, electricity facilities, etc. and percentage of houses with these facilities decides the level of poverty. India lacks houses with full facilities. In India, 60 crores people have dwellings which are dangerous for their health and risky for their lives. Most of the houses in India comprise of one room facility which is one of the major measuring rods of poverty.

5.3.8 Electricity Consumption :

One of the major factors in the development of any country is electric facility. To increase the production of country and quality of life of people, electricity is imperative. India is a main producer and consumer of electricity. Then also, because of high population and low per capita, income, per person electricity consumption is very less.

5.3.9 Education :

According to the World Bank, people in the age group of 15 years and above who can read and write are literate, and the rest are illiterate and they are mostly poor.

Lack of education and training gives rise to incapable and less productive labourers in the country. As a result, labourers get limited work opportunities and choices. Hence less wages and low income increases poverty. In 2011, Brazil had 91% literacy rate where as in India it was 74.04 %, in Nepal 60 % and 55 % in Pakistan, which shows that in developing countries, the literacy rate is comparitively very less. Low education among poor makes them conservative and less acceptable to changes. High rate of ignorance is a strong indicator of poverty.

Only level of per capita income cannot give the right estimate of poverty in the world. A country with high per capita income can have high number of people below the poverty line.

5.3.10 Unequal Distribution of Income and Property

After 1991 economic reforms, economic growth and per capita income have increased sharply in India but due to unequal distribution of income, larger reduction in poverty is not noticed. With increase in income inequality, on one hand, we see rich class of people with high standard of living and enjoying good facilities and on the other hand, we find low income people living in slums and deprived of basic necessities like food, education and health. The table below shows the actual income of the top 1% rich class in USA, UK and India.

Table 5.8 Share of actual national income to top 1% rich class

Country	Year 1998	Year 2012
US	15.2	18.9
UK	12.5	12.7
India	9.0	12.6

Source : Economic survey, 2015-16

According to the above information, in comparison to 1998, in the year 2012, the top 1 % rich class's share in actual real income has increased. In comparison to 1998, in the year 2012, actual national income of top 1% rich class's in US has increased from 15.2 % to 18.9 %, UK 12.5 % to 12.7 % and in India 9.0 % to 12.6 %. For India, it can be said that the advantage from economic reforms were more in favour of the rich. So, the disparity of income inequality is also one of the indicators of existing poverty.

5.3.11 High Rate of Unemployment

When people with working capacity and willingness to work at existing wage rate, do not find work, they are said to be unemployed. Low economic development and jobless growth after 1991 resulted in less development of employment opportunities in comparison to increase in supply of labour is the main reason of increase in unemployment. In situation of unemployment, due to lack of income, a person cannot fulfill basic needs of his family. As a result, level of poverty remains high. In India, till 2011, the rate of unemployment remained around 9 %. According to the Labour Commission in the year 2013-14, the rate of unemployment among people 15 years and above is 4.9 % . In rural areas, this rate was 4.7 % and in urban areas it was 5.5 %.

5.4 Causes of Poverty

To solve any problem, it is better to know its causes and then find the solutions. To eradicate the problem of poverty, it is necessary to understand its reasons. In India, the causes of poverty are as follows :

5.4.1 Historical Reasons

Historians says that in the 17th century, India was comparitively more urbanised and most commercialized nation. In business, India had major share in exports of cotton textile and with that silk, spices, paddy was also exported. But after the entry of English, French and Dutch people and due to their policy of colonial exploitation, India's agriculture and industrial situation deteriorated.

During the British rule, the Agricultural sector suffered in India due to many reasons. On one hand, Indian agriculture was based on monsoon. Britishers did not show any interest in investing money in irrigation projects. On the other hand, due to repeated draught, zamindari system, and tenancy system, the farmers economic conditions deteriorated and they were under the pressure of debt and interest of loan given to them by zamindars, money lenders and big businessmen. Cultivators started losing land. The farmers and agriculture suffered and so poverty increased.

In case of business and trade, Britishers followed that kind of trade policy, tax policy and Industrial policy which would benefit them by trading in India. Indian exports were prohibited in Europe whereas goods produced in England were given a lot of tax concession and freedom to sell in the Indian markets. Moreover to supply these goods to each and every corner of India, Indian railway was extensively used.

Because of this kind of policy, Britishers gained surplus from production and sale in India which they invested in Britain to speed up industrialisation and used Indian market to sell final goods produced in Britain. In this system, Indian trade and business started losing their competitive power and production power. Small and cottage industries of India were ruined. As a result, unemployment and poverty started increasing.

5.4.2 Causes of Rural Poverty

5.4.2.1 Natural Causes : India has been an agricultural country from the beginning and today also a major portion of population lives in villages and is dependent on agricuture. In India, production in agriculture sector is based on natural factors like rain, weather conditions etc. Repeated draught, uncertainity of monsoon and floods results in low production and less and uncertain income of the agriculturist. Hence, poverty is more.

5.4.2.2 Demographic Factors : After independence and during planning period in India, due to economic development and rapid improvement in health services, on the one hand, death rate declined fast but at the same time birth rate did not reduce. As a result, high population growth rate was noticed. High increase in population did not allow per capita income to increase. Low per capita income and big size of families resulted in poor quality of life. There was rapid increase in labour supply because of high population but low pace of development of employment opportunities resulted in reduction in wage rate, so unemployment increased and so was poverty.

5.4.3 Economic Factors

5.4.3.1 Low Agricultural Productivity Per Labour : One of important reasons of high poverty in rural India is low agricutural productivity per labourer. Because of poor irrigation facilities, insufficient technology, lack of education and training, low rate of investment, heavy load of population, result in low agricultural productivity. So income of farmers remains low and poverty increases.

5.4.3.2 Unequal Distribution of Land and Property : Land is very important for cultivation. From British period in India, because of system like Zamindari, land ownership was with the handful of zamindars. This class was not directly associated with land cultivation and had no interest to invest in agricultural sector. On the other hand, the tenants were working on other's land and were not the owners, so they also had no interest in investments. Due to low agriculture production and productivity, poverty increased day by day.

5.4.3.3 Minimal Development of Small and Cottage Industry : In India the second five year plan onwards, as a strategy for economic development, heavy and basic industries were given

importance. But in rural areas, small and cottage industries which have great contribution in employment, production and income were neglected. Moreover agricultural and allied activities like Animal Husbandry, Dairy farming, Fisheries etc. were growing slowly and this increased seasonal unemployment. As a result, poverty remained high.

5.4.3.4 Rapid Increase in Prices : Price-rise seriously affects Poverty. Because of war, draught, low national production, rapid increase in demand, increase in production cost, price of goods and services as well as edible goods rise rapidly. This reduces purchasing power of low income group. It reduces standard of living. It increases poverty. On the other hand, increasing prices benefit businessman, traders and big farmers. This increases unequal distribution of income in the society.

5.4.3.5 High Rate of Unemployment

In India, major part of rural India is dependent on agriculture. But agriculture is dependent on monsoon, hence only one crop in a year is cultivated, so there exists seasonal unemployment. High increase in population and joint family system also increases the burden on agriculture and results in disguised unemployment. In rural India, lack of development of allied industries are responsible for high illiteracy, low mobility of labour, high rate of unemployment and poverty.

5.4.4 Social Reasons

5.4.4.1 Low level of Education : One of the major reasons of poverty in India is scarcity of education, training and skills. Low level of education, specially in rural areas, prevents them from gaining from the use of new technologies in agriculture, new agriculture system, research and benefit of market for sale of the product. As a result, both per hectare productivity and per labour productivity in agriculture remains low. This is the reason of low income of farmers. Apart from this, because of low level of education, they get less opportunities in alternative employment. Wage level remains low and poverty increases.

5.4.4.2 Gender Inequality : India has gender inequality from the beginning. Society cares less about health of females. As a result, women face higher level of malnourishment, low weight and weakness. This causes high maternal mortality during childbirth and health problems among new born children. Work allocation is such that it is believed as compulsory for women to work at home, resulting in low level of education and less economic opportunities to work. Apart from this, at workplace, females are paid less than males. Out of the total population, less than half are women. Amongst them, low health level and less opportunities to work in economic field keeps family income low and this increases the level of poverty.

5.4.5 Other Reasons

5.4.5.1 War : After independence, India fought two wars with neighbouring countries, Pakistan and China. During the war, the limited resources of country are spent on production and import of required arms and ammunition. This reduces production of basic goods and services. During the war, to avoid scarcity of certain goods in future, people store foodgrains, clothes, fuel, etc. As a

result, prices increase rapidly. Because of war, the process of economic development slows down. Due to several wars in India, developmental expenditure is reduced. Economic development remains low and problem of price rise takes place. Hence poverty increases.

5.4.5.2 Increase in Defence Expenditure : Several wars made the issue of security very serious. To make the security system stronger, expenses on modern missiles, fighter planes, tanks and submarines have increased rapidly. In the present era, to fight against terrorism, a lot of special facilities have increased expenditure on defence. The expenditure on security is non-developmental in nature and any increase in such expenditure reduces expenditure on economic development. Economic development slows down and level of poverty increases.

5.4.5.3 Defective Policies : For rapid economic development in India, the 2nd five year plan onwards, basic and heavy industries were given priority and through rapid industrialisation, high economic growth was to be achieved and thus policy of removal of poverty and unemployment was adopted. But this policy neglected the vast population dependent on agriculture. Agriculture and small and cottage industries which give the employment and income to majority of population, developed slowly and so was the income of poor people. Apart from this, various schemes were introduced during planning period to reduce poverty and unemployment but due to frequent changes in the ruling government many times, they lacked continuity and co-ordination. As a result, the targeted poverty reduction could not be achieved through these schemes.

5.5 Measures to Reduce Poverty

India has taken the following steps to reduce poverty during planning period.

5.5.1 To Increase Agricultural Productivity

In India, one of the basic reasons of poverty is low productivity in agriculture. With increase in agricultural productivity and income of agriculture labourer, poverty can be reduced. Regarding this, through public programmes, farmer are informed about upgraded technology, available resources at reasonable rates, improved infrastructural facilities, maximum price and regulated market for their produce. Development of agriculture will increase productivity per labour. Also employment opportunities and prices of foodgrains will decrease. This will be more advantageous to the poor and poverty can be reduced.

5.5.2 Development of Small Scale Industries

In India, small and cottage industries have made immense contribution in the Gross National Income and employment. So, if small and cottage industries can be developed and encouraged, then poverty can be reduced on a larger scale.

5.5.3 Development of Unorganised Sector

Unoganised sector includes vegetable vendors, masons in construction sector, agricultural labourers, vendors etc. To improve the conditions of these workers. National Commission has recommended to decide the working conditions, Life Insurance, health, old age pension and other social security measures. Moreover, for small and marginal farmers, it is recommended to provide them with irrigation facilities and loan facility.

5.5.4 Use of Appropriate Tax Policy

Government uses tax policy to reduce inequality of income and poverty by redistributing income. To fulfill this objective, the government makes such a policy wherein more tax is imposed on rich class which can afford that tax and less tax is imposed on poor class and given tax concession. This way the government collects a fund by imposing taxes on rich people and makes expenses on welfare oriented programmes for the poor people. As a result, socio-economic conditions of the poor improve and reduction is income inequality and poverty is seen.

5.5.5 Rise in Human Capital Investment

Developed nations, where large scale investment is made on education, skill development have very low level of unemployment. As a result, poverty is less. High level of education satisfies the requirement of various employment opportunities and choices among workers. Skill development increases the productivity of workers and that reflects in high wages. For that, at workplace, continuous investment is required for training and research.

5.5.6 Goods and Services at Reasonable Rates

To provide nutritive food and food security to poor people it should be made available at reasonable rates which will also directly reduce poverty. Under public distribution system in India, we have ration shops where rural and urban poor are given basic utility goods at reasonable prices. During draught and scarcity, the responsibility of public distribution system is more to satisfy the basic needs of the poor.

5.5.7 Employment Programmes

Employment generation and poverty eradication are inter-related. Some important employment programmes for poverty eradication are as under :

5.5.7.1 Self Employment Programmes :

During the 6th five year plan, various agencies started different programmes for rural poor. All these programmes were merged in IRDP on 2nd October, 1980. The main objective of IRDP is to encourage poor families for self employment so that they can get more income to rise above the poverty line.

This programme focused on few special groups which includes small and marginal farmers, agricultural labourers and rural artisans.

This way IRDP programme is known as anti-poverty programme.

Following programmes were included in self employment programme :

(1) IRDP (Integrated Rural Development Programme)

(2) TRYSEM (Training of Rural Youth and for Self employment)

(3) DWCRA (Development of Women and Child in Rural Areas)

(4) MWS (Million Wells Scheme)

(5) SITRA (Supplying Improved Tool Kit to Rural Artisans)

(6) Ganga Welfare Scheme

On 1st April, 1999 IRDP and other programmes integrated with it were merged and named as Suvarna Jayanti Gram Swarojgar Yojana. Under this scheme, in rural areas, apart from development of small trade, self help groups were also provided infrastructural facilities, technology, loan, facility, market for final goods to rural poors.

5.5.7.2 Wage Employment Schemes : These programmes are part of strategy of poverty eradication and has multiple objectives. In wage employment scheme, focus was on those poor who do not have any other source of income than physical labour. These schemes do not only provide self employment in the slack season but also provide employment during floods, draught, scarcity and other natural calamities. Under these schemes, infrastructural services developed in rural areas. It is tried that labourers should get proper salaries. Wage employment scheme included (1) Jawahar Rojgar Yojana (JRY) (2) Employment Assistance Scheme (EAS).

5.5.7.3 Prime Minister Rojgar Yojana (PMRY) : In the decade of 90's employment generation in organised sector was stagnant and in public sector, negative growth was noticed. On the other hand, unemployment rate was rising fast. On this situation, Prime Minister Rojgar Yojana was started for self employment with the objective of starting ventures to provide employment to educated unemployed.

5.5.7.4 National Rural Employment Guarantee Act, 2005 (NREGA) : In the year 2005, National Employment Gaurantee Act was accepted with the objective of creating assets through public construction activities and to provide employment to one person per family of minimum 100 days to rural and urban poor as well as lower middle class families. In 2009, NREGA was reformed as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

5.5.8 Housing Schemes : In India, still a majority of poor people dwell in semi-stable or temporary houses. With an objective to provide proper dwelling to poor in the year 1985-86, Indira Awas Yojana (IAY) was started for families below poverty line and schedule caste, schedule tribes. Moreover, in 2013-14, Rajiv Gandhi Yojana was implemented to improve the housing of those who reside in huts. In urban areas also, poor people reside in slums where they are deprived of basic facilities of drinking water, toilets and electricity. Due to fast increasing problem of dwelling in urban areas, from 25 June, 2015 for urban poor, Prime Minister Awas Yojana (PMAY) was started. Housing schemes are important for dwelling purpose but simultaneously they also create employment.

5.5.9 Social Security Schemes : As a strategy to reduce poverty in India, various social security schemes were started. For workers of unorganised sector, from 9th May, 2015, Atal Pension Scheme was started in which monthly pension is paid to people above 60 years. Under the Prime Minister Security Scheme, for people in the age of 18 to 70 years, accident insurance of ₹ 2 lac was opened with minimum premium of ₹ 12 and Jivan Jyoti scheme was started with ₹ 2 lakhs life insurance policy at ₹ 330 yearly premium. To safegaurd farmers from crop failure, Prime Minister Fasal Bima Yojana was started (PMFBY).

5.5.10 Jan Dhan Yojana : Through financial inclusion, to hit the root of poverty, an ambitious scheme Pradhanmantri Jan Dhan Yojana was introduced. This scheme began on 28th August, 2014 and on the very first day of this scheme, 1.5 crore accounts were opened. Till 8th January, the number increased to 12.58 crores where investment of ₹ 10,590 crore was generated.

Features and Importance of Jan Dhan Yojana : With the objective of increasing banking facilities per capita and reduction in regional inequalities, this yojana was started and the main purpose was that the subsidy given to poor families by government should directly go to their bank accounts.

The main feature of this scheme is that the bank account is opened with zero balance and after 5 months of opening account, an overdraft of ₹ 5000 is available. Under this scheme, those who opened account before 26 January 2015, have also benefitted with a life insurance policy.

Prime Minister Jan Dhan Yojana is prominantly a scheme for overall financial inclusion. On the other hand, it hits directly on poverty by providing micro finance and banking facilities.

Exercise

1. **Choose the correct option for the following questions :**

    (1) How many minimum daily calories per person per day is decided by Indian Council of Medical Research for rural area ?

    (a) 2400   (b) 2300   (c) 2200   (d) 2100

(2) What amount of rupees are decided by Tendulkar committee in the year 2011-12 for deciding poverty line in urban areas ?

(a) 816   (b) 916   (c) 1000   (d) 2000

(3) Which state has the lowest poverty in the year 2013 in India ?

(a) Gujarat   (b) Rajasthan   (c) Goa   (d) Bihar

(4) According to all estimate for the year 2011-12, which of the following state falls in the catogory of 30-40% poverty ?

(a) Punjab   (b) Jammu & Kashmir   (c) Karnataka   (d) Odisha

(5) What is the percentage of malnourished people in India in 2014-16 ?

(a) 23.7   (b) 15.2   (c) 11.2   (d) 20.5

2.   **Answer the following questions in one line :**

(1) What is Poverty line ?

(2) Explain the concept of Relative Proverty.

(3) Which kind of expenditure is included by Tendulkar Committee for poverty line ?

(4) Which method is used to measure relative poverty ?

3.   **Answer the following questions in brief :**

(1) Explain income concept of poverty.

(2) Explain the modern approach of poverty.

(3) Explain the limitations of poverty line.

(4) What is the measure of absolute poverty in India ?

(5) Explain the importance of safe drinking water and housing facility.

4.   **Give to the point answers for the following questions :**

(1) Explain the economic causes of poverty.

(2) Explain employment oriented programme for poverty eradication.

(3) Discuss health related indicators of poverty.

(4) Explain the nature of poverty.

(5) Explain in short the social security schemes for poverty eradication.

5.   **Answer the following questions in detail :**

(1) What is Poverty? Explain its indicators.

(2) Discuss the nature and causes of poverty.

(3) Discuss the measures to reduce poverty in India.

	Glossary	

Lorenz Curve	:	In economics Lorenz curve is graphical presentation of distribution of Income and property. In 1905 Max. O. Lorenz explained the inequality of property through Lorenz Curve.
Gini (Co-efficient)	:	Gini (Co-efficient) is numerical measurement of distribution of income and property based on Lorenz curve. It lies between 0 to 1. If the value of Gini (co-efficient) is 0 then it shows equal distribution of income. If value Gini (co-efficient) is 1 then it shows that whole property belong to one person. More the value of Gini (co-efficient) more unequal is the distribution of property.
Per Capita Consumption Expenditure	:	Total market value of all the goods and services bought by families during a year divided by the total population of the same year.
Per labour Productivity	:	During a particular period of time the amount of goods and services produced by one labour is per labour productivity.
Literacy Rate	:	According to 1991 census the percentage of total population who are above seven years and able to read and write any one language. The total percentage is literacy rate.
FAO	:	Food and Agricultural organisation is a special agency which tries to reduce starvation at international level.

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