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Unit 4 – Poverty

Name: _____

Date: __/__/__

Introduction

In previous chapters, you have studied the economic policies that India has taken in the last five and a half decades and the outcome of these policies with relation to the various developmental indicators. Providing minimum basic needs to the people and reduction of poverty have been the major aims of independent India. The pattern of development that the successive five-year plans envisaged laid emphasis on the upliftment of the poorest of the poor (Antyodaya), integrating the poor into the mainstream and achieving a minimum standard of living for all.

Poverty

Poverty is a multifaceted concept, which may include social, economic, and political elements. Absolute poverty, extreme poverty, or destitution refers to the complete lack of the means necessary to meet basic personal needs such as food, clothing and shelter.

Who Are the Poor?

Push cart vendors, street cobblers, women who string flowers, rag pickers, vendors and beggars are some examples of poor and vulnerable groups in urban areas. They possess few assets. They reside in kutcha hutments with walls made of baked mud and roofs made of grass, thatch, bamboo and wood. The poorest of them do not even have such dwellings. In rural areas many of them are landless.

Even if some of them possess land, it is only dry or waste land. Many do not get to have even two meals a day. Starvation and hunger are the key features of the poorest households. The poor lack basic literacy and skills and hence have very limited economic opportunities. Poor people also face unstable employment.

Malnutrition is alarmingly high among the poor. Ill health, disability or serious illness makes them physically weak. They borrow from money lenders who charge high rates of interest that lead them into chronic indebtedness. The poor are highly vulnerable

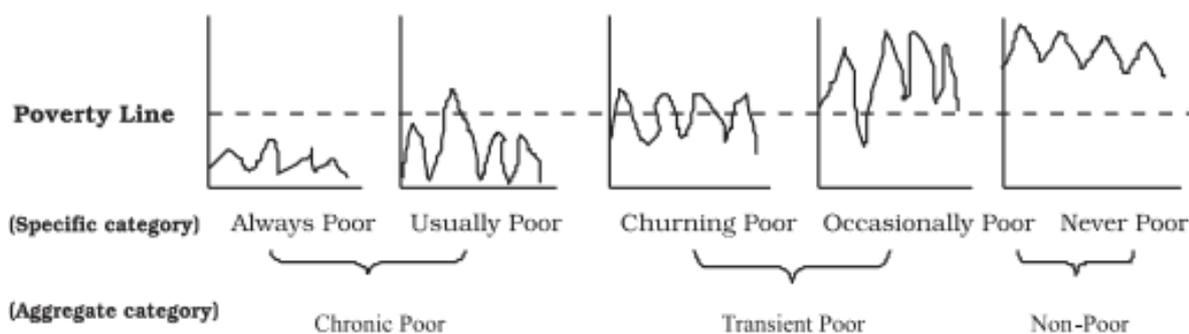
How Are Poor People Identified?

If India is to solve the problem of poverty, it must find viable and sustainable strategies to address the causes of poverty and design schemes to help the poor out of their situation. In pre-independent India, Dadabhai Naoroji was the first to discuss the concept of a Poverty Line. He used the menu for a prisoner and used appropriate prevailing prices to arrive at what may be called 'jail cost of living'.

In post-independent India, there have been several attempts to work out a mechanism to identify the number of poor in the country.

Categorising Poverty

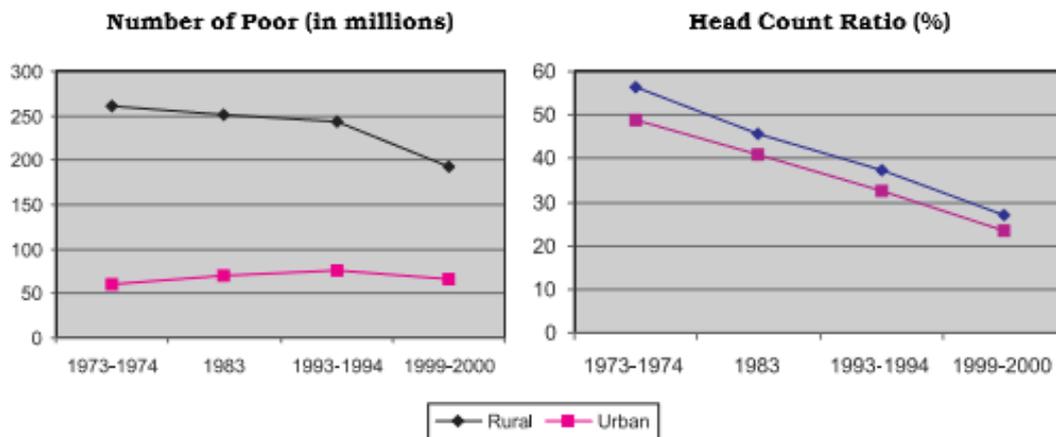
There are many ways to categorise poverty. In one such way people who are always poor and those who are usually poor but who may sometimes have a little more money (example: casual workers) are grouped together as the chronic poor. Another group are the churning poor who regularly move in and out of poverty (example: small farmers and seasonal workers) and the occasionally poor who are rich most of the time but may sometimes have a patch of bad luck. They are called the transient poor. And then there are those who are never poor, and they are the non-poor.



The Number of Poor in India

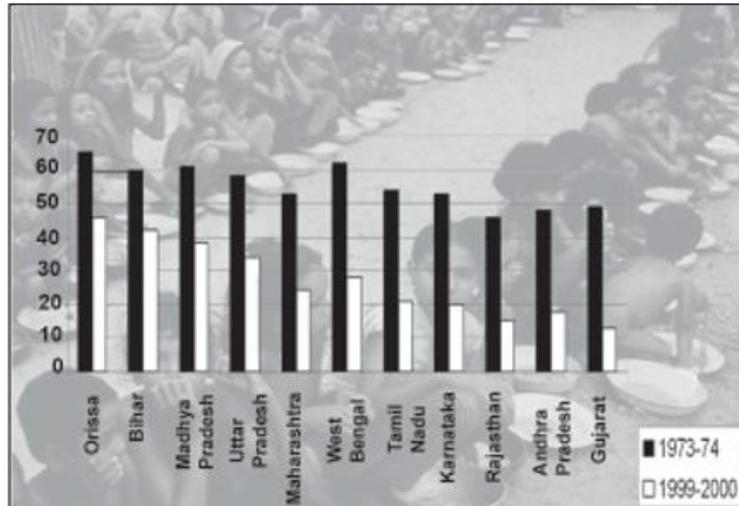
When the number of poor is estimated as the proportion of people below the poverty line, it is known as 'Head Count Ratio'. You might be interested in knowing the total number of poor persons residing in India. Where do they reside and has their number or proportion declined over the years or not? When such a comparative analysis of poor people is made in terms of ratios and percentages, we will have an idea of different levels of poverty of people and their distribution; between states and over time.

The official data on poverty is made available to the public by the Planning Commission. It is estimated based on consumption expenditure data collected by the National Sample Survey Organisation (NSSO).



In the 1990s, the absolute number of poor in rural areas had declined whereas the number of their urban counterparts increased marginally. The poverty ratio declined continuously for both urban and rural areas. The ratio is declining much slower than the absolute number of poor in the country. You will also notice that the gap between the absolute number of poor in rural and urban areas did not narrow down until the early 1990s whereas in the case of ratio the gap has remained the same until 1999-2000.

The state level trends in poverty are shown. It reveals that five states — Uttar Pradesh, Bihar, Madhya Pradesh, West Bengal and Orissa — account for about 70 per cent of India's poor. You will also notice that during 1973-74, about half the population in most of these large states was living below the poverty line. In 1999-2000, only two states — Bihar and Orissa — were left near that same level. Though they also reduced their share of poor, compared to other states, their success is marginal. If we look at Gujarat, it reduced its people below the poverty line from 48 per cent to 15 per cent during 1973-2000



Note: Uttar Pradesh includes the present Uttaranchal; Madhya Pradesh includes Chhattisgarh and Bihar includes Jharkhand

What Causes Poverty?

Poverty is explained by individual circumstances and/or characteristics of poor people. Some examples are

- (i) Low levels of education and skills
- (ii) Infirmary, ill health, sickness
- (iii) Discrimination.

These can be caused because of

- (i) Social, economic and political inequality
- (ii) Social exclusion
- (iii) Unemployment
- (iv) Indebtedness
- (v) Unequal distribution of wealth.

Aggregate poverty is just the sum of individual poverty. Poverty is also explained by general, economy-wide problems, such as

- (i) Low capital formation
- (ii) Lack of infrastructure
- (iii) Lack of demand
- (iv) Pressure of population
- (v) Lack of social/welfare nets.

A large section of the rural poor in India are the small farmers. The land that they have is, in general, less fertile and dependent on rains. Their survival depends on subsistence crops and sometimes on livestock. With the rapid growth of population and without alternative sources of employment, the per-head availability of land for cultivation has steadily declined leading to fragmentation of land holdings. The income from these small land holdings is not sufficient to meet the family's basic requirements

Policies and Programs towards Poverty Alleviation

The Indian Constitution and five year plans state social justice as the primary objective of the developmental strategies of the government. To quote the First Five Year Plan (1951-56), “the urge to bring economic and social change under present conditions comes from the fact of poverty and inequalities in income, wealth and opportunity”. The Second Five Year Plan (1956-61) also pointed out that “the benefits of economic development must accrue more and more to the relatively less privileged classes of society”

The government’s approach to poverty reduction was of three dimensions. The first one is growth-oriented approach. It is based on the expectation that the effects of economic growth — rapid increase in gross domestic product and per capita income — would spread to all sections of society and will trickle down to the poor sections also

The second one of the noted programmes initiated in the 1970s was Food for Work. The programmes that are being implemented now are based on the perspective of the Tenth Five Year Plan (2002-2007) Expanding self-employment programmes and wage employment programmes are being considered as the major ways of addressing poverty.

Examples of self-employment programmes are Rural Employment Generation Programme (REGP), Prime Minister’s Rozgar Yojana (PMRY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY). The first programme aims at creating self-employment opportunities in rural areas and small towns.

The Khadi and Village Industries Commission is implementing it. Under this programme, one can get financial assistance in the form of bank loans to set up small industries. The educated unemployed from low-income families in rural and urban areas can get financial help to set up any kind of enterprise that generates employment under PMRY.

SJSRY mainly aims at creating employment opportunities—both self-employment and wage employment—in urban areas. Through banks, the government provides partial financial assistance to SHGs which then decide whom the loan is to be given to for self-employment activities. Swarnajayanti Gram Swarozgar Yojana (SGSY) is one such programme.

The government has a variety of programmes to generate wage employment for the poor unskilled people living in rural areas. Some of them are National Food for Work Programme (NFWP) and Sampoorna Grameen Rozgar Yojana (SGRY).

In August 2005, the Parliament has passed a new Act to provide guaranteed wage employment to every household whose adult volunteer is to do unskilled manual work for a minimum of 100 days in a year. This Act is known as National Rural Employment Guarantee Act-2005. Under this Act all those among the poor who are ready to work at the minimum wage can report for work in areas where this programme is implemented.

The third approach to addressing poverty is to provide minimum basic amenities to the people. India was among the pioneers in the world to envisage that through public expenditure on social consumption needs — provision of food grains at subsidised rates, education, health, water supply and sanitation— people’s living standard could be improved.

Three major programmes that aim at improving the food and nutritional status of the poor are Public Distribution System, Integrated Child Development Scheme and Midday Meal Scheme. Pradhan Mantri Gram Sadak Yojana, Pradhan Mantri Gramodaya Yojana, Valmiki Ambedkar Awas Yojana are also attempts in the same direction.

Poverty Alleviation Programmes — A Critical Assessment

Efforts at poverty alleviation have borne fruit in that for the first time since independence, the percentage of absolute poor in some states is now well below the national average. Despite a variety of approaches, programmes and schemes to alleviate poverty; hunger, malnourishment, illiteracy and lack of basic amenities continue to be a common feature in many parts of India. Though the policy towards poverty alleviation has evolved in a progressive manner, over the last five and a half decades, it has not undergone any radical transformation.

However, none resulted in any radical change in the ownership of assets, process of production and improvement of basic amenities to the needy. Scholars, while assessing these programmes, state three major areas of concern which prevent their successful implementation.

Due to unequal distribution of land and other assets, the benefits from direct poverty alleviation programmes have been appropriated by the non-poor. Compared to the magnitude of poverty, the amount of resources allocated for these programmes is not sufficient. Moreover, these programmes depend mainly on government and bank officials for their implementation.

Since such officials are ill motivated, inadequately trained, corruption prone and vulnerable to pressure from a variety of local elites, the resources are inefficiently used and wasted. There is also non-participation of local level institutions in programme implementation.

Government policies have also failed to address the clear majority of vulnerable people who are living on or just above the poverty line. It also reveals that high growth alone is not sufficient to reduce poverty. Without the active participation of the poor, successful implementation of any programme is not possible.