



The State of Poverty in India

KEYWORDS

Relative Poverty, Absolute Poverty, Poverty Line.

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ABSTRACT India is a developing economy. There are many problems in India like unemployment, inflation, regional unbalance. But is all poverty is the major problem in India. In spite of six decades of planning, the problem of poverty is still persisting in the country. It is the most crying economic problem in India. Poverty adversely affects one's health and skill and hence capacity to earn decreases. In India both poverty like urban poverty and rural poverty lies. For this many socio-economic factors are responsible like high population growth, highly unequal income distribution etc. while poverty decline was observed among most of the states and regions. But Bihar, U.P., Chattisgarh recorded an increase in number of poor persons due to slow progress of poverty alleviation process. In the states like Assam, Nagaland, Manipur and Meghalaya poverty ratio has actually increased many people who are just living on margin may not be able to meet their basic necessities of life. To remove poverty in India government should take efforts more seriously and allocate more funds for poverty alleviation.

Introduction :

Poverty in India is still a major issue even in this day and age. The population of people living below the poverty line in India is the highest in the world and the problem is not going dearth, or the state of one who lacks a certain amount of material possessions or money. The number of poor people in India, According to the country's eleventh National Development Plans, amounts of more than 300 million. The country has been successful in reducing the population of poor people from about 55% in 1973 to about 27% in 2004. Poverty is the deport among members of scheduled castes and tribes in the country's rural areas. On the map of poverty in India, the poorest areas are in part of Rajasthan, Madhya Pradesh, Uttar Pradesh, Bihar, Jharkhand, Orissa, West Bengal.

Relative Poverty :

Relative Poverty is defined contextually as economic inequality in the location or society in which people live. Relative indicates that a group or class of people belonging to the lower income groups is poorer when compared to those belonging to higher income groups. Such poverty of one group is only relative to the affluence of the other group. And since incomes are unequally distributed in almost all the countries, whether developed or under developed, relative poverty exists in each economy be it USA or India.

Absolute Poverty :

Generally, absolute poverty is defined in terms of income levels that are insufficient to provide adequate nutrition. Extent of absolute poverty can be judged from the number of people that live below the 'Poverty Line' drawn on the basis of income or expenditure required to provide the minimum acceptable level of living or nutritional standard. Consumption expenditure is however more appropriate or relevant to the measurement of poverty than the income level. This is because among the poor people, actual consumption expenditure may not be met wholly from the income people may borrow or use past savings to meet their minimum consumption requirements. Therefore, to measure the incidence of poverty, first we specify the minimum consumption or nutritional requirements in terms of

calorie intake, which is then converted into the necessary amount of food required for providing so many calories of nutrition. Then the estimated expenditure on this food is worked out. This minimum per capita consumption expenditure then forms the 'poverty line'. All those who do not incur this much of expenditure (in a given period, say per month) are said to be below the poverty line and therefore classified as absolute poor. This number of poor is then worked out as a percentage or proportion of total population and expressed as poverty ratio. A decrease in poverty ratio over time is regarded as a decline in the incidence of poverty.

Literature Review :

Among the notable contributions to the study of poverty problem are those made by P.D. Ojha, EPW Da Costa, Dandekan and Rath, B.S. Minhas, S.D. Tendulkar and Montek Singh Ahluwalia. Besides, these studies have also been conducted by the Planning Commission of India and the World Bank.

Poverty Line :

The Planning Commission appointed an Expert Group under the chairmanship of Prof. D.T. Lakdawala in September 1989 to estimate the number of poor in India. The poverty line was worked out on the basis of a minimum calorie intake of 2400 calories per person per day in rural areas and 2100 calories per day in urban areas. The minimum calorie intake has been kept higher in rural areas because the people there have to put in more physical labour than those living in urban areas. Based on 1993-94 prices, the expenditure on the calorie intake has been worked out as Rs. 229 per month in rural areas and Rs. 264 per month in urban areas. The expenditure in rural areas is lower even for a higher calorie intake because goods of daily consumption are cheaper or some of them may be available free (e.g. vegetables) in rural areas. Thus the monthly per capita expenditure of Rs. 229 in rural and Rs. 264 in urban areas is defined as poverty line.

The poverty line was readjusted in 2004-05 to incorporate changes in the prices of goods and services constituting the poverty basket, i.e. the goods that are included in the minimum calorie intake defined for poverty. At the 2004-05

prices, official poverty line was down at Rs. 356 per capita per month expenditure in rural and Rs. 538 in urban areas. All those whose expenditure is below this amount are as classified as poor, poverty groups who are living below the poverty line.

Magnitude of Poverty in India :

The planning commission of India has made estimates of rural and urban poverty in India from the sixth plan onwards. The estimates of poverty prepared by the Planning Commission are given below in Table 8.1

Table-I
Estimates of Percentage of Population living below the Poverty Line

	Rural	Urban	Total
1973-74	56.4	49.0	54.9
1977-78	53.1	45.2	51.3
1983-84	45.7	40.6	44.5
1987-88	39.1	38.2	38.9
1993-94	37.3	32.4	36.0
2004-05	28.3	25.7	27.5

Source : Planning Committee

The above estimates show that incidence of poverty is quite high as one a quarter of Indian people line belong the poverty line. Further, the impact of poverty is higher in rural than the urban areas. However, as the estimates show, overall poverty has started declining in the recent years due to the various anti poverty measures adopted to the poor from the programmes of overall economic development. But in spite of these direct efforts to lixiviate poverty as well as the overall programmes of economic development, not much dent could be made in the problem of poverty as over 26 percent of population still lives under poverty even after 50 years of planned economic progress.

The New Poverty Estimates :

The planning commission appointed and expert group under the Chairmanship of Prof. S.D. Tendulkar in December 2005 to suggest necessary changes in the methodology for estimating poverty. The Tendulkar Committee submitted its report in December 2009 wherein it presented the new estimates of poverty the incidence of poverty in India. The committee suggested that the basket of consumption goods, on which the earlier poverty line was based by the Prof. Lakdawala, related to the consumption basket of 1973-74 for which price adjustment were made from time to time. However, since some significant changes had taken place in the consumption pattern, more specifically consumption is rural areas, a new consumption basket was needed to define poverty line. Further, besides food consumption, the poverty line should be more realistic to include some necessary minimum health and educational requirements. The consumption requirements included in the poverty, basket was then somewhat enlarged. The Tendulkar Committee placed the poverty line at a monthly per capita consumption expenditure of Rs. 446.68 in rural and Rs. 578.80 in urban areas in 2004-05 for estimating poverty at the national level. The above poverty line is modified from state to account for inter-state price differentials for estimating incidence of poverty at the state level.

According to the Tendulkar Committee estimates, incidence of poverty was 37.2 percent at the all India level in 2004-05. This means that 37.2 crore persons were living in poverty in 2004-05 as against 30.2 crore estimated earlier. This increase is largely in the case of rural poor, as the estimates show that in the year (2004-05) 41.8 percent of rural

population and 25.7 percent of urban population were living below the poverty line. The following table 8.2 shows the estimates of poverty made by the Tendulkar Committee and the earlier estimates of the Lakdawala Committee.

Table-II
Estimates of Poverty in India

Year	Tendulkar Committee			Lakdawala Committee		
	Rural	Urban	Total	Rural	Urban	Total
1993-94	50.1	31.8	45.3	37.3	32.4	36.0
2004-05	41.8	25.7	37.2	28.3	25.7	27.5

Source : Compiled from CSO publications and Economic Survey 2011.12.

Latest Poverty Estimates : Poverty line, as based on the Tendulkar Committee formula, was revised upward too in 2009-10 to take account of the price level changes since 2004-05, as the earlier poverty line was based on the prices prevailing in that year. The new poverty line is down at the monthly per capita expenditure of Rs. 860 in the urban areas and Rs. 673 in the urban rural areas at 2009-10 prices. This means a person whose expenditure is less than Rs. 28.6 per day in areas and Rs. 22.5 per day in rural areas is now classified as poor or below the poverty line. And, therefore, all those who spend more than the amount (Rs. 28.6 per day the urban and Rs. 22.5 in rural) are above the poverty line and hence are not poor.

Based on this new definition of poverty, the estimates of poverty prepared by the Planning Committee of India show that in 2009-10 only 29.8 percent of India's population was living below the poverty line as against 37.2 percent in 2004-05. This shows a steep decline of 7.3 percentage points in poverty in just five years between 2004-05 and 2009-10. In absolute terms, the number of poor declined from 40 persons in 2004-05 to 36 Crore persons in 2009-10.

Over the period 2004-05 to 2009-10 rural poverty declined faster than the urban poverty. There was an 8 percentage points decline in poverty in rural areas from 41.8 percent to 33.8 percent over this period. The urban poverty declined by 4.8 percent from 25.7 percent to 20.9 percent.

Table -III
Estimates of Poverty in India

Year	Rural	Urban	Total
2009-10	33.8	20.9	29.8

Source : Planning Committee

Conclusion : It is clear from the above paper that in India poverty is a serious problem. It is a curse not only for an individual but for the entire nation also. In urban-rural comparison it was found that percentage of poor is more in rural areas as compared to urban areas. There is a various season regarding poverty like unemployment, slow rate of economic development etc.

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