

India: Poverty and Inequality

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Abstract

Poverty is a social phenomenon that is unable to fulfill even its basic necessities of life. India has the largest number of poor in the world. Economic growth has a far greater impact on poverty alleviation than inequality. The advanced economies may choose to focus on alleviating inequality given their stage of development, their potential rate of economic growth and the absolute levels of poverty that they face. Thus, they may resolve the trade-off between growth and inequality by leaning towards alleviating inequality. This paper examines dimensions, issues and policies relating to poverty and inequality in India particularly in the post-reform period. I discuss the policies needed to reduce poverty and inequality.

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Introduction

In a human society, too much wealth or too much poverty is a great impediment to the higher development of the soul . It is from the middle classes that the great ones of the world come. Here the forces are very equally adjusted and balanced.- Vivekananda .

Poverty is a multidimensional concept. Poverty may be defined as a state of lack of access to the basic needs of income, food, shelter, education, health services, safe drinking water and sanitation that help an individual lead a decent, normal and effective existence.

Poverty can be defined as a social phenomenon in which a section of the society is unable to fulfill even its basic necessities of life. In India, the generally accepted definition of poverty emphasizes a minimum level of living rather than a reasonable level of living. Two types of standards are common in economics literature first absolute and second relative.

Inequality needs to be distinguished from poverty. Inequality refers to the degree of dispersion in the distribution of assets, income, or consumption. Poverty refers to the assets, income, or consumption of those at the bottom of the distribution. Poverty could be conceptualized in relative terms or in absolute terms. People feel themselves to be poor and think others to be poor if they have substantially less than what is commonplace among others in their society. Poverty in this view is relative deprivation. (Brady 2003 , Iceland 2003). If the poverty is conceptualized in relative terms, there is no need to distinguish it from inequality. A relative measure of poverty is indeed a measure of inequality.

Objectives

1. The post-reform period, to analyze the trends in poverty and inequality in India.
2. To analyze the role of agriculture and non-agriculture sector growth.

Data and Approach

My study is based on secondary data, a source of information available in official documents, supplemented by non-official documents. Trends analyses and regression analyses are employed in the study. I use three alternate measures of poverty, such as headcount ratio, poverty gap index and squared poverty gap index, as well as gini ratios. Poverty indicators cover both rural and urban areas. My study depends on different factors like agriculture and non – agriculture sector growth , price , food subsidy and PDS.

Review of Literature

In the post-reform period, poverty declined faster in the 2000s than in the 1990s. The official estimates based on the Tendulkar committee's poverty lines show that poverty declined only 0.74 percentage points per annum during 1993-94 to 2004-05. But poverty declined by 2.2 percentage points per annum during 2004-05 to 2011-12. Around 138 million people were lifted above the poverty line during this period. This indicates the success of reforms in reducing poverty. The poverty of Scheduled Castes and Scheduled Tribes also declined faster in the 2000s. The Rangarajan committee report also showed a faster reduction in poverty during 2009-10 to 2011-12. Higher economic growth, agriculture growth, rural non-farm employment, increase in real wages for rural laborers, employment in construction and programs like MGNREGA contributed to higher poverty reduction in the 2000s compared to the 1990s. S. Mahendra Dev(2016)

The official estimate of poverty in India is measured by per capita consumption expenditure obtained by National Sample Survey Organization (NSSO), many economists in India disapproves of this narrow definition of poverty(Sengupta 2008, Kannan(2011).

Economic growth creates opportunities for the better lives of the people. Each and everyone in the society must enjoy the fruits of growth. The latter is called inclusive growth. Growth is inclusive when it facilitates all members to participate in and contribute to the growth process on an equal footing regardless of their individual circumstances (Ali & Zhuang 2007.) The importance of equal access to opportunities for all lies in its intrinsic value as well as the instrumental role (Ali, 2007).

The role of the state is important in providing facilities in areas of health, sanitation and water. Political parties, after coming to power, are least interested to take care of these vital social sector (Sen.& Dreze, 2013). These sectors demand greater focus if we desire to translate economic growth to promote of human development. India, still stands at 131 in the ranking of Human Development Index.

A study by Ramaswamy and Agarwal (2013) strongly suggests that the services sector would be an unlikely destination for the millions of low-skilled job seekers. India needs to focus on the manufacturing sector to provide large-scale employment. Manufacturing has the capability because it has stronger backward linkages, unlike the services sector. We cannot afford to neglect manufacturing at this stage of development. The policy signals have to clearly say that we stand to support manufacturing activity in a big way. India needs to focus on the manufacturing sector to provide large-scale employment.

The young population is an asset only if it is educated, skilled and finds productive employment. During the Twelfth Five Year Plan (2012–17), 50 million non-farm employment opportunities are proposed to be created and at least equivalent number of people would be provided skill certification. There are huge challenges in raising the education and skills of workers and the population.

Tendulkar (2010) draws a distinction between inequity and inequality. He examines the path-breaking work of Simon Kuznets who indicates that inequalities rise with economic growth up to a point and then decline. This is the so-called Kuznets inverted 'U' shape curve. Initially, economic growth increase overall inequality as the rural-urban transformation takes place and labor moves from low productivity agriculture to high productivity urban industrial and service sector activities.

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Experimental Section

The fraction of the population below the poverty line, measured in terms of headcount ratio (POVR), estimated by the Tendulkar Committee for 2011-12 (erstwhile Planning Commission) is used as the dependent variable. • For income, real per capita Net State Domestic Product (PCY) at 2011-12 prices is sourced from the Ministry of Statistics and Programme Implementation. • Consumer Price Index for Agriculture Labour (base = 1986-87) sourced from Labour Bureau is taken as measure of inflation rate (INF). • Cumulative average of social sector expenditure (EXP) by states per below poverty line person for the years 1993-94, 2004-05, 2009-10 and 2011-12 is sourced from Reserve Bank of India reports on Handbook of Statistics on State Government Finances and State Finances: A Study of State Budgets. Cumulative average captures the accumulated effect of public sector expenditure on poverty better compared to the expenditure in a particular year.

The rich to poor ratio (INQ) is taken as a measure of inequality from the study by Chauhan et. al. (2015) defined as the ratio of richest to the poorest consumption quintile for 1993-94, 2004-05, and 2011-12. • To control for the initial

level of development, Gini coefficient for land distribution (LAND) sourced from National Sample Survey Office report on Operational Land Holdings in India 1991-92, literacy rate (LIT) from Census 1991, and life expectancy (LIFE), 1991 are taken from Sample Registration System, Bulletin.

To shed light on post-2011-12 evidence on the impact of economic growth on poverty, the information on multidimensional poverty headcount ratio from Global Multi-dimensional Poverty Report 2018 for 2005-06 and 2015-16, and from Alkire and Seth (2013) for the year 1998-99 is used. MPI is based on three dimensions – education, health and standard of living – using ten indicators viz; education attainment, year of education; nutrition and mortality; and electricity, drinking water, sanitation, cooking gas, housing, and assets. Headcount ratio counts persons as multi-dimensionally poor if their composite score is more than 0.33. HCR of MPI is interpreted as the proportion of the population that is multi-dimensionally poor.

Skill Development

The schooling system improves the educational level of the population. It is skill training that equips the youth to enter the labor market and improves their employability. According to NSSO Report 2011-12, only 2.3 percent of the total workforce in India had formal sector skill training. Keeping in view the predominance of the young population, the Government had formulated the National Policy on Skill Development & Entrepreneurship, 2015 under which the Skill India Mission by 2022 was formulated. The government had launched a comprehensive skill development program in the last five years with the setting up of a Ministry for Skill Development & Entrepreneurship. Some of the major skill development programs.

Skilling in India: Recent Government Initiatives Initiatives Objectives Achievements

Pradhan Mantri Kaushal Vikas Yojana (PMKVY) (1.0), 2015 Mobilize youth to take up industry-relevant skill training. Targets to train 1 crore youth by 2020. Recognizes and certifies prior learning. During 2015-16, 19.8 lakh youth were trained as against the target of 24 lakh.

Pradhan Mantri Kaushal Vikas Yojana (2.0), 2016- 20 PMKVY version 2 has mandatory provisions for placement tracking. Short-term training: 30 lakh candidates enrolled, 27.9 lakh trained, 12.05 lakhs placed. Placement percentage: 54 percent. Recognition of Prior Learning: 22.65 lakh enrolled, 22.08 lakh trained and 17.84 lakh assessed out of which 16.60 lakh passed as on 13th May, 2019 **Pradhan Mantri Kaushal Kendra, 2015** Aspirational Model Training Centers to be opened in every district. Till June 2019, 851 PMKKs have been allocated, 601 PMKKs have already been established.

National Apprenticeship Promotion Scheme, 2016 To promote apprenticeship. Consists of Basic Training and On-the-Job Training/ Practical Training at the workplace. Till June 2019, 11.87 lakhs candidates registered. 76,860 establishments registered under the scheme.

SANKALP, 2017 Creating convergence among all skill training activities, improving quality of skill development programs, Creating industry-led and demand-driven skill training capacity. As of December 2018, the process of disbursements of funds to States/ UTs is underway. Regional workshops with States/ UTs are also being held to facilitate the rollout.

STRIVE, 2017 Creating awareness through industry clusters, integrating and enhancing the delivery quality of ITIs. As of December 2018, the operations manual of the project has been prepared. Source: Ministry of Skill Development & Entrepreneurship

Employment Scenario

The Periodic Labor Force Survey (PLFS) has been designed to yield annual estimates of the labor force on employment and unemployment along with quarterly estimates for the urban areas. The first annual PLFS (2017-18) provides quarterly employment statistics for urban areas on Current Weekly Status (CWS) basis and annual estimates of employment indicators both in rural and urban areas on CWS and usual status basis³. However, labor market estimates by PLFS are not strictly comparable with NSSO-EUS. For comparability, the result of the PLFS with earlier rounds of NSSO surveys needs to be understood in the context with which the survey methodology and sample solution have been designed.

As per PLFS estimates, Labor Force Participation Rate (LFPR) in India has declined to 36.9 percent in 2017-18 from 39.5 percent in 2011-12 (NSSO) as per usual status. In rural areas, it has declined by 3.6 percentage points while it has declined by 0.1 percentage points in urban areas. The Worker Population Ratio (WPR) has also shown a similar trend. As per usual status, WPR in India has declined to 34.7 percent in 2017- 18 from 38.6 percent in 2011-12 (NSSO). The WPR has declined by 4.9 percentage points in rural areas while it has declined by 1.6 percentage points in urban areas

The unemployment rate (UR) in India stood at 6.1 percent with 5.3 percent in rural areas and 7.8 percent in urban areas as per usual status. As per CWS, the UR was 8.9 percent with 8.5 percent in rural areas and 9.6 percent in urban areas

Indicators	Rural	Urban	Total
	Usual Status		
LFPR	37.0	36.8	36.9
WPR	35.0	33.9	34.7
UR	5.3	7.8	6.1
	CWS		
LFPR	35.7	36.4	35.9
WPR	32.6	32.9	32.7
UR	8.5	9.6	8.9

Major Social Protection Schemes and Achievements during 2014-2019

The Government has been committed to the provision of social security which is evident in the initiation of major social sector schemes by the Government of India during the last five years

Pradhan Mantri Suraksha Bima Yojana, 2015 Accident insurance scheme, offers a one-year accidental death and disability cover. The annual premium is ₹12. Available to people in the age group 18 to 70 years As of 31/10/2018, gross enrolment is 14.27 crore. Amount of claims raised: ₹449.82 crore

Pradhan Mantri Jeevan Jyoti Bima Yojana, 2015 Government-backed life insurance scheme. The annual premium is ₹330. Available to people between 18 and 50 years of age As of 31/10/2018, gross enrolment is 5.57 crore, Amount of claims raised: ₹2422.54 crore **Atal Pension Yojana, 2015** Pension scheme targeted at the unorganized sector. In 2017-18, total subscribers enrolled were 97.05 lakh

Pradhan Mantri Fasal Bima Yojana, 2016 A Crop Insurance Scheme. Replaces the existing two schemes National Agricultural Insurance Scheme as well as the Modified NAIS. Kharif 2017: 13.7 million farmers received compensation of ₹17209.94 crores.

Pradhan Mantri Vaya Vandana Yojana, 2018 Pension Scheme exclusively for the senior citizens aged 60 years and above. As of 30/11/2018, 3.31 lakh subscribers, corpus of ₹22,812.75 crore

Atal Bimit Vyakti Kalyan Yojana, 2018 For Insured Persons (IP) covered under the Employees' State Insurance Act, 1948. Relief payable in cash in case of unemployment and while they search for new engagement. To benefit 3 crore insured persons under ESIC coverage Social Infrastructure, Employment and Human Development 259

Pradhan Mantri Rojgar Protsahan Yojana 12 percent of employer contribution to EPFO of the new employees' drawing salary up to '15000 pm is given by the government for the initial three years. Number of establishments that benefitted between 2016-17 & 15th January, 2019 was 1.24 lakh.

PM Shram-Yogi Mandhan Yojana, 2019 Offers every individual with a regular pension after they attain 60 years. Beneficiaries in unorganized sector workers. As of 20th June, 2019 30.67 lakh subscribers

PM-KISAN, 2019 Offers income support of '6000/- per annum in three equal installments to all eligible farmers irrespective of landholdings. As of 23rd April, 2019, around 3.10 crore small farmers have received the first tranche of '2,000 and 2.10 crore farmers have got the second installment.

Ayushman Bharat, 2018 Umbrella scheme of two major health initiatives: (i) Health & Wellness Centres to provide to comprehensive primary health care. (ii) PMJAY aims to cover 10.74 crore poor & vulnerable families providing health coverage up to '5 lakh per family per year for secondary & tertiary hospitalization. As of 11th January, 2019, 4503 HWCs operationalized.

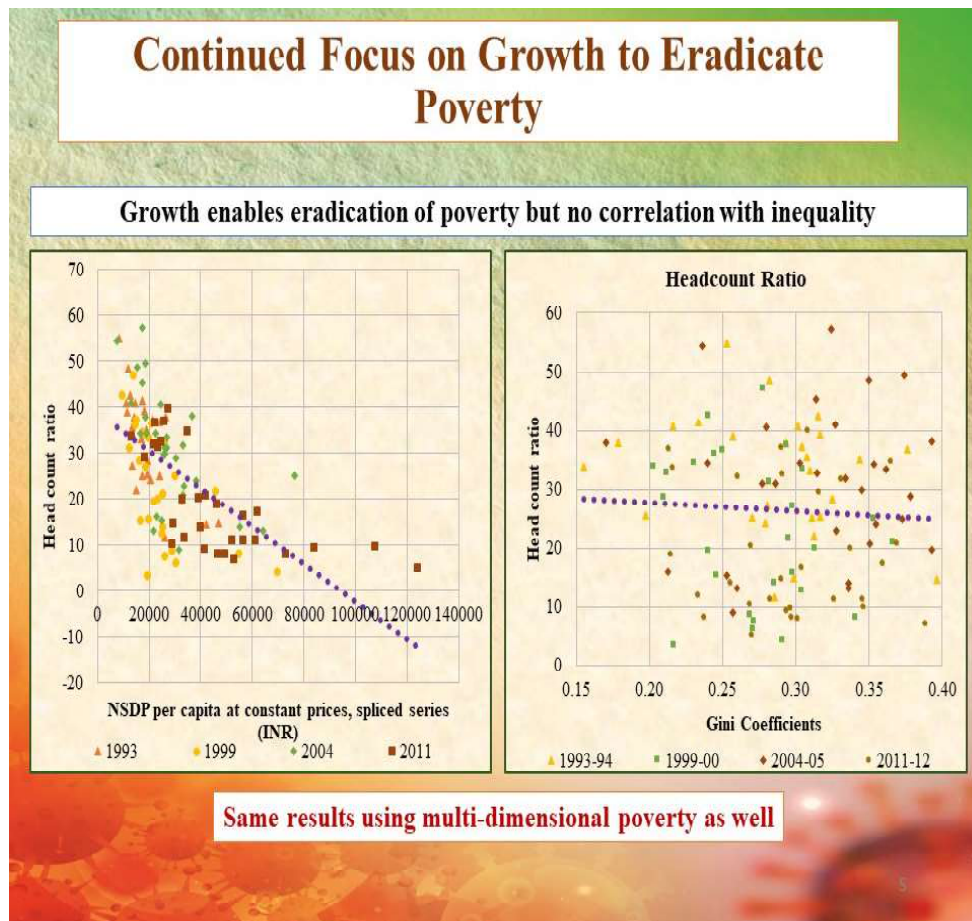
PMJAY: as of 30th December, 2018, no. of hospitals empaneled: 16,112, beneficiaries admitted: 6.81 lakh, e-cards issued: 39.48 lakh.

National Nutrition Mission or POSHAN Abhiyaan Ensure attainment of malnutrition-free India by 2022. Targeted intervention in areas with high malnutrition burden. Scheme rolled out in all districts of 36 States/UTs. Mass media campaigns and information dissemination at the grassroots level are being undertaken. September 2018 was observed as Rashtriya Poshan Maah (month). **Mission Indradhanush (MI) and Intensified Mission Indradhanush (IMI)** To vaccinate unreached/partially reached pregnant women and children so as to reduce the vaccine-preventable under-5 mortality rate. The drive is focused on pockets of low immunization average and hard-to-reach areas where proportion of unvaccinated and partially vaccinated children and pregnant women is high. As of 12th April, 2019, 3.39 crore children were immunized of which 81.79 lakh were fully immunized. Under IMI, full immunization coverage in 190 districts increased from 50.5 percent to 69 percent as per the Coverage Evaluation Survey, 2018 conducted by WHO and UNDP. **Pradhan Mantri Awas Yojana-Rural & Urban Housing for All by 2022** PMAY - Urban: 80.96 lakh houses sanctioned and 25.69 lakh houses completed as of 27th May, 2019. 90 lakh houses completed in PMAYGramin during 2017-19.

Swachh Bharat Mission-Urban +Rural 100 percent open defecation free by 2019 Urban areas of 21 States/UTs declared ODF 5.33 lakh villages in 25 States/UTs declared ODF

Results and Discussion

China has made exceptional strides in reducing its extreme poverty rates since the 1970s. As per data from the China National Bureau of Statistics, the headcount ratio of poverty has reduced by 94 percent from 1980 to 2015 in rural China. By the official poverty line, which is about 21 percent higher than the line that is set at USD 1.9 per day (2011 PPP), since 1980, the country has made remarkable progress in reducing poverty.



Conclusions

In the post-reform period, India has done well in many indicators such as economic growth, exports, balance of payments, resilience to external shocks, service sector growth, significant accumulation of foreign exchange, information technology (IT), stock market and improvements in telecommunications. But, there have been

some failures in the processes and outcomes. The five failures mentioned in this paper are: slow infrastructure development, failures in increasing labor-intensive manufacturing, not taking advantage of demographic dividends, slow social sector development and governance failures. These failures have to be corrected in the next few years in order to have higher economic growth and equity.

Central government should play an important role in achieving higher growth and equitable development. However, apart from the Central government, the policies of the state governments are essential for achieving these objectives. State governments have been fiscally responsible than the Centre. In many important areas like agriculture, health care, rural infrastructure and, state governments spend much more than the Centre. Therefore, policies and governance at the state level are much more important for better outcomes.

By examining the correlation of inequality and per-capita income with a range of socio-economic indicators, including health, education, life expectancy, infant mortality, birth and death rates, fertility rates, crime, drug usage and mental health, the Survey highlights that both income per capita (as a proxy for economic growth) and inequality have similar relationships with socio-economic indicators. Thus, unlike in advanced economies, in India economic growth and inequality converge in terms of their effects on socio-economic indicators. Furthermore, economic growth has a far greater impact on poverty alleviation than inequality. Therefore, given India's stage of development, India must continue to focus on economic growth to lift the poor out of poverty by expanding the overall pie. Note that this policy focus does not imply that redistributive objectives are unimportant, but that redistribution is only feasible in a developing economy if the size of the economic pie grows.

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