

# ACHIEVEMENTS AND FAILURE OF POVERTY ALLIVIATION IN INDIA: A STUDY OF NATIONAL POLICIES, PLANS AND PROGRAMMES

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## ABSTRACT

Poverty is one of the evils that acts as a major impediment in development of the country recognizing this, India had pursued various poverty alleviation programmes to pull people out of the vicious cycle of poverty. India used multi-pronged approach in dealing with this. In almost all underdeveloped countries where per capita income is very low, income inequality has resulted in a number of evils, of which poverty is certainly the most serious one. Poverty in fact is a socio-economic phenomenon that is intimately associated with inequality. It adversely affects human health, efficiency and productivity which in turn affect their income. The goal of poverty alleviation programme should aim merely increasing the income level of individual, household or group but mainstreaming marginalized in the development process of the country. The country cannot claim economic growth when sections of the people are marginalized to the periphery of the society. In India, even now in spite of all the development during the past five and a half decades, 34.3% of the population was getting less than \$ 1 (PPP) a day. This percentage of population was considered to be poor on an international criterion suggested by World Development Report. So this paper is an attempt to study national policies, plans and programmes for poverty with its achievement and failure in India.

Keywords: Poverty, Planning, Policy, Programs and Development, inequality, Productivity (achievement and failure)

## Introduction

Since India became part of the global economy and underwent economic reform in 1991, its economy is growing at a faster rate of nearly 10 per cent per annum. In the process, India has become the fourth largest economy in the world. In the last two decades, a significant proportion of the population across the country has reaped the benefits of this economic growth. They have become the part of global economy and market, and their lives have transformed into one of global citizens with all the comforts and luxury in life. Apart from this burgeoning middle class in the country, the economic growth seemed to have touched the lives of the poor also.

According to the National Sample Survey results, people living below poverty line have dramatically come down during the post economic reform era. People living below poverty line (BPL) came down from 36 per cent in 1993-1994 (50th Round, NSSO) to 26 per cent in 1999-2000 (55th Round, NSSO). The World Bank (2005) estimated that 41.6 percent of the total Indian population lived under the international poverty line of US \$1.25 per day (PPP), reduced from 60 percent in 1981. Poverty eradication has been one of the major objectives of planned development in India. According to the criterion of household consumer expenditure used by the Planning Commission of India, 27.5 percent of the population was living below the poverty line in 2004–2005, down from 51.3 percent in 1977–1978, and 36% in 1993-1994 (Economic Survey 2009-10). However, the intention of this paper is not to join the debate on the level of poverty reduction in the country but to be familiar on the achievements and failure of poverty alleviation in the country based on national policies, plans and programmes.

## Literature Review

Although concerned efforts have been initiated by the Government of India through several plans and measures to alleviate poverty in India, there still remains much more to be done to bring prosperity in the lives of the people. Self-employment programmes like microcredit is successful because of people's participation in the form of SHGs. The government has taken a major step in this direction in the form of 73rd and 74th amendment to the constitution to give more powers to PRA. India is a haven to 22% of the world's poor. Such a high incidence of poverty is a matter of apprehension, in view of the fact that poverty eradication has been one of the major objectives of the development process. Really, poverty is a global dialog. Poverty eradication is considered integral to humanity's mission for sustainable development. Thus, reduction of poverty in India is vital for the attainment of international goals. The philosophy underlying the poverty alleviation programs is to tackle the poverty by endowing the poor with productive assets and training for raising their skills so that they are assured of a regular stream of employment and income in raising themselves above the poverty line. At the macro-level, there is a need to co-ordinate a myriad of poverty alleviation programmes of the central government and the State governments. The transfer of central funds to the States for different programmes should be efficient. Currently, such funds and goods like food grains are not fully utilized by the States. There is a need to strengthen the financial management capacity of certain States to use the funds efficiently.

## Methodology

The presented research paper tries to analyze and summarised the current scenario of the achievements and failure of poverty alleviation in respect to national policies, plans and programs in India. The relevant secondary data is collected through various sources such as websites, Economic survey, books and journals.

## Measurement of Poverty Line In India

India is home to over one-third of poor people in the world. If we add the poor of Pakistan and Bangladesh into it, we find that almost half of world poverty exists just these three nations. The next big concentration of poverty is in the sub-Saharan Africa. However, estimation of poverty has been a contentious issue in India. Historically, first estimation of a poverty line was done by Dadabhai Naoroji in 19th century, though he himself did not use the word “poverty line”.

### Dadabhai Naoroji:

The history of poverty estimation in India goes back to 19th century when Dadabhai Naoroji's efforts and careful study led him to conclude subsistence based poverty line at 1867-68 prices, though he never used the word “poverty line”. It was based on the cost of a subsistence diet consisting of ‘rice or flour, dhal, mutton, vegetables, ghee, vegetable oil and salt’. His studies included the scale of diet and he came to a conclusion on the subsistence costs based poverty line that varied from Rs.16 to Rs.35 per capita per year in various regions of India. At that time, per capita income of England was at Rs. 450.

### National Planning Committee In 1938 :

Congress president Subhash Chandra Bose set up the National Planning Committee (NPC) with Jawaharlal Nehru as chairman and Professor K. T. Shah as secretary for the purpose of drawing up an economic plan with the fundamental aim to ensure an adequate standard of living for the masses. The Committee regarded the irreducible minimum income between Rs. 15 to Rs. 25 per capita per month at Pre-war prices. However, this was also not tagged something as a poverty line of the country.

### First Planning Commission working group

The concept of the poverty line was first introduced by a working group of the Planning Commission in 1962 and subsequently expanded in 1979 by a task force. The 1962 working group recommended that the national minimum for each household of five persons should be not less than Rs 100 per month for rural and Rs. 125 for urban at 1960-61 prices. These estimates excluded the expenditure on health and education, which both were expected to be provided by the state.

### Y K Alagh Committee Till 1979

The approach to estimate poverty was traditional i.e. lack of income. It was later decided to measure poverty precisely as starvation i.e. in terms of how much people eat. This approach was first of all adopted by the YK Alagh Committee's recommendation in 1979 whereby, the people consuming less than 2100 calories in the urban areas or less than 2400 calories in the rural areas are poor. The logic behind the discrimination between

rural and urban areas was that the rural people do more physical work. Moreover, an implicit assumption was that the states would take care of the health and education of the people. Thus, YK Alagh eventually defined the first poverty line in India.

### **Lakdawala Formula**

Till as recently as 2011, the official poverty lines were based entirely on the recommendations of the Lakdawala Committee of 1993. This poverty line was set such that anyone above them would be able to afford 2400 and 2100 calories worth of consumption in rural and urban areas respectively in addition to clothing and shelter. These calorie consumptions were derived from YK Alagh committee only. According to the Lakdawala Committee, a poor is one who cannot meet these average energy requirements. However, Lakdawala formula was different in the following respects in comparison to the previous models: In the earlier estimates, both health and education were excluded because they were expected to be provided by the states. This committee defined poverty line on the basis of household per capita consumption expenditure. The committee used CPI-IL (Consumer Price Index for Industrial Laborers) and CPI-AL (Consumer Price Index for Agricultural Laborers) for estimation of the poverty line. The method of calculating poverty included first estimating the per capita household expenditure at which the average energy norm is met, and then, with that expenditure as the poverty line, defining as poor as all persons who live in households with per capita expenditures below the estimated value. The fallout of the Lakdawala formula was that number of people below the poverty line got almost double. The number of people below the poverty line was 16 per cent of the population in 1993-94. Under the Lakdawala calculation, it became 36.3 per cent.

### **Suresh Tendulkar Committee In 2005**

Suresh Tendulkar committee was constituted by the Planning Commission. The current estimations of poverty are based upon the recommendations of this committee. This committee recommended to shift away from the calorie based model and made the poverty line somewhat broad based by considering monthly spending on education, health, electricity and transport also. It strongly recommended target nutritional outcomes i.e. instead of calories; intake nutrition support should be counted. It suggested that a uniform Poverty Basket Line be used for rural and urban region. It recommended a change in the way prices are adjusted and demanded for an explicit provision in the Poverty Basket Line to account for private expenditure in health and education. Tendulkar adopted the cost of living as the basis for identifying poverty.

### **Current Status: Arvind Panagariya Task Force**

The discussion about Lakdawala Formula, Suresh Tendulkar Committee and Rangarajan Committee make it clear that defining a poverty line in India has been a controversial issue since 1970s. The latest poverty line defined was by Rangarajan Formula. However, this report also did not assuage the critics. The new NDA

Government turned down this report also. To define the poverty line, The NDA Government had constituted a 14-member task force under NITI Aayog's vice-chairman ArvindPanagariya to come out with recommendations for a realistic poverty line. After one and half years work, this task force also failed to reach a consensus on poverty line. In September 2016, it suggested to the government that another panel of specialists should be asked to do this job {if defining poverty line}. Informally, this committee supported the poverty line as suggested by Tendulkar Committee.

## Poverty Estimation In India

In India poverty is estimated on the basis of 'Head Count Ratio' or on the basis of minimum consumption expenditure. In 1973-74 estimation of poverty was made on the basis of consumption expenditure through sample method. Planning commission has prepared several estimates through several basis. Estimation of poverty on the basis of trend and extent can be made in following manner.

### 1. TRENDS OF POVERTY IN INDIA

Poverty in India is an important issue in India, despite having one of the fastest growing economies in the world, clocked at a growth rate of 7.6% in 2015, and a sizable consumer economy: Deutsche Bank Research estimated that there are nearly 300 million people who are middle class. If current trends continue, India's share of world GDP will significantly increase from 7.3% in 2016 to 8.5% by 2020. In 2015, around 170 million people, or 12.4%, lived in poverty (defined as \$1.90 (Rs 123.5), a reduction from 29.8% in 2009.

Sources: Economic Survey 2015 , Five Year Plan 2012

### 2. TRENDS OF RURAL URBAN LEVEL POVERTY OF INDIA

During five year plans, several programs has been introduced to alleviate poverty in India, yet there has been an increase in the number of poor persons in the country. There were about 32.1 crore persons living below poverty line in 1973-78. It remained almost stagnant during a decade of 1973-1983 but it come down to 26 crore in 1999-2000 and 22 crore in 2004-05. poverty in rural sector always been on higher side as compared to urban India. But it came down in 2004-05 in both rural and urban sector. By the end of 11th plan number of poor persons are expected to come down to 10 core. A brief analysis showing absolute trend in poverty in India is found approx. 21% in 12<sup>th</sup> Fifth year Plan.

Source: Economic Survey 2005, 12<sup>th</sup> Five Year Plan

#### ➤ Poverty: 2011-2012 Percentage of people by Caste

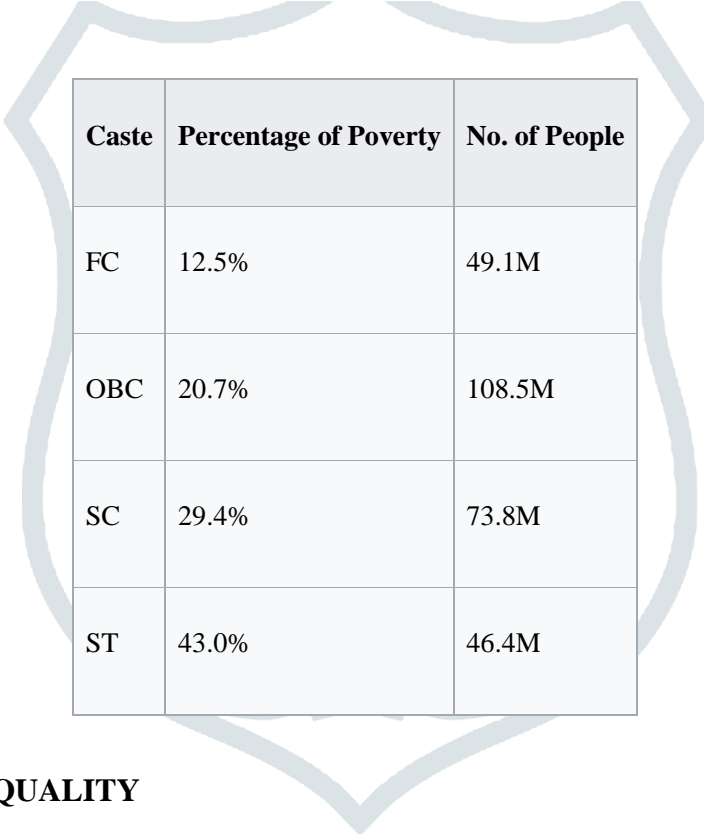
Findings below are based on a survey conducted during 2011-12.

Total population of India 1,276,267,631

Caste	Percentage	No. of People

FC	30.8%	393M
OBC	41.1%	524M
SC	19.7%	251M
ST	8.5%	108M

Poverty in India based on caste.



Caste	Percentage of Poverty	No. of People
FC	12.5%	49.1M
OBC	20.7%	108.5M
SC	29.4%	73.8M
ST	43.0%	46.4M

### 3. POVERTY AND INEQUALITY

According to a report by the Johannesburg-based company New World Wealth, India is the second-most unequal country globally, with millionaires controlling 54% of its wealth. With a total individual wealth of \$5,600 billion, it's among the 10 richest countries in the world – and yet the average Indian is relatively poor.

Compare this with Japan, the most equal country in the world, where according to the report millionaires control only 22% of total wealth.

In India, the richest 1% own 53% of the country's wealth, according to the latest data from Credit Suisse. The richest 5% own 68.6%, while the top 10% have 76.3%. At the other end of the pyramid, the poorer half jostles for a mere 4.1% of national wealth.

What's more, things are getting better for the rich. The Credit Suisse data shows that India's richest 1% owned just 36.8% of the country's wealth in 2000, while the share of the top 10% was 65.9%. Since then they have steadily increased their share of the pie. The share of the top 1% now exceeds 50%.

This is far ahead of the United States, where the richest 1% own 37.3% of total wealth. But India's finest still have a long way to go before they match Russia, where the top 1% own a stupendous 70.3% of the country's wealth.

Source: <https://www.weforum.org/agenda/2016/10/inequality-in-india-oxfam-explainer/>

#### 4. POVERTY ALLEVIATION PROGRAMMES , POLICY AND GROWTH IN INDIA

Poverty alleviation programmes have assumed relevance as it is proved globally that the so-called 'trickle-down effect' does not work in all the societies and India is no exception to this. In recent times, there has been a significant shift in focus in the poverty literature away from the 'trickle-down' concept of growth towards the idea of 'pro-poor growth', which enables the poor to actively participate in and benefit from economic activities. Hence, the strategy of targeting the poor was adopted in India and the economic philosophy behind these special programmes was that special preferential treatment was necessary to enable the poor to participate in economic development. Inclusive growth also focuses on productive employment for the excluded groups. Poverty alleviation programmes have been designed from time to time to enlarge the income-earning opportunities for the poor. The programmes and schemes have been modified, consolidated, expanded and improved over time. These programmes are broadly classified into: The targeted programmes fall into four broad categories: (i) self-employment programmes (ii) wage employment programmes (iii) direct cash transfers to the targeted groups and (iv) Public distribution system (PDS). There are numerous centrally sponsored schemes (CSS) under the first three categories which are designed by the Centre, administered by the Ministry of Rural Development, but implemented by the States with States generally contributing 25% to their cost. In addition, some State governments have their own schemes. The multiplicity of the programs is advocated on the grounds of multi-dimensionality of poverty and regional variations in the efficacy of the delivery system. There is also recognition that it is problematic to close a scheme even if it is cost ineffective because of adverse publicity associated with the closure. Through PDS, the Central government is supplying six essential commodities at below market prices to 160 million families through 4,50,000 nationwide fair price shops. The access to the system was near-universal until 1997. Targeting was introduced in 1997, and now the program is known as Targeted Public Distribution System (TPDS). One of the important features of the implementing strategy of the 10th Five Year Plan is the crucial role given to the Panchayati Raj Institutions (PRIs) in the delivery of TPDS. Till the end of

11th plan, Govt. of India aims at bringing down people below poverty line to the extent of 10%. Following programmes have been introduced by the Govt. of India for solving the problems.

- Prime minister's rozgar yojana (pmry):
- Rural employment generation programme (regp):
- National social assistance programme (nsap):
- Swarna jayanti shahri rozgar yojana (sjsry):
- Swarna jayanti gram swarozgar yojana (sgsy):
- Indira awaas yojana (iaa):
- Antyodaya anna yojana (aay):
- Pradhan mantri gram sadak yojana (pmgsy):
- Annapurna yojana :
- Pradhan mantri gramodaya yojana (pmgy):
- Valmiki ambedkar awas yojana (vambay):
- National food for work programme:
- National rural employment guarantee scheme (nreg):
- Public distribution system:
- Prime minister employment generation programme (pmegp):
- Drought prone areas programme (dpap), desert development programme (ddp) and integrated wastelands development programme (iwdp):
- Small and cottage industries:
- Integrated child development scheme (icds):
- Mid day meals scheme (mdms):
- Poverty alleviation programmes in tenth plan:
- Mahatma gandhi national rural employment guarantee act (mgnrega):



## POLICY PLAN REQUIRED FOR POVERTY ALLEVIATION IN INDIA

1. To promote growth in agricultural productivity and non-farm rural activities.
2. Public investment in rural infrastructure and agricultural research. Agricultural research benefits the poor directly through an increase in farm production, greater employment opportunities and growth in the rural non-farm economy.
3. Credit policies to promote farm investment and rural micro enterprises Policies to promote human capital to expand the capabilities of the poor Development of rural financial markets.
4. Self-Help Group Approach to be strengthened as it is a proven method of empowerment of the poor.
5. Involvement of local communities and people's participation in NRLM and MGNREGS.
6. Decentralization of the programmes by strengthening the panchayati raj institutions.
7. Public Distribution System (PDS) needs to be reformed and better targeted.
8. Provision of safety nets like targeted food subsidies, nutrition programmes and health.
9. Targeted poverty alleviation programmes to continue as the poor of the developing world may not have the patience to wait for the trickle-down effect

The main objective of Indian planning is to alleviate poverty. In this regard government has launched many poverty alleviation programmes. Even then no radical change has been undergone in the ownership of assets, process of production and basic amenities to the poor. In this way poverty alleviation programmes have proved failure due to insufficient resources and lack of proper implementation, active participation of poor, proper identification of poor and infrastructure.

### CONCLUSION:

Debate on poverty in India has remained mostly in the domain of economists. Poverty is defined in terms of income, expenditure and nutritional value (calorie intake). Social dimension of poverty is a neglected area of study. Poverty is more of social marginalisation of an individual, household or group in the community/society rather than inadequacy of income to fulfill the basic needs. Indeed, inadequate income is therefore one of the factors of marginalisation but not the sole factor. The goal of poverty alleviation programme should aim merely increasing the income level of individual, household or group but mainstreaming marginalised in the development process of the country. The country cannot claim economic growth when sections of the people are marginalised to the periphery of the society. The rapid economic growth process should accelerate the access to services like education and health services for all, especially the marginalised citizens. The government should also aware the rural population about the importance of small family and mortality rate.

India has already achieved the target of reducing poverty by half with 21.9% of its 1.2 billion people living below the poverty line or having income of less than \$ 1.25 a day as per UN report. India has set a target of 23.9% to be achieved by 2015.

Poverty give birth too many other problems. The link between ignorance and poverty and ill health and poverty are well-established. There are diseases of poverty such as malaria, tuberculosis, diarrhoea and malnutrition. Having fallen ill due to poverty, the poor do not have the resources to seek quality health care, for which he/she

has to borrow money for treatment. Indebtness due to hospitalisation leading to poverty has been well documented. Poverty therefore is a complex phenomenon of many dimensions not merely the economic dimension. So government should provide better medical facilities, drinking water facilities and education so that people living below poverty line can improve their lives [9]. Yesudian (2000) also suggested that Poverty alleviation programmes should also address the issue of poverty from broader social and economic perspectives.

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