CHAPTER - ONE

INTRODUCTION

The problem of poverty has persisted as the central challenge of development at the global level. Poverty is said to be the inability to attain a minimum level of well-being, is the most fundamental economic and social problem facing humanity. Poverty behavior can be transitory or chronic. Those who remain poor for short time duration and then move out of poverty are transitory poor. While chronic poor remain poor for their significant periods of lives, they may pass their poverty onto their children, for them finding exit routes from poverty is difficult. Thus, the severity of poverty is a description of the degree of poverty. The chronic poverty is the extreme case of poverty which actually makes a situation to kill people. Even when it does not kill, poverty is a basic deprivation that exploits the very possibility of human development. The relationship between development and poverty has remained imprecise even after decades of empirical research on development – region-wise, status-wise and for all categories of countries. It is thus state the obvious to declare that the reduction and ultimately the eradication of poverty must be a central goal for bringing in the actual development in the economy.

Poverty is a multi-dimensional concept. The eight Millennium Development Goals (MDGs), adopted in the UN Millennium Declaration in September 2000, to be realized by 2015 treating 1990 as the base year, which range from halving extreme poverty rates to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 form a blueprint agreed to by all the world’s countries and the entire world’s leading development institutions. They have awakened unprecedented efforts to meet the needs of the world poorest. The UN is also working with governments, civil society and other partners to build on the momentum generated by the MDGs. Even before the widespread associated with the MDGs by the United Nations, global poverty was understood to be a somewhat intractable problem. In broader sense, to understand poverty there should be some macro perspectives rather micro perspectives. Economically, the poor are not only deprived of income and resources, but they lack opportunities too. To these poor people market and jobs are often difficult to access because of their low capabilities,
and geographical and social exclusion. Their limited education and knowledge affect their ability to get jobs and to access information that could improve the quality of their lives. Due to inadequate nutrition and health services they have poor health which further limits their work prospects and affects their mental and physical condition poorly. This miserable situation is exaggerated by insecurity and self-helplessness. The poor live in marginal condition without resources to fall back on, any unexpected shocks become tough or impossible for them to cope with. The situation is made worse by the structure of societies and institutions that tend to exclude the poor from participating in decision-making over the direction of social and economic development. Poverty was taken as social phenomenon and as a major problem not only in India, but for all Third World Countries. One of the most leading developing countries of Third World Nations, India still struggles with poverty.

In India, the poverty data provided a fairly clear picture. Poor areas in India have higher poverty rates. The numerous policies and programmes in first few decades after Independence that sought to address poverty directly by promoting agriculture and small scale industry through regulation, or by limiting international trade to ensure adequate domestic supplies were quite ineffective in achieving their stated purposes. Poverty fell little during the slow growth period from Independence to 1974. During the faster growth period of the 1980s and 1990s poverty fell substantially. Since India became part of the global economy and underwent economic reforms in 1991, its economy has been growing at a faster rate of nearly 6 to 8 percent per annum. In the process, India has become the third 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 rapidly increasing middle class in the country, the economic growth seemed to have touched the lives of the poor also. According to the National Sample Survey (NSS) results, people living below poverty line (BPL) have dramatically come down during the post economic era. People living below poverty line declined from 36 percent in 1993-94 (50th Round, NSSO) to 26 percent in 1999-2000 (55th Round, NSSO).\(^1\) Thus, the number of those below the poverty line declined to 21.9 percent of the population in 2011-12.

The incidence of poverty in selected South-East and South Asian countries shows considerable variations in the past, though a recent trend of improvement and development is observed in most of the developing countries. One reason of them may be Green Revolution that has helped several countries like India, Indonesia, Pakistan, Philippines, and Bangladesh to some extent to prevent major food shortage related disasters though it has increased the income gap amongst the rural households of the developing countries. But the chronic factor of poverty is still persisting in most of the nations, including India, after big targets and planning. The countries are still dependent on these poverty alleviation programmes, so the programmes are continuously improving and implementation of new programmes are undertaken by the countries to make better opportunities for the poor people. In India disparity of income and gender inequality had been major reasons of poverty and unemployment.

Before going into the depth of our study, first we shall acknowledge the questionable aspects of poverty for knowing its features, like in real life what is poverty? How it is measured to identify the people living in poor conditions? What are those conditions of the people living beneath poverty? What those people eat to survive? Do they have some benefits from the Government led poverty alleviation programmes? These are some questions on which India and other countries still struggling.

1.1 Poverty: Definition And Concepts

Many studies have grown over the past decades on poverty and its alleviation. United Nations Development Programme (UNDP) in 1997 reported that seven South Asian countries (comprising - Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) has emerged as the poorest, the most illiterate, and the most malnourished region in the world. According to the World Bank estimates under the latest Purchasing Power Parity (PPP) measures, the number of people living below the $1.25 (approximately Rs.80) a day line falls from 1.2 billion people in the developing world. According to a new World Bank study two-thirds of the world’s poorest people live in just five countries. Poverty is on the decline globally and those who are subsisting on less than $1.25 a day are concentrated in five areas - India, China,

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Nigeria, Bangladesh and the Democratic Republic of Congo.\(^3\) The International Labour Organization (ILO) 2014 report specified that global unemployment increase by nearly 4 million in 2013, reaching 199.8 million, with the global unemployment rate remaining broadly unchanged at 6 per cent.\(^4\)

Many economists define poverty in their own perceptions and terms. Adam Smith (1776) had rightly said, "No society can surely be flourishing and happy, of which by far the greater part of the numbers are poor and miserable". The country has long been affected with a number of problems, but poverty is widespread in all areas of Indian society. Lester, R. Brown in his book ‘World without Borders’ explains poverty thus: “Unfortunately, it is not an abstraction, it is a human condition. It is despair, grief and pain. It is the despair of the father with a family of seven children in a poor country when he joins the swelling ranks of unemployed with no prospects of unemployment compensation. Poverty is the longing of a young boy playing outside a village school but unable to enter because his parents’ lacks a few rupees needed to buy text. Poverty is the grief of parents watching a three year old child die of a routine childhood disease because they cannot afford any medical case."\(^5\) In other words, poverty can be addressed as state symbol in Less Developed Nations. Poverty is hunger, lack of shelter, being sick and not being able to see a doctor; it is not being able to go to school and not knowing how to read and write. The poorer not having any job and terror for future. They lack power and freedom. This is due to socio-economic inequalities and lack of job opportunities.

Generally, poverty is defined as a social phenomenon where a society is unable to fulfill its basic needs of life. The main goal of development is to eradicate poverty and reduce social imbalances. As poverty is world-widespread, so everyone defines poverty accordingly. Even to reduce poverty, certain measures are globally worked out by different institutions.

The World Bank defines poverty as “a pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and

\(^{4}\) International Labour Report 2014.
\(^{5}\) Preserve articles. Also See. http://www.preservearticles.com/201104115290/essay-on-poverty.html
sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one’s life”.

A slightly different perspective is taken by UNDP, where poverty is taken to be a denial of human rights, i.e. those rights that are inherent to the person and belong equally to all human beings. According to UNDP, the human rights-based approach to poverty reduction espouses the principles of universality and indivisibility, empowerment and transparency, accountability and participation. It addresses the multi-dimensional nature of poverty beyond the lack of income. UNDP (2003), states that the respect for human rights is a necessary condition for socio-economic outcomes. This human rights-based definition challenges, to some extent, the opportunity that poverty is to be measured by a uni-dimensional criterion based on income and/or expenditure levels.

The UN Human Rights Council defined as “a human condition characterization by the sustained or chronic deprivation of the resources, capabilities, choices, security, and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights”.

At the UN’s World Summit on Social Development, the ‘Copenhagen Declaration’ described poverty as “a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information”.

Leaders of all countries, including the G-8, agreed International Development Goals (IDGs) to reduce extreme poverty by 2015. Further, they make a statement that the goals are ambitious, but with the effort and commitment of developing and developed countries and international development agencies, they can be achieved.6

From the above definitions, it is clear that the poverty is deficiency of basic human needs. To help these deprived people in satisfying their basic needs, the Government provide various poverty alleviation programmes to arrange work for these people so that they earn and learn some work for their survival. There are major three essential closely interrelated aspects of poverty as – Poverty of Money, Poverty of Access and Poverty of Power. These three aspects are responsible for making the

working, living and social environments of the poor extremely insecure and severely limit the options available to them to improve their lives. Without choices and security, it becomes effectively impossible to break the cycle of poverty and leads to the marginalisation and isolation of the poor from society.

Generally, the concept of poverty being used by researchers is usually associated with income. Thus, income poverty reflects the lack of minimum required consumption needs in absolute and relative poverty term.

1.1.1 Absolute Poverty

The situation in which the consumption or the income level of the people is less than some minimum level necessary to meet basic needs as per the national standards is absolute poverty. This is expressed in terms of a poverty line. This refers to the measure of poverty, keeping in view of the economic condition of a country. Economists have specified many definitions of poverty in this respect but in a large number of countries, poverty has been defined in the context of per capita intake of calories and minimum level of per capita consumption expenditure.

a) Calorie Criteria

The energy that an individual gets from the food that he eats everyday, is measured in terms of calories. This view was first of all presented by Lord Boyd Orr, the first Director General of World Food and Agricultural Organization. According to him, an individual must get minimum 2300 calories per day. Those getting less than this minimum will be treated as below starvation/poverty line. In India, Planning Commission is of the opinion that an individual in rural area must get 2400 calories and in urban area, 2100 calories per day.

b) Minimum Consumption Expenditure Criteria

An expert committee was appointment in 1962, by the Planning Commission to determine poverty line, adopted Minimum Consumption Expenditure Criteria. As per this committee, those people will be treated as living below the poverty line whose per capita consumption expenditure at 2004 prices is below Rs 368 per month in rural areas and below Rs 559 per month in urban areas. This criterion of consumption expenditure was fixed by National Sample Survey Organization in the year 2004. According to Planning Commission estimate for the year 2011-12, 21.9 percent of India’s population is still surviving below the poverty line. Though there is
a remarkable decrease in the numbers with comparison to that of 29.8 percent of the year 2009-10 and that of 37.2 percent of the year 2004-05.

1.1.2 Relative Poverty

Relative poverty refers to the poverty on the basis of comparison of per capita income of different countries. The country whose per capita income is quite less in comparison to other countries is treated as relatively poor nation. In poor nations, the part of population which is living at the bottom (whose income is less), is unable to fulfill the basic requirements of life. In the following table, India’s per capita income is compared with the per capita income of some other countries.

**TABLE 1.1: Comparison of Per Capita Income (Year 2010)**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PER CAPITA INCOME (in US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>47580</td>
</tr>
<tr>
<td>UK</td>
<td>45390</td>
</tr>
<tr>
<td>JAPAN</td>
<td>38210</td>
</tr>
<tr>
<td>CHINA</td>
<td>2940</td>
</tr>
<tr>
<td>SRI LANKA</td>
<td>1790</td>
</tr>
<tr>
<td>India</td>
<td>1340</td>
</tr>
<tr>
<td>PAKISTAN</td>
<td>980</td>
</tr>
</tbody>
</table>


On the basis of above comparison, it can be concluded that India is a poor nation as compared to other nations. In per capita income, India ranks 136 in the world in the year 2010, which further descended to the rank 148 in the year 2013. More recently, interest in redefining poverty beyond income level has been triggered off by the initiative undertaken by the UNDP in devising new measures of human deprivation viz., the Capability Poverty and Human Poverty.\(^7\)

1.1.3 Capability Poverty

The capability poverty studies the lack of three basic capabilities - Firstly, lack of capability to be well nourished and healthy. Secondly, lack of capability for healthy reproduction. Lastly, there is lack of capability for becoming educated and

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knowledgeable. Therefore, poverty alleviation induces to strengthen the power of the poor, what Amartya Sen has called, providing “Capabilities” to the poor, and simultaneously creating opportunities in society to facilitate the poor. Strengthening capabilities, therefore, is crucial for helping the poor to challenge and survive with not only an insufficiency of income but also a mass of other enemies as well, such as disease, disaster and discrimination.

1.1.4 Human Poverty

Some economists, in recent years, have contended that although income emphases on an important dimension of poverty, the deprivation of people cannot be fully measured by only their income level. To get a complete picture of poverty, one has to study and address in terms of all types of deprivations: survival deprivation, deprivation in education and knowledge and deprivation in economic provisioning. Thus, poverty is said to denial of choices and opportunities for living a tolerable life. One has to bear the situation without expecting any miracle in life. According to the concept of human poverty, poverty is defined in terms of the denial of opportunities and choices most basic to human development and to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-respect and the respect of others.

1.2 Poverty Line

Poverty line is the line which indicates the level of purchasing power required to satisfy the minimum needs of a person. In other words, it represents the capacity to satisfy the minimum level of human needs. The purchasing power can be expressed in the form of average per capita monthly expenditure. If we have an idea of the minimum level of purchasing power required to keep a person at a minimum level of living, a little below which he would be considered as poor, this “purchasing power” could then be called poverty line. This line divides the population in two groups, one of those who have the purchasing power or more and the other group of those people who do not have this much of purchasing power. The former group is regarded as living ‘Above the Poverty Line (APL)’. These people are not regarded as poor. The latter group is considered as living ‘Below the Poverty Line’. These people are called poor. The commonly used measure of the extent of poverty is the proportion of the
population living below a certain level of living called the poverty line. Several criteria may be used to define poverty line.

1.2.1 The Proportion of Expenditure

The proportion of expenditure made on certain items of consumption such as food, fuel and light. Poor living is characterized by a large proportion of the total consumer expenditure on items essential for absolute physical existence. A poverty line is that level of expenditure of which a certain proportion, say 80 or 85 percent of total expenditure is devoted either to food, or food and fuel or food, fuel and light. The proportion of expenditure depends on the consumption level of the consumer.

1.2.2 Minimum Food or Diet

a) Basket of Commodities

The poverty line on the basis of minimum food may be a basket of commodities directly or the cost of basket of commodities in terms of income or expenditure. The standard technique is the estimation of the cost of the basket of commodities as the basis for the poverty line, which can be in terms of income or expenditure. According to the income level approach, the minimum income required for meeting the basket of commodities are attained and those whose income are below this level are considered poor. According to the consumer expenditure approach, the expenditure, necessary for meeting the basket of commodities is attained and those people or households who do not have this expenditure are considered below the poverty line.

b) The Calorie Value of Food

Here, the poverty line may be derived in terms of the calorie intake directly or the cost of these calorie in terms of income and expenditure. If poverty line is directly arrived in terms of the calorie intake, the procedure is to convert all the food items into calories to arrive to the calorie intake. Thus, poverty line arrived at on the basis of Dietary Energy Requirement (DER) is in terms of calories. According to the Energy Requirement approach, several norms have been suggested at the international level (as represented by FAO/WHO) as well as at national level (National Institute of Nutrition/Indian Council of Medical Research (ICMR)/Planning Commission, etc.), and also by Individual Researchers and this has led to many controversies. Sukhatme recommended a minimum of 1900 calorie per capita per day for an Indian, while
Dandekar recommended an average daily requirement of 2250 calorie per capita. The Planning Commission’s task force recommended an average of 2400 and 2100 calorie per capita per day for rural and urban areas respectively.

### 1.2.3 Balanced Diet

Balanced diet may be attained at in physical terms or its cost in terms of income or expenditure.

### 1.2.4 Minimum Food, Clothing and Shelter (Basic Needs)

The poverty line in term of basic needs may be in terms of physical quantity or the cost of basic needs may be arrived at in terms of income or expenditure.

### 1.2.5 International Poverty Line

Recently economists talked about an international poverty line, which is defined in terms of $1 a day per person.\(^8\)

Thus, the measurement of poverty varies because of diverse kinds of measurements of poverty line. An institution’s / organization’s measurement of poverty ratio may differ from that of another. Asian Development Bank has defined a new international poverty line taking base of expenditure of US $1.35 per day. On this criterion, 55 percent of India’s population was living below the poverty line in the year 2007-08. In India, the poverty line is defined by NSSO. The NSSO tabulates Monthly Per Capita Consumer Expenditure (MPCE) on the basis of three different concepts: Uniform Reference Period (URP), Mixed Reference Period (MRP) and Modified Mixed Reference Period (MMRP). Once in 5 years, NSSO conducts a large survey to estimate the poverty. As per the NSSO reports of the year 2004-05, the term ‘poverty line’ is defined as monthly expenditure required for a daily intake of 2400 calories per person in rural areas and 2100 calories per person in urban areas. This expenditure is Rs. 368 per person per month in rural areas and Rs. 559 per person per month in urban areas in the year 2004. The NSSO estimates, 21.8 percent of India’s population is still living below the poverty line in the year 2004-05.

Poverty line as per Tendulkar methodology is expressed as MPCE based on MRP. For 2011-12, for rural areas national poverty line was Rs. 816 per capita per

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month and Rs. 1000 for urban areas. As per international poverty line of US $1.25 per day, 49.4 percent of India’s population was living BPL in the year 2006. The all India poverty line so defined in 1973-74 was Rs. 49.63 for rural areas and Rs. 56.64 for urban areas which increased in 2004-05 adjusted for prices was Rs. 356.30 for rural areas and Rs. 538.60 for urban areas. For the year 2009-10, the Planning Commission had defined the poverty line as Rs. 22.40 per capita per day in rural areas and 28.60 per capita per day in urban areas. This translates to Rs. 672.80 per capita per month in rural areas and Rs. 859.60 per capita per month in urban areas. On this basis 29.8 percent of population was BPL in 2009-10 with 33.8 percent in rural areas and 20.9 percent in urban areas. According to the report of Tendulkar committee (2011-12), only 21.9 percent population of India lives BPL. This committee fixed the national poverty line at Rs 816 per capita per month for rural areas and Rs 1,000 for urban areas.

But the recent report on BPL estimation, Rangarajan Committee report (2014), revisited the above mentioned Tendulkar committee report. It defines the poverty line as Rs. 32 per capita per day in rural areas and Rs. 47 per capita per day in urban areas. This translates to Rs. 960 per capita per month in rural areas and Rs. 1410 per capita per month in urban areas. On this basis 29.5 percent of population was BPL in 2009-10 with 33.8 percent in rural areas and 20.9 percent in urban areas. The panel's recommendation, however, results in an increase in the BPL population, which is estimated at 363 million in 2011-12, compared to the 270 million estimate based on the Tendulkar formula. This means 29.5 percent of the India population lives below the poverty line as defined by the Rangarajan committee, as against 21.9 percent according to Tendulkar. For 2009-10, Rangarajan has estimated that the share of BPL group in total population was 38.2 percent, translating into a decline in poverty ratio by 8.7 percentage points over a two-year period. Thus, these trends show gradual improvement in poverty line of India. This is to be considered that there are various differences in the methods of estimating the line of poverty and PPP so we can notice some deviations in the reports of two committees in the same time period, thus it becomes so difficult to measure the actual situation in terms of poverty estimation.

1.3 Measurement of Poverty

The measurement of poverty in India has been tried by scale of poverty line. According to John Boyd Orr, the first Director General of United Nations Food and
Agriculture Organization (FAO), the ‘Starvation Life’ in 1945, was referred to the consumption of less than 2300 calories per person per day. Later on, this idea was replaced by the notion of poverty line. P.D. Ojha was the first economist to measure the poverty in terms of the per capita per day expenditure. According to his estimation, 44 percent of the population in India lived below the poverty line during 60s which remained constant from 1960-61 to 1968-69. B. S. Minhas specified this concept further and made clearer. He calculated the poverty line on the basis of the minimum per capita expenditure of Rs. 240 per annum. Accordingly, he viewed that 59.4 percent of the population was below the poverty line in 1960-61 which came down to 50.5 percent in 1967-68.9

The Indian Planning Commission accepted ‘physical survival’ concept of poverty line. According to this concept, the poverty line includes the minimum nutritional requirements of 2400 calories per person per day for rural areas and 2100 calories for urban areas. The Seventh Plan recognized Rs. 6400 per capita income as the poverty line for an average family of five persons.

The World Bank estimates the poverty at the global level. It estimates poverty worldwide, by using a URP line which is expressed in a common unit across countries. The new international poverty line of $ 1.25 a day at 2005 prices is the mean of the national poverty line for the ten to twenty poorest countries of the world. Therefore for the purpose of global aggregation and comparison, the World Bank uses reference lines set at $1.25 and $ 2 per day (2005 PPP terms). Using improved price data from the latest (2005) round of the International Comparison Programme, new poverty estimates released in August 2008, show that about 1.4 billion people in the developing world (one in four) were living on less than $1.25 per day in 2005, down from 1.9 billion (one in two) in 1981. The survey based on new benchmark of a poverty line of a daily income of $ 1.25, claims that the number of poor people in India has gone up from 421 million in 1981 to 456 million in 2005.

India, however, measures its poverty as per its national poverty line (based on nutrition). Hence there is the difference between the two estimates. At the rate of $ 1 per day (as per 2000 prices), poverty has reduced from 42 percent in 1981 and to 24 percent in 2005. But, according to the World Bank Report, percentage of people

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living below $1.02 per day dropped from 60 in 1981 to 42 in 2005. The World Bank reviewed and proposed revisions in May 2014, to its poverty calculation methodology and PPP basis for measuring poverty worldwide, including India. According to this revised methodology, the world had 872.3 million people below the new poverty line, of which 179.6 million people lived in India. In other words, India, with 17.5 percent of total world's population, had 20.6 percent share of world’s poorest in 2013.

Once there is an agreement about the poverty line to be used, the committee / organizations can proceed to measure the extent of poverty in a certain population by a poverty index. The selection of an appropriate level of welfare is reflected in the choice of a cut-off or poverty line. Generally, apart from the selection of poverty line the measurement of poverty focuses on computing three indices. These reflect: a) The incidence of poverty as measured by the fraction in the total population living below the poverty line i.e. the head count; b) The intensity of poverty reflected in the extent to which the income of the poor lies below the poverty line, as measured by the differences between the two i.e. the poverty gap; c) The degree of inequality amongst the poor, in such a way that income transfers from the worse off amongst the poor to the less poor should raise measured poverty and vice versa i.e. the severity of poverty index. Also, there is various other poverty indices for counting purpose including them and the important ones are briefly reviewed here. Thus, the extent of poverty is depicted by the following measures:

1.3.1 **Head Count and Head Count Ratio**

It is calculated by dividing the number of people below the poverty line by the total population. It measures the proportion of poor in the total population. It is the ratio of number of poor below the poverty line. The head count (HC) is the number of individual ‘I’ such that \( Y_i < p \). Thus, this can be written as,

\[
HCR = \frac{HC}{n}
\]

Where ‘n’ is the total population.

1.3.2 **Poverty Gap Ratio or Income Gap Ratio**

It is the difference between the poverty line and the average income of all households living below the poverty line, expressed as a percentage of poverty line. It indicates the depth and severity of poverty.
1.3.3 Squared Poverty Gap Index

It is the mean of the squared individual poverty gaps relative to the poverty line. It indicates the severity of poverty as well as it is sensitive to inequality amongst the poor. In this sense it is without doubt the most appropriate measure of poverty. Amongst the Squared Poverty Gap Index, the most accepted is one developed by Foster, Grier and Thorbecke, which is known as FGT.

1.3.4 FGT Measure

The best known measure that addresses the distributional underpinnings of poverty is the class proposed by Foster, Grier and Thorbecke. This is a variant of the poverty gap ratio equation.

\[
PGR = \frac{1}{N} \sum_{i<p} (p - y_i)
\]

1.3.5 Sen Index of Poverty

This index is developed by Professor Amartya Sen, which is based on the head count ratio, poverty gap index and the Gini coefficient. It takes into account the extent and severity of poverty as well inequality. It is expressed as

\[
S = H [I + (1 - I) G]
\]

Where,

- \(S\) = Sen Index of Poverty
- \(H\) = Head Count Index
- \(I\) = Poverty Gap Index
- \(G\) = Gini Coefficient

1.3.6 Human Poverty Index (HPI)

The human poverty index (HPI) was specified in the Human Development Report (HDR) in 1997. This is an effort to bring together in a composite index the different structures of deprivation in the quality of life to attain at an aggregate judgment on the extent of poverty in a community. It measures deprivation in basic human development in the same dimension as the HDI. HDR, 2004 used the following variable for calculating HPI: probability at birth of not surviving to age 40
HDR 2005 has presented HPI for 103 developing countries having adequate data. At the top of the rankings are Uruguay, Chile, Costa, Rica, Barbados and Cuba – these countries have reduced human poverty too and HPI value of 4.8 percent or less. In other words, these countries have reduced human poverty to the point at which it affects less than 5 percent of the population. At the bottom are four countries whose HPI exceeds 58 percent, Chad, Mali, Niger and Burkina Faso. In 40 countries out of 103 countries covered, the HPI exceeds 35 percent. India had an HPI value of 31.3 percent in 2003.

1.3.7 Multi-dimensional Poverty Index (MPI)

It was developed recently in 2010, by Oxford Poverty and Human Development Initiative and the United Nations Development Programme. It uses different factors to determine poverty beyond income – based lists. It uses the range of deprivations that afflicts an individual life. The measure assesses the nature and intensity of poverty at the individual level of education, health outcomes, and standard of living. The MPI is calculated as follows:

\[ MPI = H \times A \]

Where,

\[ H = \text{Percentage of people who are MPI poor (incidence of poverty)} \]

\[ A = \text{Average intensity of MPI poverty across the poor (percent)} \]

1.3.8 Basic Needs Approach of Defining Poverty

Similarly, there is one more approach that defines poverty line on the basis of cost of fulfilling basic needs of a person to live a humane way of life. In this approach, poverty line is defined at monthly per capita consumption expenditure of Rs. 840. It means for a family of five persons, the poverty line is Rs. 4200 (840 \times 5) per month. It implies that person whose income is below Rs. 840 per month is not able to live a humane way of life and is living BPL. Official data on poverty is not measured on the basis. If this approach is used, 69 percent of India’s total population is living BPL. On the basis of this approach, in rural area 84 percent population and in urban areas 42 percent population is living BPL.
1.4 Trends of Poverty in India

Traditionally, discussion of incidence, trends and determinants of poverty in India is based on households sample surveys conducted on a quinquennial basis by the NSSO. Detailed data on consumer expenditure from nationally representative samples are available from the early 1970s to the present at intervals of five years (The NSSs began in the 1950s with the launching of the first nation-wide survey of household expenditures in 1950). The official poverty estimates, patterns and trends in poverty are determined on the basis of analysis of data on household consumption expenditures on which poverty lines are compared to separate the poor from the non-poor and determine the extent of poverty. These poverty lines are not arbitrary figures, but have been derived from age-sex-occupation-specific nutritional norms by using the all India demographic data from the 1971 Census which is based explicitly on estimates of the normative nutritional requirement of the average person in the rural and urban areas of the country separately. The two theories, in some way, mirror the ongoing debate between Nobel laureate Amartya Sen and Columbia University economist Jagdish Bhagwati. Amartya Sen makes a case for integrating development expenditure with growth to combat poverty, while Bhagwati argues that rapid growth should be the priority, with the resulting trickle down taking care of the underprivileged.

According to the Planning Commission in 2013-14, 25.7 percent of people in rural areas were below the so-called poverty line and 13.7 percent in urban areas. This is comparable with 33.8 percent and 20.9 percent respectively, in 2009-10, and 42 percent and 25.5 percent respectively, in 2004-05. According to World Bank, the developing world has already attained the first Millennium Development Goal target to cut the 1990 poverty rate in half by 2015. The 1990 extreme poverty rate $1.25 a day in 2005 prices was halved in 2010, according to estimates. According to the global poverty estimates, 21 percent of people in the developing world lived at or below $1.25 a day. That is down from 43 percent in 1990 and 52 percent in 1981. This means that 1.22 billion people lived on less than $1.25 a day in 2010, compared with 1.91 billion in 1990, and 1.94 billion in 1981. The number of Indian poor was 42

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crores or 55 percent as per head count ratio of which 25 crore or 33 percent are very poor in 1985, which will rise to 25 crore 30 lakh in 2000.

In India, percent of population living below the poverty line has come down, but still about 21.8 percent of our population is living BPL. If poverty is measured by international poverty line (consumption expenditure below 1.25 dollar a day) then the percentage of those living below the poverty line in India rises to 49.4 percent. The poverty ratio MPCE of Rs.816 for rural areas and Rs. 1000 for urban areas in 2011-12 at all India level has declined from 37.2 per cent in 2004-05 to 21.9 per cent in 2011-12. In absolute terms, the number of poor declined from 407.1 million (40.71 crore) in 2004-05 to 269.3 million (26.93 crore) in 2011-12 with an average annual decline of 2.2 percentage points during 2004-05 to 2011-12. Thus, these trends show improvement in poverty line of India as well as of other developing countries too.

1.4.1 Number of Poor Persons and Their Percentage in Total Population

This is clear from the given table as follows;

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Poor (in Crore)</th>
<th>Poor in Total Population (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>25</td>
<td>54.9</td>
</tr>
<tr>
<td>1993-94</td>
<td>32</td>
<td>36.0</td>
</tr>
<tr>
<td>1999-2000</td>
<td>26</td>
<td>26.1</td>
</tr>
<tr>
<td>2004-05</td>
<td>24</td>
<td>21.8</td>
</tr>
</tbody>
</table>

*Source: NSSO Reports*

In the year 2004-05, the number of poor persons was 23.85 crore, out of which 17.03 crore lived in rural areas and 6.82 crore lived in urban areas. From 1999-2000 to 2004-05, poverty line fell by 0.8 percent per annum. As per this sample survey (small sample study) by NSSO, in year 2005-06, 20.4 percent of India’s population was living below the poverty line. According to the estimates of UN report there is 32.7 percent of decline in total population in 2010.

1.4.2 Urban-Rural Comparison

It was found here that percentage of poor is more in rural areas as compared to urban areas. Trends in urban-rural poverty are clear from the table.
TABLE 1.3: Percentage of Rural and Urban Population BPL

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>56.4</td>
<td>37.3</td>
<td>27.1</td>
<td>21.8</td>
</tr>
<tr>
<td>Urban</td>
<td>49.0</td>
<td>32.4</td>
<td>23.6</td>
<td>21.7</td>
</tr>
<tr>
<td>Combined</td>
<td>54.9</td>
<td>36.0</td>
<td>26.1</td>
<td>21.8</td>
</tr>
</tbody>
</table>

Source: NSSO Reports

The above table shows that in the year 2004-05, 21.8 percent of total population in rural areas and 21.7 percent in urban areas were living below the poverty line. For the country as a whole 21.8 percent of population was living below the poverty line. By the completion of Eleventh Plan, percentage of people living BPL is expected to be around 10 percent.

1.4.3 Inter-State Comparison

In different states, there are wide variations in the percentage of population living BPL. In Orissa, Jharkhand and Bihar, percentage of poor population is much higher as compared to national average. Thus, for showing the disparity in the percentage of population living BPL we have chosen few random states. Inter-state comparison of poverty is clear from the table.

TABLE 1.4: Inter-State Comparison of Population BPL

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage of Population BPL (Year 2004-05)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
</tr>
<tr>
<td>Orissa</td>
<td>39.8</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>40.2</td>
</tr>
<tr>
<td>Bihar</td>
<td>32.9</td>
</tr>
<tr>
<td>Gujarat</td>
<td>19.1</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>29.8</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>29.6</td>
</tr>
<tr>
<td>Chhatisgarh</td>
<td>31.2</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>14.3</td>
</tr>
<tr>
<td>Haryana</td>
<td>9.2</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>7.2</td>
</tr>
<tr>
<td>Punjab</td>
<td>5.9</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>33.4</td>
</tr>
<tr>
<td>All India</td>
<td>21.8</td>
</tr>
</tbody>
</table>

Source: NSSO Reports
In the year 2004-05, 75 percent of poor were concentrated in the six states namely Bihar, Orissa, Madhya Pradesh, Uttar Pradesh, West Bengal and Maharashtra. In the vast majority of the states, it was also observe acceleration in the decline in poverty between 2004-05 and 2009-10 compared to between 1993-94 and 2004-05.

1.4.4 International Comparison

In different countries, there are wide variations in the percentage of population living BPL. In international comparison of poverty, a uniform poverty line of consumption expenditure of US $ 1.25 per person, per day has been used for all the countries. Percentage of people living BPL in developed nations is quite less as compared to percentage of people living BPL in developing nations. International comparison of poverty is shown in the table below.

TABLE 1.5: International Comparison of Population BPL (2005-06)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of Population BPL (US $ 1.25 per day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>57.8</td>
</tr>
<tr>
<td>India</td>
<td>49.4</td>
</tr>
<tr>
<td>Pakistan</td>
<td>35.9</td>
</tr>
<tr>
<td>China</td>
<td>28.4</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>16.3</td>
</tr>
<tr>
<td>UK</td>
<td>&lt; 1</td>
</tr>
<tr>
<td>USA</td>
<td>&lt; 1</td>
</tr>
<tr>
<td>Japan</td>
<td>&lt; 1</td>
</tr>
<tr>
<td>Germany</td>
<td>&lt; 1</td>
</tr>
</tbody>
</table>


1.5 Nature of Poverty

As we have discussed ‘poverty is a widespread phenomenon’. So, it is present in both types of sectors; i.e. rural sector as well as urban sector. Amongst the labour class, casual laborers are worst placed in both the areas; rural area and urban area. However, the nature of poverty in both the sectors differs. To what extent it differs has been discussed below,
1.5.1 Rural Sector

In rural sector, the major groups of the poor are either landless agricultural labourers or those who own or have access to very small part of land that they are forced into wage labour to earn subsistence. Empirical evidence makes us believe that poverty and absence of the ownership of land are positively associated. Poor people in terms of income also tend to be deprived of other privileges in village society. A large volume of evidence mostly derived from work done by social anthropologist proposes that the ranks of the poor are manned substantially by people of low caste or ‘Ultra Caste’ tribal groups who are discriminated against in numerous ways in rural society. These may take various forms the barring of poor low caste groups from access to the best wells in the village to the governance of higher caste groups in village panchayat, where superior bargaining power is used.

There is higher concentration of poverty in the rural India. Region-wise rural poverty is lower in regions where the level of agricultural output per head is higher, and vice versa. Similarly, over a period of time, the regions experiencing a high rate of agricultural growth have shown a steeper reduction in rural poverty than the regions experiencing slower growth. The reasons for poverty in the country can be alarming population growth and rapid population growth, lack of investment, lower literacy rates, regional inequality and failure of PDS system, lack of alternative employment opportunities other than agriculture, joint family system and child marriage tradition. Various steps and modification in the programmes have been taken by the Government to reduce poverty in rural India. These programmes are such as follows: legal elimination of bonded labourers, preventing the centralization of wealth by modifying the law, Antyodaya Plan, Small Farmers Development Programmes (SFDP), Drought Area Development Programme (DADP), Food for Work Programme (FFWP), Minimum Needs Programme (MNP), Integrated Rural Development Programme (IRDP), National Rural Employment Programme(NREP), Rural Labour Employment Guarantee Programme (RLEGP), Assurance on Employment, Swarna Jayanti Gram Swarozgar Yojana (SGSY), Mahila Samriddhi Yojana (MSY), National Social Assistance Programme (NSAP), Group Life Insurance Scheme for Rural Areas, Rural Housing Programme, Pradhan Mantri Gramodaya Yojana (PMGY), Sampoorna Gramin Rozgar Yojana (SGRY), Indira Awas Yojana (IAY), Samagra Awas Yojana, Pradhan Mantri Rozgar Yojana
1.5.2 Urban Sector

In urban areas, poverty can be recognized with people who are unemployed, under-employed or employed in occupations such as - porterage, street peddling, etc. or employed in job either with uncertain employment or with very low real wages. In most of the metropolitan cities, migrant workers are prominent among the poor. This segment of poverty, in fact, is the extension of the rural poverty itself. The labour absorption capacity of land is always limited, and more often than not it seems to have reached the stagnancy level. The additional labour force are unable to find profitable employment opportunities in these villages so they decided to move to the nearby towns and metropolitan cities in search of work. Thus, migration has increased the problem of excess labour force in cities, resulting in underemployment of the migrated poor. The cities have fail to absorb even the existing labour force, any addition from outside only worsens the situation. The condition of the urban poor is further worsened by the fact that they are not the producers of food. The rising prices of all commodities, including food grains, during the last few years, have certainly made a further dent in an already not-so-happy a situation.

India is steeping forward for becoming a country with more urbanization. The recent experiences show the truth about the problems facing by urban areas same as in rural areas. The reasons can be: improper training, growing population, slower job growth and limited job opportunities of employment in the cities, failure of PDS and higher migration from rural to urban areas and lack of housing facility. The steps taken by Government in urban areas to eradicate poverty are: emphasis on vocational education, Nehru Rozgar Yojana (NRY), Self-Employment Programme for the Urban Poor (SEPUP), Financial Assistance for Constructing Houses, Self-Employment to the Educated Urban Youth Programme (SEEUY), Prime Minister Rozgar Yojana (PMRY), National Social Assistance Programme (NSAP) and Urban Basic Services for the Poor Programmes (UBSP), Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP), Swarna Jayanti Shahri Rozgar Yojana (SJSRY), Rural Labour Employment Guarantee Programme (RLEGP), Jawahar Gram Samriddhi Yojana (JGSY), Training Rural Youth for Self-Employment scheme (TRYSEM), Family Planning/ Welfare programme for population control,
Employment Assurance Scheme (EAS), Scheme for Rural Artisans/Craftsmen, and Development of Women and Children in Rural Areas programme (DWCRA).

Both, rural and urban areas have been effective from the vicious circles of poverty. In the Indian market three types of labourers can be found such as: self-employed, regular employed and casual labourers. The worst part of both the sectors is that of casual labourers. The casual labourers are high in numbers in Indian market. The work form of these labourers is unplanned and unexpected as whenever they want, they leave the jobs or they get the jobs only when they are needed, rest of the times they remain jobless.

1.6 Major Causes of Poverty in India

The fundamental thought attributes poverty at the macro level (national level) to the population explosion and poverty at the micro level (individual household level) to the high fertility level amongst the poor. Poverty cannot be attributed to any single cause or a single set of causes. It is complex phenomenon and as such as the outcome of the interaction of divers factors, economic and non-economic the real causes lie in the exploitative economic, social and political system prevailing in India. There are some major factors that cause poverty, such as - High Population Growth, Unequal Distribution of Income, Slow Job Growth, Increase in Prices, Slow Economic Growth, Chronic Unemployment and Underemployment, Agricultural Backwardness, Capital Deficiency, Lack of Able and Efficient Entrepreneurs, Lack of Proper Industrialization, Outdated Social Institutions, No Proper Use of Natural Resources, Lack of Developed Means of Transport, Unequal Distribution of Income, Natural Calamities, Corruption, Poor Work Culture and Lack of Technical Education.

Thus, these are the basic cause of poverty which seems interrelated and even independent cause to affect the national planning. Throughout the history, whatever be the population size the underprivileged have always remained poor: slaves during slavery, serfs under feudalism and as landless labourers, small farmers, tribal, casual labourers, artisans and the slum dwellers under the present day capitalistic system. The root cause of poverty in India is the underdevelopment of Indian Economy. A poverty alleviation programme must wipe out the surpluses with the elite classes (landlords, money-lenders, merchants and traders, transporters and capitalists) since bulk of the surpluses exists in the form of black money. It is necessary to unearth black money so that resources are not misdirected into channels of luxurious consumption.
1.7 The Unemployment-Poverty Linkage

Unemployment and poverty are the two major hurdles that are restraining the path of development of the world economy at present. Unemployment refers to the situation when a person is able and willing to work at the prevailing wage rate but does not get the opportunity to work. Unemployment leads to financial crisis and reduces the overall purchasing capacity of a nation. This crisis results in poverty followed by increasing burden of debt. The term unemployment is directly related with the concept of labour force which refers only to involuntary unemployment. Unemployment has categorized between different sub-heads: Open Unemployment, Structural Unemployment, Disguised Unemployment, Frictional Unemployment, Seasonal Unemployment, Educated Unemployment, Technical Unemployment, and Cyclical Unemployment.

When an economy undergoes some dynamic changes in its organizational structure, it results in structural unemployment. This type of unemployment may also emerge if the lack of aggregate demand continues for a substantially long period of time. In case of frictional unemployment, workers are temporarily unemployed. There may be cases of hidden unemployment where workers restrain themselves from working due to absence of appropriate facilities. Like all the underdeveloped countries, India, in present situation, suffers mainly from structural unemployment which exists in open and disguised forms. Lack of effective aggregate demand of labour is one of the main reasons for unemployment. A substantial portion of the total workforce in India works as surplus labour. This problem is particularly prevalent in the agricultural sector.

The volume of employment in any economy depends to a great extent on the level of economic growth and inclusive distribution. Therefore, when a country makes progress and its production expands, the employment opportunities grow. Thus, employment leads to poverty alleviation if it is accompanied by a reasonable level of income. In India during the past three decades or so the production has expanded in all the sectors of the economy. In response to these developments the absolute level of employment has also grown. A fairly consistent reduction of income poverty can be observed in the rural areas of almost all Indian states.
With increased access to external debt and with agricultural growth higher than the long-term average, the Indian Economy has much better been placed on the supply side, with both traditional supply constraints greatly eased. The organized sectors of the economy has also been growing reasonably in terms of incomes and output, but unfortunately this growth is not leading to much increase in organized sector employment. The rapid growth of output in agriculture and in the organized private sector has not succeeded expectedly to translate itself into higher direct employment in these important sectors. Rapid economic growth can potentially fetch a high rate of increment of productive and rewarding employment, which can lead to a reduction in poverty. However, the contribution of the growth process to poverty reduction does not depend only on the rate of economic growth, but also on the ability of the poor to respond to the increasing demand for labour in the more productive categories of employment.

Unemployment or underemployment is one of the core reasons of poverty. For the poor, who are deprived of most of the resources, labour is often the only asset they can use to improve their sustenance. Therefore, the creation of productive employment opportunities is very much needed for poverty alleviation and sustainable socio-economic development. It is essential to provide decent employment that both secure income and empowerment for the poor. Given the importance of employment for poverty eradication, employment generation should occupy a central place in national poverty alleviation strategies.

1.8 Poverty Alleviation Strategies in India

The government forms and executes its plans in a planned and systematic way to reduce poverty and to ensure socio-economic development. Therefore, various poverty alleviation programmes were launched to generate employment. There are distinct past strategies for reducing poverty in India:

In 1950’s initially the policy-makers gave much importance for the maximization of economic growth by increasing investment assuring that the benefits arising out of it would ‘trickle down’ and diffuse amongst all sections and sectors of the economy, but it proved to be a wrong decision later. By early 1970s, the

introduction of modern scientific practices and the adoption of high yielding varieties ushered in the Green Revolution that bought in its wake up sufficiency in food production. But in the 1970s it was realized that the benefits of agricultural growth did not reach to the poor as the Green revolution technology benefitted the better endowed regions. It was not suited to the arid and rain-fed areas. Thus, for these areas area development programmes were launched.

The ‘structural school’ which pleaded for the establishment of equalitarian state and suggested distribution of assets through land reforms, developmental programmes, co-operative farming, nationalization of industries etc. but this did not work up to the mark. In the 1970s and 1980s it was realised that an integrated approach was required. In 1980s, the strategy of direct attack on poverty through rural development programmes such as IRDP, NREP, and RLEGP which merged in JRY programme. The direct involvement for addressing rural poverty comprised components which included: supply of income generating assets with subsidy, training of rural youth for self-employment and development of women in rural areas for skill development, housing for rural poor, irrigation and shallow tube wells in the lands of the poor and meeting the minimum basic needs.

Since independence, the central and state governments have adopted certain following measures to reduce poverty. They are: Five Year Plan, Nationalization, 20 Points Economic Programme and Centrally Sponsored and State Poverty Alleviation Programmes. The measures for alleviating poverty are those affecting the: demand for work, training in labour skills, changes in the social system and the distribution of assets and income. In the late 1990s, various programmes in place for poverty reduction were reviewed and it was observed that there was a multiplicity of the programmes. A number of separate programmes have resulted in lack of desired linkages among these programmes.

The Eight SAARC summit which was held at New Delhi in May, 1995 had decided to designate 1995 as the “Year of Poverty Eradication” and adopted agenda for action was: strategy for mobilizing resources, policy of decentralized agricultural development, and small scale labour intensive industrialization.

The goal of poverty alleviation can be achieved through the participation of the people, voluntary organizations and industrializations with the Government in
implementing the developmental programmes. To eliminate poverty Government undertake various alleviation programmes. In India there are too many poverty alleviation programmes which rise and few of them collapsed or merged with the other programmes.

1.9 Poverty Alleviation through Employment Generation Programmes

Most of the poverty alleviation programs adopted in India during the last two decades are in the form of employment generation schemes aimed at the target group i.e., persons living below the poverty line. In India, most of the states are suffering from mass poverty that is a threat to the prosperity of India. Poverty Eradication and hunger abolition through employment in the community has been one of the main goals of planning in India. Since the planning era, various target oriented as well as area oriented programme and schemes have been implemented for the generation of income with the purpose to eradicate poverty, inequality and backwardness from the rural areas. Eradication of poverty remains a major challenge of planned economic development. Given the enormity and difficulty of the task, the Eleventh Plan expects inclusive growth as a strategy. Poverty and unemployment are interrelated, having cause-effect relationship. Unemployment lowers productivity and increases the incidence of poverty. Poverty, in turn, breeds disappointment. These problems, highlighting each other, if they exist for long, lead not only to serious economic consequences but also upset all human values and put a top on crime and other social deviations.

A major objective of the State Government is to improve the standard of living and quality of life of its people, particularly of under privileged and weaker sections of the population. The strategies and priorities for removal of poverty and unemployment differ from state to state. In order to alleviate poverty, and raise the living standard of the people, various programmes, aiming to create income generating activities and employment and step up productivity levels were launched both in the rural as well as urban areas. Achievements have also been quite substantial but not enough to enable the state to get rid of the threat of poverty and unemployment completely.

The wage employment programmes provide a livelihood during the lean agricultural season as well as during drought and floods. These programmes were first
started during the Sixth and Seventh Plan in the form of National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programmes (RLEGP). These programmes were merged in 1989 into Jawahar Rozgar Yojana (JRY). A special wage employment programme in the name of Employment Assurance Scheme (EAS) was launched in 1993 for the drought prone, desert, tribal and hill area blocks in the country. Different wage employment programmes were merged into Sampoorna Gramin Rozgar Yojana in 2001. NREGS, launched in 2006, aims at enhancing the livelihood security of people in rural areas by guaranteeing hundred days of wage employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work. During 2008-09, 4.51 crore households were provided employment under the scheme.

1.10 Poverty Alleviation Programmes in Five Year Plans

In India, the planned economic development began in 1951 with the inception of the First Five Year Plan. The theoretical efforts for economic development in Indian Economy had already begun before independence. In the year 1934, Sir M. Visheshvaraya wrote a book named ‘Planned Economy for India’, which was the first attempt in this direction. In 1938, the Indian National Congress, under the leadership of Pandit Jawaharlal Nehru, made a National Planning Committee. Its recommendations could not be implemented due to the beginning of the Second World War and changes in the Indian political situation.

In 1944, eight industrialists of Bombay presented a well-organized plan called ‘The Bombay Plan’, which could not be brought into action due to various reasons. In August 1944, the Indian Government inaugurated a separate department called ‘The Planning and Development Department’ and appointed Sir Ardishar Dalal, the controller of Bombay Plan, as its acting member. Inspired by the economic views of Mahatma Gandhi, Shri Sriman Narayan constructed a Plan in 1944 which is known as ‘Gandhian Plan’.

M. N. Rao, Chairman of post-war Reconstruction Committee of Indian Trade Union, introduced a ‘People’s Plan’ in April 1945, this plan introduced before independence again could not be implemented due to various reasons. In 1946, the Interim Government formed which established a High Level Advisory Planning Board in order to study the problems of planning and developments in the country.
The Board studied all the problems very deeply and gave recommendations to establish a stable Planning Commission at the central level which could continuously work for the planning and development of the country. In January 1950, Jaiprakash Narayana published a plan called ‘Sarvodaya Plan’. The Government did not accept the entire plan and adopted only few parts of it. The Planning Commission was constituted on 15th March, 1950, by the Government of India. In Pre-Liberalization Period, Indian Economic Policy after independence was influenced by the colonial experience, which was seen by Indian leaders as exploitative, and by those leaders exposure to British social democracy as well as the progress achieved by the planned emphasis on import substitution.

Until now Eleven Five plans and six annual plans have been completed. 12th plan 2012-17 which has finally been approved by NDC is in operation with effective from April 1, 2012. Since the independence of India, the approach to addressing major issues and providing the planning and policy framework on crucial aspect of the economy are given shape through the Five Year Plan.

The focus of first four Five Year Plans (1951-1973) was on economic development, along with equity and justice. It was in the Fifth Five Year Plan (1974-79) that poverty removal was addressed as a principal objective but the plan did not approach the issue directly. Although the issue of defining a poverty line was first addressed by a Working Group of the Planning Commission (constituted in 1962), it was the Task Force on Minimum Needs and Effective Consumption Demand (constituted by Planning Commission in 1979) that considered age, sex and activity profiles of population together with average calorie norms. For the first time, it was officially recognized that despite the sizeable gains in economic development and improvement in the living standards, consumption levels of the bottom 30 percent of the population accounted for only about 14 percent of the total private consumption and there were wide disparities in the consumption levels, posing a “potential threat to the unity, integrity and independence of the country”. The Task Force on Minimum Needs and Effective Consumption Demand defined the poverty incidences through consumption baskets and its calorie contents. The requirements were placed at 2,400 calories for rural areas and 2,100 for urban areas (Nutrition Expert Group and the Indian Council of Medical Research). In monetary terms, this worked out at 1973-74 prices, to a per capita monthly expenditure of Rs. 49.09 ($6.54) and Rs. 56.64 ($7.55)
for rural and urban areas, respectively. At the price level of 1989-90, the poverty line would be Rs. 153.04 ($8.50) for rural and Rs. 176.65 ($9.81) for urban areas. The relevance of calorie intake as the only criterion for determining poverty has been questioned since then, as it does not take into account regional variations and leaves out other manifestations of poverty, such as lack of access to basic amenities like water, and services like health or education and even a basic need like shelter. Therefore, the need for evolving alternative methodologies focusing on the quality of life was stressed.

The Fifth Five Year Plan did not formulate any special strategy for poverty removal; it sought to reduce its incidence through the economic growth processes and ongoing programmes like the Minimum Needs Programme, and public procurement and distribution of essential goods. The Fifth Five Year Plan also made no distinct between rural and urban poverty.

During the Sixth Five Year Plan (1980-85), the limits of ‘Income Growth’ approach to reduce incidence of poverty was recognized. It placed ‘poverty reduction’ on high priority and emphasized on identification and measurement issue of poverty, development of realistic targets, and formulation of specific programmes to meet the targets. It identifies specific poverty groups to substantially bring down the poverty incidence in the country. An integrated approach in terms of interventions for sustainability was introduced through a programme known as IRDP that had capacity building components in terms of enjoyable skills and credit components. It laid foundation for direct attack on urban poverty by establishing a centrally sponsored programme called the Environmental Improvement of Urban Slums, slum improvement and upgradation, and sites and services projects in several cities. It provided for moving nearly six million urban poor above poverty line, essentially through provision of additional consumption benefits, access to better and more equitable distribution of health, education, sanitation and drinking water and slum improvement and environmental programme.

The Seventh Five Year Plan (1985-90) made the first conscious attempt to directly address the urban poverty. It explicitly noted the growing incidence of poverty in the urban areas and the rapid growth of slums caused by persistent rural-urban migration, overcrowding in relatively unskilled and low paid jobs in the informal sector. The Plan proposed multi-prolonged strategies for provision of gainful
employment to the unemployed, raising earnings of low paid jobs, and improving access of urban poor to basic services such as education, health care, sanitation and safe drinking water. Two programmes were launched to directly assist the urban poor namely, UBSP and SEPUP. The UBSP concentrated on provision of basic services at the settlement levels and the SEPUP was to pull up the low skilled, whose demand was still significant in the lives of the citizens.

The Eighth Five Year Plan (1992-97) strategy included expansion of employment opportunities and augmentation of productivity and income levels of both the unemployed and under-employed. Integration of the existing special employment programmes with sectoral development programmes was taken as a measure to achieve sustainable employment. Enhanced outlay was allocated to ‘rural development’, for which resource utilization for building up rural infrastructure was considered necessary. Existing special employment programmes namely the IRDP and JRY were extended to generate short term employment for the unemployed and the under-employed in the rural areas. A reduction in the dependence on the administration for development was marked by encouraging greater self-help by the people and their participation in programmes through Panchayati Raj Institutions (PRI), cooperatives and other self-managed institutions.

The Ninth Five Year Plan (1997-2002) recognized the importance of basic services in poverty alleviation and special emphasis was places on seven basic minimum service (safe drinking water, primary health facilities, universal primary education, nutrition to school and pre-school children, shelter for the poor, road connectivity for all villages and habitations, and the PDS). Special efforts were made to achieve a minimum level of satisfaction in providing these services in partnership with the State Governments and PRIs. The Involvement of PRIs voluntary organizations and community based Self-help Groups was encouraged in the process of poverty eradication and economic growth. The IRDP continued as a Self-Employment Programmes targeted to families living below the poverty line in the rural areas of the country. The employment programmes for the unemployed and under-employed in the earlier a new single programme SJSRY phased out plans (NRY, PMIUPEP and UBSP) and special emphasis was given to self-employment through micro-enterprises and skill development and development of women and children. Given the enormity and complexity of the task, the Ninth Five Year Plan
envisaged a multi-pronged approach. Besides recognizing the role of high economic
growth in tackling poverty, the strategy comprised creation of entitlements (through
self-employment and wage employment schemes, Food Security and Social Security)
and building up of capabilities (through basic minimum services like education, health
and housing).

The Tenth Five Year Plan (2002-2007) has placed the thrust on enlargement of
self-employment and wage employment programmes and their effective delivery is
considered as imperative to achieve reduction in poverty. NGO participation and
formation of Self-help Groups are important components of the strategy. The IRDP
continues to concentrate on individual beneficiaries and SGSY lays emphasis on
social mobilization and group formation. The tenth plan recognizes that development
objectives need to be defined not just in terms of increases in Gross Domestic Product
but in broader terms of enhancement of human well-being. Although, the Plan aims at
a growth target of 8 percent per annum, in order to reflect the importance of these
dimensions it also identifies specific and monitorable targets for a few key indicators
of human development. Reduction of poverty ratio by five percentage points by 2007
and by fifteen percentage points by 2012; Providing gainful and high quality
employment at least to addition to the labour force over the tenth plan period; All
children in school by 2003; and all children to complete 5 years of schooling by 2007;
Reduction in gender gaps in literacy and wage rates by at least 50 percent by 2007;
Reduction in infant mortality rate to 45 per 1000 live births by 2007 and to 28 by
2012; Reduction in maternal mortality ratio to 2 per 1000 live births by 2007 and 1 by
2012.

The Eleventh Five Year Plan (2007-2012) was intended to step up economic
growth rate to 9 percent. The state economy, as measured by growth in the real Gross
State Domestic Product on an average was expected to grow at 8.33 percent during
the 11th Five Year Plan period (2007–12) - even surpassing the All India's GDP
growth of 7.94 percent for the same period. The Eleventh Plan seeks to remedy these
deficiencies by seeking to accelerate the pace of growth while also making it more
inclusive. The growth objective was to achieve an average growth rate of 9 percent per
annum for the Plan period. The objective of inclusiveness is reflected in the adoption
of 26 other monitorable targets at the national level relating to –Income and Poverty,
Education, Health, Women and Children, Infrastructure, and Environment. Some of
these national targets have also been disaggregated into thirteen state level targets. It is expected that the state governments design policies and programmes to achieve them.

The Twelfth Five Year Plan (2012-2017) - The Government intends to reduce poverty by 10 percent during the 12th Five Year Plan. According to the Planning Commission report the growth rate in the first year of the 12th Plan (2012-13) is 6.5 to 7 percent. The Planning Commission of India aims to reduce poverty estimates by 9 percent annually on a sustainable basis during the Plan period.

A glimpse of target and achievement of Five Year Plans is shown in the following table:

**TABLE 1.6: Achievement of the Five Year Plans (in percent)**

<table>
<thead>
<tr>
<th>Plan Period</th>
<th>Period</th>
<th>Target</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Five Year Plan</td>
<td>1951-56</td>
<td>2.1</td>
<td>3.5</td>
</tr>
<tr>
<td>Second Five Year Plan</td>
<td>1956-61</td>
<td>4.5</td>
<td>4.2</td>
</tr>
<tr>
<td>Third Five Year Plan</td>
<td>1961-66</td>
<td>5.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>1966-69</td>
<td>-</td>
<td>3.9</td>
</tr>
<tr>
<td>Fourth Five Year Plan</td>
<td>1969-74</td>
<td>5.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Fifth Five Year Plan</td>
<td>1974-78</td>
<td>4.4</td>
<td>4.7</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>1979-80</td>
<td>-</td>
<td>-5.2</td>
</tr>
<tr>
<td>Sixth Five Year Plan</td>
<td>1980-85</td>
<td>5.2</td>
<td>5.5</td>
</tr>
<tr>
<td>Seventh Five Year Plan</td>
<td>1985-90</td>
<td>5.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>1990-92</td>
<td>-</td>
<td>3.4</td>
</tr>
<tr>
<td>Eighth Five Year Plan</td>
<td>1992-97</td>
<td>5.6</td>
<td>6.5</td>
</tr>
<tr>
<td>Ninth Five Year Plan</td>
<td>1997-2002</td>
<td>6.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Tenth Five Year Plan</td>
<td>2002-07</td>
<td>7.9</td>
<td>7.7</td>
</tr>
<tr>
<td>Eleventh Five Year Plan</td>
<td>2007-12</td>
<td>9.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Twelfth Five Year Plan</td>
<td>2012-17</td>
<td>8.0</td>
<td>-</td>
</tr>
</tbody>
</table>

*Source: Economic Survey Reports*
1.11 History of Planning in India

1.11.1 The Past Phase

Alleviation of poverty has constantly been one of the foremost objectives of our Five Years Plans had generally continued on the statement that the normal programmes of development would increase the living circumstances of the poor through the trickle down benefits. The trickle down hypothesis means that rapid growth of per capita income will trickle down in improved level of living for the very poor. In the context of rural India, this theory has been understood to mean that agriculture growth without major institutional reform will reduce poverty. The initiation of community development programme in 1952 was a revolutionary in the history in India which accompanied in an era of development. It adopted a systematic integrated approach to rural development with a chain of village level workers and block level workers drawn from various fields to bring improvement in the rural life. During the Third Five Year Plan, the thrust was maintained through a series of development schemes through allocation under the NES programmes. This was succeeded by the Small Farmer’s Development Agency, Marginal Farmer’s Development Agency, Crash Schemes for Rural Employment, Food for Work Programme, Drought-Prone Area Programme, and Desert Development Programmes in early seventies.

None of these programmes systematically covered the whole country, though in a certain parts of the country some of these programmes operated simultaneously for the same targeted groups. Even the states introduce their state-oriented programmes. Apart from this territorial overlap, the major limitations of these programmes was that they were reduced to mere subsidy-giving programmes, lacking any planned approach to enable the rural poor achieve a higher level of income. The temporary nature in these programmes further reduced their effectiveness from the point of view of poverty alleviation. Hence, the needs were felt for undertaking programmes that were not only for more complete in coverage but could also make a direct assault on poverty.

Thus, the problem of poverty continued to affect the poor and the number of poor continued to spread. Only with the Fifth Plan, poverty alleviation came to be accepted as one of the major objectives of economic planning in this country. Hence,
the Fifth Five Year Plan contemplated a direct attack on poverty. To quote Fifth Plan Document “Employment is the surest way to enable the vast numbers, living below the poverty level to rise above it. Conventional fiscal measures for redistribution of income cannot, by themselves, make a significant impact on the problem. The elimination of object poverty will not be attained as a corollary by certain acceleration in the rate of growth of the economy alone. In the Fifth Plan it will be necessary to launch a direct attack on the problem of unemployment, underemployment and massive low end poverty”12

1.11.2 The Later Phase

The enactment of the new major programmes IRDP, NREP, and RLEGP introduced during the Fifth Plan. These programmes were considered keeping the major objective of the poverty alleviation. The IRDP was initially started on 1978-79 in 2300 development blocks as a programme of total development. During the Sixth Plan it was extended to the entire country. IRDP and its allied programmes of TRYSEM and DWCRA are major self – employment programmes for poverty alleviation. The basic objective of IRDP was to enable identified rural poor families to augment their incomes and crash the poverty line through acquisition of credit – based productive assets. The support was given in the form of subsidy by the Government and term credit by the financial institution for income generating activities.

The high incidence of poverty in rural India is directly related to dominance of unemployment and underemployment on a large scale. The employment- oriented programmes may be either to deliver self-employment or to provide wage employment. The rural workforce continues to suffer due to excessive seasonality of employment, lack of wage employment opportunities and very low wage rates. Majority of the rural population is landless and endures entirely on wage employment. While the Self-Employment Programmes are planned to remove poverty on a sustainable basis, there is need to take care of the wage employment needs of the rural poor. Migration of labour, judgment between wages paid to men and women, distressed child labour etc. are therefore, common features of rural areas. An effort to provide wage employment, as a short-run strategy for alleviation of rural poverty has been a major component of development planning in India. These programmes

contributed to a great extent in alleviating rural poverty and in improving quality of rural life.

1.12 Statement of the Problem

The problem of poverty and unemployment is considered as the major challenge to improve development in India. High poverty levels are synonymous with poor quality of life, deprivation, malnutrition, illiteracy and low human resource development. The slogan of removal of poverty has been adopted by all political parties in one or another form and there is national agreement for the goal of poverty alleviation. The national consensus and poverty alleviation provided the necessary condition for launching various schemes and programmes aimed at achieving this objective. But the persistence of vicious circle of poverty during the years suggests that the national consensus on objective did not and could not provide sufficient condition for poverty alleviation.

Poverty is a great model and social challenge. It is not a recent phenomenon in India. Ample evidence of its miserable incidence amongst the masses is found in the literary and descriptive accounts of pre-colonial times. Since Independence, each plan document has been making big pronouncement for the removal of poverty, yet after sixty-seven years India is still struggling with poverty. The people have a problem of poverty to the extent that low income creates problems for those who are not poor. Accordingly, the reality and continuation of poverty is due to injustice prevailing in the system, which has given rise to disparity and dualism. There is the world of the rich and poor, united by the tradition of common distresses. Poverty has national as well as global meaning. The school of thought in Malthusian line contemplates poverty is due to excess or over population It could also be looked upon a problem of low production and productivity vis-à-vis population size of the country. The other school thinks that it is a problem related with distributive justice. According to this view point inequality in the system has given rise to poverty problem.

There have been various poverty alleviation programmes since the independence of India to improve the economic condition of the poor of the country; Employment Generation is also a sub-category of those programmes. But there always remain certain faults in their performance. As a result of this these
programmes are not benefitting the poor in terms of increasing their income and upgrading their livelihoods. The benefits are absorbed by the upper level people.

1.13 Need and Scope of the Study

While at national level poverty is declining, there are wide variation in the incidence of indicators of human development and poverty between urban and rural areas, amongst states and across different regions within a state. Rapid broad based and labour intensive growth and regionally balanced industrializations are imperative for reducing poverty and giving dignity and voice to the poor. The growth of agricultural sector which employs two-thirds of India’s labour crucial for reducing rural poverty and raising living standards, ensuring food security and establishment in the domestic market for the industrial and service sector.

Reduction of incidence of poverty has always been the main thrust of planning in India. There are differences in the incidence of poverty and composition of the poor amongst Indian states. The incidence of poverty and the factors emphasized the continuation differs significantly from state to state, while there was a significant reduction in poverty. Capabilities of different states with economic growth and poverty reduction has been so concerned that it is been problematic to propose any general principal and policy prescription. Bihar shows tremendous changes during the recent years. There are the states that followed the path of high agricultural growth succeed in reducing poverty (Punjab and Haryana) and states that focused on human resource development and reduced poverty (Kerala). There have been states that implemented land reforms with vigour empowered the Panchayats, mobilized the poor and implement poverty alleviation programmes effectively.

Poverty is a complex phenomenon in its content and scope. It is both widespread and intensive and intrinsically related to socio-culture, socio-political and socio-economic factors. Generally, poverty means and inadequate level of consumption of individual and groups. Poverty as a matter of fact, is having insufficient food, clothing and shelter. Poverty amid plenty is the world’s greatest challenge today.

The intention of this study is not to join the debate on the level of poverty reduction in the country but to recognize the reduction of poverty and generation in employment level in the country during the post economic reform era due to poverty
alleviation programmes. An attempt has been made to quantitatively check the performance of the employment generating programmes at state level and national level.

1.14 Objectives of the Study

The study has following objectives:

1. To study the importance of poverty alleviation programmes in growth and development of Indian Economy.

2. To study the impact of poverty alleviation programmes on rural employment generation.

3. To analyze the effectiveness of poverty alleviation programmes in the states of the country.

4. To evaluate the relation between fund allocation and employment generation in a particular programme.

5. To evaluate the comparative performance of poverty alleviation schemes.

6. To find out which programme has been proved to be the best amongst the various employment generation programmes, in terms of structure, execution and performance.

7. To study the problems and prospects of poverty alleviation programmes in India.

1.15 Research Questions

The following questions will be discussed in the present study –

1. What is the basic nature of poverty in India?

2. What is the difference between the characteristics of rural and urban poverty?

3. What could Government of India do for eradicating poverty?

4. What are the poverty alleviation programmes?

5. Are these poverty alleviation programmes helpful in employment generation?

6. Do the poor really get benefitted of these programmes?

7. What are major problems in the implementation of these programmes?
8. How could these poverty alleviation programmes be made more effective and inclusive?

9. What is the role of Self-help Groups and NGOs in poverty alleviation?

10. What are the main reasons behind the difference of poverty alleviation performance in different states?

1.16 Hypothesis of the Study

In the light of above mentioned objectives the following hypotheses are formed:

1. Various poverty alleviation programmes have contributed to the employment generation in India.

2. MGNREGA is better performing programme in current scenario.

3. The standard of living of the poor has also been enhanced by these programmes in the states of India.

1.17 Research Methodology

For analyzing the problem, secondary data is collected from the official website for various publications of the Government of India were used (such as Planning Commission of India, Central Statistical Organization, India stat, Census of India, Economic and Political Weekly’s various issues, National Sample Survey Organization, Yojana magazine, Kurukshetra magazine etc.). Some institutions, organizations, engaged in training and skill development were sighted to know their perception of the problem. The research tries to summaries the current situation about the poverty alleviation programmes and their impact on employment situation in India.

1.18 Research Design and Tools of Analysis

An attempt has been made to collect the secondary data regarding the poverty alleviation programmes in the post-reform period in India (i.e. the period after the year 1991). To make an analysis of the poverty alleviation programmes at the national and state level, we have used basically collected our data on active three employment generation programmes i.e. MGNREGA, SGSY and PMEGP programmes at national level as well as at state level. After the selection procedure of the programmes, the national level as well as regional level data of India was collected for each
programme. We chose five states (i.e. Bihar, Uttar Pradesh, Madhya Pradesh, Maharashtra and Gujarat) for regional level analysis. These states were selected on the basis of their per capita income and the availability of data. States with high per capita is Gujarat and Maharashtra and the states with low per capita income are Bihar, Uttar Pradesh and Madhya Pradesh. This comparison will help us to know the performance of the programmes in the low per capita states in comparison to high per capita states. A comparative study will be done amongst the states and amongst the schemes too. But while collecting our data we find the variation in time period of each programme. Thus, we have tried to analyze each programme from its inception to examine its performance during the distinct programme period and to observe the procedural changes throughout the period of that programme.

We have used two variables of each programmes separately, which are: fund utilized during the programme and employment generated during that particular period. Time series data has been collected. To find out the performance of poverty alleviation programmes in generating employment an attempt has been made through log linear regression analysis. The performance evaluation of the various poverty alleviation programmes has been examined.

1.19 Limitations of the Study

The present study is concerned with the impact of poverty alleviation programmes on employment generation in context of India. There are certain limitations in our research perspectives.

Our study covers a period according to the implementation of the programme. The years vary among the schemes according to their inception. The present analysis is based on the post-reform period. This period of study is chosen keeping in view that the poverty alleviation programmes of the post-reform period were target oriented with the objectives of poverty alleviation and employment generation. However, the comparative performance of the poverty alleviation schemes is being studied from their inception till date on the basis of availability of data. The period of their existence is enough to reflect the impact of poverty alleviation programmes on employment generation. Only active schemes are taken into consideration. The selection of the programme was aligned by keeping in the mind the major fact that
they were well-entrenched and had been in place for at least last five years, which seems as standard time to ascertain the long-term and sustainable performance.

Considering this, the final choice fell on three programmes - MGNREGA, SGSY, and PMEGP. Final selection of these programmes was also confirmed after the conversation with the office-personnel of Nirman Bhavan, Aligarh District of Uttar Pradesh. We have chosen two factors - fund utilization and employment generation as the variables of regression method study. Since the other factors are incongruent, they have been left as constants.

1.20 Organization of the Study

The thesis is presented into seven chapters.

The first chapter introduces the factors responsible for emergence of poverty alleviation programmes in brief. The need for the research study along with objectives and hypotheses and research methodology adopted to study the objectives, data analysis plan, framework adopted for impact analysis are discussed in this chapter. The second chapter deals with various research studies on different aspects of poverty and poverty alleviation programmes. Specifically the literatures have been reviewed to recognize the research gap. The third chapter deals with the different aspects of poverty alleviation programmes in India. The fourth chapter deals with the analysis of the performance of employment generation programmes at national level. The chapter compares the performance of MGNREGS, SGSY and PMEGP programmes. In addition to these, comparison has been studied to review the best programme that can bring changes to the prevailing situation. The fifth chapter dealt with the impact analyzes of the performance of MGNREGS, SGSY and PMEGP programmes in the five states of India. The chapter six discusses the different approaches adopted in the implementation of the programmes. The impact assessment of the poverty alleviation programmes on employment and poverty and changes in socio-economic conditions are also qualitatively analyzed in this chapter. Lastly chapter seven concludes as well as summarizes all the chapters and provides suggestions for having policy implications. The scope for further research is also discussed.