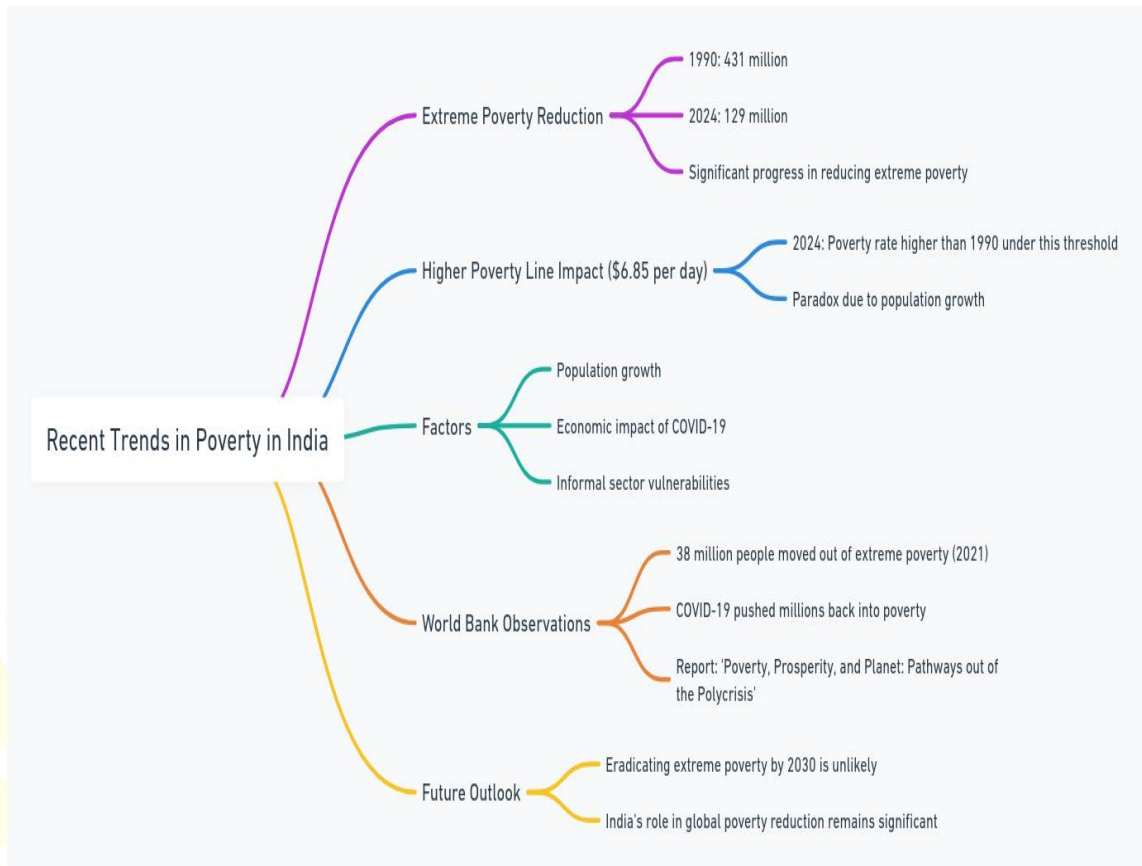




POVERTY IN INDIA: TRENDS, CHALLENGES, AND MEASURES: PAPER III



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Poverty, Prosperity, and Planet Report 2024

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Introduction

Poverty is one of the most pressing social and economic issues in India. Despite significant economic growth over the past few decades, millions of people in the country continue to live in poverty. Understanding poverty in India requires a closer look at various forms of poverty, the methodologies used to measure it, the recent trends, and the challenges the country faces in eradicating it. The World Bank's recent reports have shed light on the progress India has made and the obstacles that remain. This article discusses poverty in India, its definition, measurement methodologies, trends, causes, government interventions, and suggestions for the future. ★

Defining Poverty: Extreme Poverty and Beyond

Extreme poverty is defined by the World Bank as living on less than \$2.15 per day (approximately Rs 181). This is the threshold for those considered to be living in the most severe conditions, unable to meet their basic needs for food, water, and shelter.

However, the poverty threshold differs for middle-income countries like India, where a higher standard of \$6.85 per day (around Rs 576) is often used. This higher threshold reflects the reality that living on a few dollars a day may still leave individuals in precarious situations, without access to adequate healthcare, education, or social security.

While India has made significant progress in reducing **extreme poverty**, millions of people remain trapped below this higher standard, facing daily struggles to meet their basic needs.

Different Methodologies in Estimating Poverty

Measuring poverty is not a straightforward task, and over the years, India has experimented with different methodologies to improve accuracy. The most common method involves surveys of household consumption and expenditure, which capture the standard of living across different sections of the population.

Since the 1990s, India has used various **recall periods** to collect consumption data, asking people to remember what they spent on items over the past week, month, or even six months. This recall period can significantly impact the accuracy of the data.



In the 2011-12 survey, three methods were employed:

1. **Uniform Recall Period (URP):** A uniform time frame for all types of consumption.
2. **Mixed Reference Period (MRP):** A mixed timeframe where short-term items (like food) had a different recall period from long-term purchases (like durables).
3. **Modified Mixed Reference Period (MMRP):** A further refined method that aimed to improve data accuracy.

In the latest 2022-23 survey, India has exclusively used the MMRP recall period to capture consumption data. The shift in methodology over time reflects India's efforts to ensure that poverty estimates are as accurate as possible.

Recent Trends in Poverty in India

According to a recent **World Bank report**, approximately **129 million Indians** were living in extreme poverty in 2024, a dramatic reduction from 431 million in 1990. This indicates significant progress in alleviating the worst forms of deprivation. However, when a higher poverty threshold of \$6.85 per day is used, the number of people living in poverty in 2024 is actually **higher than in 1990**.

This paradox can be attributed to several factors, primarily **population growth**. While the percentage of people living in extreme poverty has decreased, the absolute number of poor people under the higher poverty line has increased due to India's large and growing population.

In 2021, the World Bank noted that **38 million people** had moved out of extreme poverty in India, even though poverty levels had risen in the preceding two years due to the economic impact of the COVID-19 pandemic. The pandemic disrupted livelihoods, especially for those working in informal sectors, and pushed millions back into poverty.

The World Bank Report and Its Implications for India

The World Bank's report, "**Poverty, Prosperity, and Planet: Pathways out of the Polycrisis**", highlights the global struggle to reduce poverty, especially in light of the economic disruptions caused by multiple crises, including the pandemic, climate change, and conflicts. The report warns that **eradicating extreme poverty by 2030 is unlikely** given the current pace of progress. The



period from 2020 to 2030 is projected to be a **lost decade** for global poverty reduction, with poverty levels stagnating or declining only slightly.

For India, the report suggests that while the country's contribution to global extreme poverty will likely decline over the next decade, the challenge remains significant. Even if India's extreme poverty rate were to drop to zero by 2030, the global poverty rate would only decrease marginally, indicating that India alone cannot solve the global poverty crisis.

The World Bank also noted that the latest 2022-23 data on household consumption and expenditure (HCES) were not factored into its report due to timing issues, and the full impact of this data on poverty estimates remains to be seen.

Reasons for Poverty in India

India's poverty is a result of various **structural, economic, and social factors**, including:

1. **Population Growth:** As the population continues to grow, so does the demand for resources, jobs, and social services. The population growth outpaces the economic growth, keeping many trapped in poverty.
2. **Economic Inequality:** Economic growth in India has not been evenly distributed. While some segments of society have seen significant improvements in wealth, many others, particularly in rural areas, have been left behind.
3. **Unemployment and Underemployment:** Many people in India, especially in the rural economy, work in informal or low-paying jobs, often without social security. This creates a situation where even employed individuals may live in poverty.
4. **Education and Skill Gaps:** Lack of access to quality education, especially for the underprivileged, means that many people do not have the skills required for higher-paying jobs.
5. **Healthcare Costs:** Out-of-pocket healthcare costs are a significant burden for the poor, pushing families into poverty when they face illness or medical emergencies.



Government Measures and Poverty Alleviation Programs

The Indian government has implemented several **poverty alleviation programs** to address these challenges, including:

1. **MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act):** This provides 100 days of guaranteed employment to rural households, ensuring a basic income for the rural poor.
2. **Pradhan Mantri Awas Yojana (PMAY):** Aims to provide affordable housing for all by 2022, helping improve living conditions for the urban and rural poor.
3. **Public Distribution System (PDS):** Provides subsidized food grains to low-income families, helping alleviate hunger and malnutrition.
4. **Ayushman Bharat:** A national health protection scheme that provides health insurance to poor families, reducing their financial burden from medical expenses.
5. **National Rural Livelihood Mission (NRLM):** This initiative aims to promote self-employment and entrepreneurship among rural poor households by organizing them into self-help groups.

Suggestions for the Future

To further reduce poverty in India, the following strategies could be effective:

1. **Promoting Inclusive Economic Growth:** Economic growth needs to be inclusive, ensuring that benefits reach marginalized communities. Investments in sectors like agriculture, manufacturing, and rural development can create more jobs and reduce income inequality.
2. **Strengthening Education and Skill Development:** Expanding access to quality education and vocational training programs can equip individuals with the skills they need to participate in higher-paying jobs in a modern economy.
3. **Improving Healthcare Access:** Strengthening public healthcare systems and reducing out-of-pocket expenses will help prevent medical costs from driving people into poverty.
4. **Enhancing Social Safety Nets:** Expanding and strengthening social protection programs like unemployment benefits, pensions, and child support can provide a safety net for vulnerable populations.



5. **Fostering Innovation in Poverty Measurement:** Continued innovation in data collection and measurement methodologies will help provide a clearer picture of poverty in India and ensure that programs are effectively targeted.

Conclusion

India has made commendable progress in reducing extreme poverty over the past few decades. However, the journey is far from complete. As highlighted by the World Bank, the global challenge of poverty reduction is becoming more complex, and India must continue to implement targeted strategies to lift millions of its citizens out of poverty. Through inclusive growth, investment in human capital, and well-designed government programs, India can hope to achieve a more equitable and prosperous future for all.

Main Practice Question

Discuss the recent trends in poverty in India as highlighted in the World Bank's report "Poverty, Prosperity, and Planet: Pathways out of the Polycrisis". How has the definition of extreme poverty evolved, and what are the key challenges India faces in eradicating poverty? Additionally, explain the role of government programs in addressing poverty and suggest potential measures to accelerate poverty reduction.

Answer Guidelines:

1. Introduction:

- Briefly define poverty and extreme poverty as per the World Bank.
- Introduce the context of poverty in India and its recent trends.

2. Recent Trends in Poverty:

- Mention the reduction in extreme poverty in India from 431 million people in 1990 to 129 million in 2024.
- Discuss the stagnation of global poverty reduction, particularly the "lost decade" from 2020 to 2030 as projected by the World Bank.
- Highlight that while extreme poverty has decreased, the higher poverty threshold (\$6.85/day) reveals a larger population still living in poverty in 2024 compared to 1990.



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3. Challenges in Eradicating Poverty:

- Explain the primary reasons for poverty persistence, including population growth, economic inequality, unemployment, and limited access to quality education and healthcare.

4. Government Programs:

- Provide examples of key poverty alleviation programs like MGNREGA, Pradhan Mantri Awas Yojana, and Ayushman Bharat.
- Evaluate the effectiveness of these programs in reducing poverty.

5. Suggestions for Improvement:

- Suggest measures such as promoting inclusive growth, improving education and skills, enhancing healthcare access, and strengthening social safety nets.

6. Conclusion:

- Summarize key points and reiterate the need for sustained efforts to address poverty in India.

