



# Samvaad: Poverty and Inequality in an Interconnected World

**For prelims:** [Exports](#), [Investment](#), [Environmental sustainability](#), [Inclusive growth](#), [infrastructure](#), [fiscal deficit](#), [Poverty](#), [Inequality](#), [World Bank](#), [World Economic Forum](#), [Oxfam](#), [Productivity](#), [Welfare state](#), [Interconnected world](#), [disruptive technology](#), [labour force participation](#)

**For mains:** Discuss the Issues and Challenges associated with poverty and inequality in India.

## Why in News?

Recently, the **Indian economists** discusses poverty and inequality in an interconnected world and discusses about the **accuracy of Oxfam** on wealth **inequality in India**.

## What are the Key Highlights?

- Oxfam report highlights the **importance of education in bridging gaps** and the **potential of disruptive technology to reduce inequality**.
- It emphasizes the need for a **Welfare state**, that enhances individual productivity and raises the poverty line.
- It mentions the significant progress in **women's education and labour force participation** in India.
- **Disruptive technology** can help bridge the gap and enhance equality at global level.

## How is Inequality and Poverty Classified?

- **Classification of Poverty**
  - **Absolute poverty:** It is common in **underdeveloped countries and this is known as extreme poverty** and those who belong to this poverty struggle for basic needs.
  - **Relative poverty:** It is defined as a process that is **developed for income inequality which is developed due to commemoration between living surroundings and economic standards**.
  - **Situational poverty:** It is temporary poverty: that occurs due to environmental disasters and severe health problems and job loss
  - **Generational poverty:** It is the **most complicated poverty and happens in families and individuals and is handed over from one generation** to others
  - **Rural poverty:** It happens in rural areas as there are fewer job opportunities and less service and low quality in the education system
  - **Urban poverty :** It is the challenge which is faced by the urban people and this is happening **due to limited education and health service** and an adequate service system
- **Classification of inequality:**
  - **Income inequality:** It is a process where **income is unevenly distributed among a**

**group of people.** The income is not distributed to all people and this results in income inequality which results in poverty

- **Pay inequality:** It is the **process of different payments in the employment process which is distributed unequally in one organisation.** There are different payment processes on a monthly, hourly and annual basis.

## What are the Estimates of Poverty in India?

- The [Household Consumption Expenditure Survey \(HCES\) 2022-23](#) claimed that India's **rural poverty level had declined to 7.2% in 2022-23 from 25.7% in 2011-12**, while urban poverty slipped to 4.6% from 13.7% over the same period.
- **Multidimensional Poverty in India since 2005-06: A Discussion Paper: NITI Aayog:**
  - [Multidimensional Poverty in India since 2005-06](#) declined from 29.17% in 2013-14 to 11.28% in 2022-23.
  - As many as **24.82 crore people moved out of multidimensional poverty in nine years to 2022-23**, with Uttar Pradesh, Bihar and Madhya Pradesh registering the largest decline.
- **Multidimensional Poverty Index 2023:**
  - The [Multidimensional Poverty Index 2023](#) show a **near-halving of India's national MPI value and a decline from 24.85% to 4.96% between 2015-16 and 2019-21.**
  - This reduction of 9.89 percentage points implies that about **135.5 million people have exited poverty between 2015-16 and 2019-21.**
  - The **intensity of poverty**, which measures the average deprivation among the people living in multidimensional poverty, **reduced from 47.14% to 44.39%.**

## What have been the Poverty Line Estimation in India?

- **Tendulkar Committee (2009):** The poverty line in the Suresh Tendulkar methodology was expenditure of **₹33 a day in urban areas and ₹27 a day in rural areas.**
  - Thus, India's poors as percentage of total population in **2011-12** as per the Tendulkar committee was **21.9%.**
- **Rangarajan committee(2014):** In the [Rangarajan methodology](#), it was **Rs. 47 a day** in urban areas and **Rs. 30** a day in rural areas.
  - Thus, India's poor population as percentage of the Indian population in 2011-12 was **29.5**, as per Rangarajan committee.
- **Current poverty line calculation by NITI Aayog:** A new approach has evolved by the NITI Aayog to incorporate multiple dimensions and non-income factors in the form of the [Multidimensional Poverty Index 2023](#) based on [National Family Health Surveys\(NFHS\) results.](#)
  - At the core of the MPI is the **Alkire-Foster (AF) methodology**, a globally accepted general framework for measuring multidimensional poverty, which captures overlapping deprivations in health, education, and living standards.
- **International Poverty Line:** The [World Bank](#), defines a person as extremely poor if she is living on **less than \$2.15 per day**, which is adjusted for inflation as well as price differences between countries.

## What are the Inequality Trends in India?

- **Wealth Inequality:** India is one of the most unequal countries in the world, **with the top 10% of the population holding 77% of the total national wealth. The richest 1% of the Indian population owns 53% of the country's wealth**, while the poorer half jostles for a mere 4.1% of national wealth.
- **Income inequality:** According to the [World Inequality Report 2022](#), India is among the **most unequal countries in the world**, with the **top 10% and top 1% of the population holding 57% and 22% of the total national income respectively.** The share of the bottom 50% has gone down to 13%.
- **Tax Burden on Poor:** Approximately **64% of the total Goods and Services tax (GST) in the country came from the bottom 50% of the population**, while only 4% came from the top

10%.

- **The State of Food Security and Nutrition in the World, 2023:** Around **74% of India's population** could not afford a healthy diet, and **39% fell short of a nutrient-adequate one.**
- **According to [Global Hunger Index 2023](#):** India's 2023 **GHI score** is 28.7, considered serious according to the GHI Severity of Hunger Scale.
  - India's **child-wasting rate, at 18.7**, is the highest child-wasting rate in the report.
- **Gender Inequality:** India was **ranked 127 out of 146 countries** in the [Global Gender Gap Report, 2023](#), and faces the perennial issue of **"missing women"** from the workforce which is a wicked problem.

## What are the Causes of Increasing Inequality Despite High Economic Growth?

- **Concentration of Wealth:** The concentration of wealth in the hands of a few can perpetuate inequality over generations, as the wealthy can pass on advantages to their descendants.
- **Inadequate Land Reforms:** Inadequate land reforms can result in a **significant portion of the population remaining landless or having insufficient land**, making them vulnerable to poverty and economic instability.
- **Crony Capitalism:** Corrupt practices and favouritism can result in wealth accumulation among a select group, contributing to inequality and promotes [Crony Capitalism](#).
- **Skewed Distribution of Economic Gains:** Economic growth may disproportionately benefit certain sectors or **income groups, leading to an uneven distribution of wealth.**
- **Wage Gaps:** Wage gaps between skilled and unskilled workers can contribute to income inequality. Informal labour markets with lower wages and fewer benefits can widen the income divide.

## What are the Challenges in Addressing Poverty and Inequality?

- **Limited Access to Education and Healthcare:** Many developing countries struggle to provide adequate education and healthcare services to their populations, leading to a **lack of human capital development and increased vulnerability to health crises.**
- **Economic Vulnerability:** Developing countries often have economies that are heavily reliant on a few industries or commodities, making them **susceptible to external shocks and market fluctuations, which can exacerbate poverty and inequality.**
- **Corruption and Governance Issues:** Weak governance structures and **high levels of corruption** can hinder the effective implementation of **poverty alleviation programs** and perpetuate inequality by favoring the wealthy and powerful.
- **Social Exclusion and Discrimination:** Marginalized groups, including **ethnic minorities, women, and people with disabilities, often face discrimination and exclusion** from economic opportunities, perpetuating cycles of poverty and inequality.
- **Debt Burden:** Many developing countries struggle with high levels of **external debt**, which can limit their ability to invest in **poverty reduction programs** and essential infrastructure.

## Way Forward

- **Education, Health and Skill Development:** Providing quality education, affordable health and skill development programs can empower individuals to break the cycle of poverty and contribute to economic growth, reducing inequality.
- **Social Protection Programs and Gender Equality:** Establishing social safety nets, such as unemployment benefits, food assistance, and housing support, can provide a buffer against poverty and reduce inequality.
- **Addressing Systemic Discrimination:** Tackling systemic discrimination based on race, ethnicity, religion, and other factors is crucial in reducing inequality and ensuring equal opportunities for all.
- **Progressive Taxation:** Implementing progressive taxation in India can help reduce income inequality by ensuring that those who earn more contribute a higher proportion of their income to taxes.
  - **A 1% wealth tax on Indian billionaires is enough to fund the National Health Mission, India's largest healthcare scheme.**

- Taxing India's billionaires at **2%** would support the nutrition of India's malnourished for three years.
- **Private Sector Engagement:** Encourage [corporate social responsibility \(CSR\)](#) initiatives that focus on inclusive development. Encourage private companies to invest in social sectors and support community development projects.

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### Prelims

**Q. Inclusive growth as enunciated in the Eleventh Five Year Plan does not include one of the following: (2010)**

- (a) Reduction of poverty
- (b) Extension of employment opportunities
- (c) Strengthening of capital market
- (d) Reduction of gender inequality

**Ans: C**

### Mains:

**Q. COVID-19 pandemic accelerated class inequalities and poverty in India. Comment. (2020)**

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