



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 Ayog:**
 - [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)

PDF Reference URL: <https://www.drishtiias.com/printpdf/samvaad-poverty-and-inequality-in-an-interconnected-world>

