



Tackling Poverty: A Multi-Dimensional Challenge

This editorial is based on “[The good, the bad, and the ugly in poverty alleviation](#)” which was published in Hindustan Times on 28/11/2024. The article brings into picture the "graduation approach" to poverty alleviation, which integrates social protection, empowerment, financial inclusion, and livelihood promotion. Despite its promise, India faces persistent challenges in addressing widespread poverty.

For Prelims: [Poverty alleviation](#), [Subhash Chandra Bose](#), [Alagh Committee](#), [Lakdawala Committee](#), [Rangarajan Committee](#), [Periodic Labour Force Surveys](#), [World Inequality Report 2022](#), [PM-KISAN](#), [Ayushman Bharat](#), [New Education Policy 2020](#), [Start-up Village Entrepreneurship Programme](#), [Pradhan Mantri Kaushal Vikas Yojana](#), [Pradhan Mantri Jan Dhan Yojana](#), [One District, One Product](#).

For Mains: History of Poverty Estimation in India, Issues Related to Poverty.

India is embracing an innovative [poverty alleviation](#) strategy known as the "**graduation approach**", pioneered by Bangladesh Rural Advancement Committee (BRAC) and successfully implemented in 50 countries. This method goes beyond traditional cash handouts, focusing on comprehensive support for ultra-poor families through social protection, empowerment, **financial inclusion, and livelihood promotion**. However, despite these promising initiatives, India still has a long way to go in effectively addressing its widespread poverty challenges.

What is the History of Poverty Estimation in India?

- **Pre-Independence Period:**
 - **Dadabhai Naoroji's Poverty Line (1867):** Dadabhai Naoroji, in his seminal work "*Poverty and the Un-British Rule in India*", made one of the earliest estimates of poverty in India.
 - He formulated a poverty line based on the minimum subsistence requirements, estimating it to range between **Rs. 16 to Rs. 35 per capita per year at 1867-68 prices**.
 - His methodology primarily focused on the cost of basic food, clothing, and shelter necessary for survival.
 - **National Planning Committee (1938):** Formed by [Subhash Chandra Bose](#).
 - Recommended a minimum standard of living.
 - In **1944**, the **Bombay Plan** suggested a poverty line of **Rs 75 per capita per year**.
- **Post-Independence Period:**
 - **First Official Attempt (1962):** Working Group of the Planning Commission defined poverty in terms of consumption expenditure.
 - The Working Group recommended a minimum monthly consumption expenditure of **Rs. 100 per household (five persons or four adult units)** or Rs. 20 per capita,

based on 1960-61 prices

- **Dandekar and Rath Committee (1971):** It was the first to systematically assess poverty in India. Led by **VM Dandekar and N Rath**, the committee utilized data from the National Sample Survey (NSS) for its analysis.
 - One of its key findings was that the poverty line should be defined based on expenditure that ensures a **daily intake of 2,250 calories in both rural and urban areas**.
 - For rural regions, the minimum amount required to meet basic nutritional needs was determined to be **Rs 17**.
- **Alagh Committee (1979):** The committee established poverty lines for rural and urban areas based on **nutritional requirements** and associated consumption expenditure.
 - It proposed updating poverty estimates by adjusting for **inflation**, setting the foundation for future methodologies.
- **Lakdawala Committee (1993):** The committee continued using **calorie-based poverty estimation** and developed **state-specific poverty lines**, updated using CPI-IW (urban) and CPI-AL (rural).
 - It discontinued the practice of scaling poverty estimates using **National Accounts Statistics**.
- **Tendulkar Committee (2009):** This committee shifted from **calorie-based** estimation to a **broader consumption basket**, including health and education expenses.
 - It introduced **uniform poverty lines** for rural and urban areas, using **MRP-based estimates**, and set the 2004-05 poverty line at **₹446.68 (rural) and ₹578.80 (urban)**, equivalent to **₹33/day in PPP terms**.
- **Rangarajan Committee (2014):** The committee used **large household surveys** and set poverty thresholds at ₹32/day (rural) and ₹47/day (urban), based on **normative nutritional and behavioral standards**.
 - However, the government rejected the recommendations of this committee, and Tendulkar's committee's recommendations still serve as the benchmark.
- **Modern Developments:**
 - **Multidimensional Poverty Index (MPI):** Introduced in 2010 by UNDP and Oxford Poverty and Human Development Initiative.
 - India has **adopted MPI to capture non-income-based poverty dimensions** such as education, health, and standard of living.
 - **Periodic Labour Force Surveys (PLFS):** Provide data for updated poverty assessments, focusing on income and employment.

What is the Current Status of Poverty in India?

- **Status:** India has registered a significant decline in multidimensional poverty in India from **29.17% in 2013-14 to 11.28% in 2022-23** i.e. a reduction of 17.89 percentage points.
 - Still, almost **129 million Indians** are living in extreme poverty in **2024**, on less than **\$2.15 (about Rs 181) a day**.
- **Rural vs. Urban Disparity:** The poverty headcount ratio dropped significantly in rural areas, from 32.59% to 19.28%, while urban areas saw a decline from 8.65% to 5.27%.
 - This reduction indicates a **pro-poor bias, with rural areas witnessing a faster decline in poverty levels**.
- **Key Indicators Driving Progress:** Improvements in **nutrition, schooling, sanitation, and access to cooking fuel** contributed most to the reduction in multidimensional poverty.
 - Deprivations in sanitation and cooking fuel fell by **21.8% and 14.6% points**, respectively.
- **State-Level Achievements:** States like Bihar, Uttar Pradesh, Madhya Pradesh, Odisha, and Rajasthan recorded the steepest reductions in poverty.
 - Uttar Pradesh alone saw **3.43 crore people** escape poverty, the highest among states.

Why Poverty as a Critical Concern in India Despite Progress?

- **Rising Inequality Amid Growth:** India's economic growth has disproportionately benefited the wealthy, leading to persistent 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%.

- **Employment Crisis and Informal Sector Vulnerability:** Unemployment and underemployment, particularly in the informal sector, remain significant contributors to poverty.
 - Despite a rebound in **GDP post-COVID-19**, CMIE data (2023) shows India's unemployment rate hovering **around 7-8%**, with urban areas faring worse.
 - Additionally, **80% of the workforce in the informal sector lacks job security**, social benefits, and fair wages, perpetuating poverty cycles.
- **Rural Poverty and Agricultural Dependency:** Agriculture employs **46% of India's workforce but contributes only 18% to GDP**, reflecting **low productivity and disguised unemployment**.
 - Despite initiatives like [PM-KISAN](#), **farmer incomes remain inconsistent due to price volatility and climate risks**.
 - As high as **70% of rural households still depend primarily on agriculture** for their livelihood, with 82 percent of farmers being small and marginal
- **Urban Poverty and Slum Proliferation:** Rapid urbanization has created urban poverty hubs with **poor access to housing, sanitation, and employment opportunities**.
 - Census 2011 reported **17% of the urban population living in slums**, and this figure has only increased since then.
 - The **World Bank (2023)** warns that **urban poor are disproportionately affected by inflation and environmental shocks**, exacerbating vulnerabilities.
- **Health Inequalities and Financial Strain:** Health-related poverty is a critical issue, with **out-of-pocket expenses accounting for 58.7% of healthcare spending**.
 - Even with [Ayushman Bharat](#), millions lack access to quality care, and catastrophic health expenses push families into poverty.
 - Rural areas and marginalized groups face the **greatest burden, with maternal mortality rates and malnutrition still alarmingly high**.
- **Education and Skills Gaps:** Educational inequities **deepen poverty as millions remain outside the formal schooling system**.
 - According to the World Bank report, India's learning poverty rate was at 56.1% pre-pandemic. According to the Annual Status of Education Report 2022, 80% of students in Grade 3 in schools in rural India could not read a Grade 2 text
 - The **lack of skill alignment with industry demands exacerbates unemployment and reduces economic mobility**, perpetuating cycles of poverty across generations.
- **Climate Vulnerabilities Amplify Poverty:** Climate change disproportionately impacts the poor, who are **more reliant on climate-sensitive sectors like agriculture and fishing**.
 - Extreme weather events have increased in frequency, with about **51% of children in India are living under the dual impacts of poverty and the climate emergency**,
 - [Cyclone Amphan \(2020\)](#) displaced over 2.4 million people, mostly in West Bengal, illustrating the precarious position of India's vulnerable populations.
- **Regional Disparities in Development:** Economic development is uneven across states, exacerbating poverty in lagging regions.
 - States like Kerala have significantly lower poverty rates (below 5%), while states like **Bihar continue to struggle with over 25% of their population living in poverty**.

What Strategies can be Implemented to Address Poverty More Effectively?

- **Enhancing Access to Quality Education:** Universal access to **quality education, particularly for marginalized groups**, can break intergenerational poverty cycles.
 - Strengthening existing schemes like **Samagra Shiksha Abhiyan with a focus on digital infrastructure** and teacher training is crucial.
 - For example, **bridging the digital divide through affordable internet and devices** can address gaps revealed during the Covid-19 pandemic.
 - The [New Education Policy 2020](#) emphasizes **skill-based learning**, but its implementation must prioritize rural and disadvantaged areas.
- **Promoting Livelihood Diversification in Rural Areas:** Dependence on agriculture, must be **reduced by diversifying rural livelihoods**.
 - Strengthening **MGNREGA with skill-based projects** and integrating it with rural entrepreneurship schemes can create sustainable incomes.

- Programs like [Start-up Village Entrepreneurship Programme \(SVEP\)](#) under [DAY-NRLM](#) can provide support for small-scale rural businesses.
- Expanding **agricultural value chains and promoting allied sectors** like dairy and fisheries can further boost rural incomes.
- **Strengthening Social Safety Nets:** Effective social protection systems are essential to cushion the poor against economic shocks.
 - **Expanding the scope and efficiency of [direct benefit transfer \(DBT\)](#) mechanisms** under schemes like **PM-KISAN** and **Ayushman Bharat** is critical. Introducing unemployment insurance for informal workers and universalizing access to PDS with better targeting can reduce vulnerabilities.
- **Universalizing Financial Inclusion:** Improving access to affordable credit, insurance, and banking services can empower the poor economically.
 - Expanding the [Pradhan Mantri Jan Dhan Yojana](#) with financial literacy drives and linking it with **microfinance institutions (MFIs)** can support small businesses.
 - Strengthening **NABARD initiatives to provide low-interest loans** for rural households can reduce dependence on informal moneylenders. RBI's recent focus on financial digitalization must prioritize rural and underserved areas to ensure equitable growth.
- **Skill Development and Employment Generation:** Skill development aligned with market demands is key to reducing unemployment and underemployment.
 - Revamping the [Pradhan Mantri Kaushal Vikas Yojana \(PMKVY\)](#) with **localized, industry-specific training programs** can increase employability, Kerala's strides in education can serve as model.
 - Promoting labor-intensive industries like **textiles, construction, and manufacturing under [Make in India](#)** can create jobs for the low-skilled workforce.
 - Encouraging apprenticeship models and public-private partnerships for skill development can enhance outcomes.
- **Addressing Hunger and Malnutrition:** Tackling hunger requires ensuring the availability and affordability of nutritious food.
 - Strengthening the [Public Distribution System \(PDS\)](#) with **fortified staples** and streamlining **Aadhaar-linked delivery can improve outcomes.**
 - Initiatives like [Poshan Abhiyan](#) should focus on **targeted interventions for high-burden districts.**
 - Odisha's nutrition program can serve as model
 - Promoting community kitchens and mid-day meal programs can address immediate nutritional gaps among children and pregnant women.
- **Empowering Women and Marginalized Groups:** Empowering women through economic and social initiatives can have **multiplier effects on poverty alleviation.**
 - Expanding access to credit under schemes like **Stand Up India and enhancing SHG networks** under **DAY-NRLM can enable women to start businesses.**
 - Addressing gender gaps in labor force participation is crucial for equitable growth. Introducing **mandatory gender budgeting across states** can ensure sustained investment in women-focused programs.
- **Climate-Resilient Development:** Promoting climate-resilient livelihoods can mitigate the impact of climate change on the poor, especially in agriculture.
 - Expanding **crop insurance under [PM Fasal Bima Yojana](#)** with better coverage and timely payouts can safeguard farmer incomes.
 - Encouraging **solar energy and agroforestry** through incentives can diversify rural incomes while preserving the environment.
 - Policies promoting water conservation, like the **Jal Shakti Abhiyan**, must be scaled up in drought-prone regions.
- **Fostering Micro, Small, and Medium Enterprises (MSMEs):** MSMEs are crucial for employment generation and economic inclusivity, particularly for low-skilled workers.
 - Strengthening MSME credit access through schemes like [Emergency Credit Line Guarantee Scheme \(ECLGS\)](#) and incentivizing startups in rural areas can boost employment.
 - Promoting digital platforms to connect MSMEs with global markets can enhance profitability and resilience.
 - The **MSME sector** can significantly uplift marginalized communities with focused policy support
- **Integrated Urban-Rural Development Policies:** Balanced development policies can reduce

migration-driven poverty by creating opportunities in rural areas while addressing urban slum issues.

- Expanding the [One District, One Product \(ODOP\)](#) initiative with integrated rural enterprise zones can generate jobs locally.
- Developing **satellite towns with affordable housing** and industrial hubs can decongest urban centers while providing employment to migrants.
- Effective coordination between urban and rural development ministries can make this possible
- **Enhancing Digital Literacy and Access:** Digital exclusion limits the economic opportunities of the poor, particularly in rural and remote areas.
 - **Expanding BharatNet to provide high-speed internet to all gram panchayats** and launching massive digital literacy drives can bridge this gap.
 - **Linking rural entrepreneurs and workers to online platforms can provide market access**, financial services, and e-learning. Successes like the e-Shram portal for informal workers show how digital tools can integrate the poor into the economy.
- **Promoting Renewable Energy Access for the Poor:** Affordable and reliable energy access can significantly improve the quality of life and productivity of the poor.
 - Scaling up programs like **PM Kusum Yojana to provide solar energy solutions for small farmers** can reduce costs and improve irrigation.
 - Promoting **rooftop solar projects in low-income urban housing** through subsidies can ensure affordable electricity.
- **Developing Region-Specific Poverty Strategies:** India's poverty challenges are region-specific, requiring tailored interventions.
 - For example, **flood-prone states like Assam need robust flood-resilient infrastructure**, while **drought-prone areas in Rajasthan need enhanced water conservation programs** under the Jal Shakti Abhiyan.
 - Tribal-dominated regions require special focus on **land rights, education, and healthcare access**.
 - [NITI Aayog's Aspirational Districts Program](#) should focus on hyper-local challenges for maximum impact.
- **Encouraging Public-Private Partnerships (PPPs) in Welfare Delivery:** PPPs can enhance the efficiency and reach of welfare programs by leveraging private sector expertise.
 - Private entities can **complement government initiatives in education, healthcare, and skilling through CSR programs**.
 - It can also drive innovative approaches such as **AI in welfare delivery, blockchain for DBT transparency**
 - Successful PPP models like the **Akshaya Patra Mid-Day Meal Program demonstrate how private participation can improve outcomes**. Expanding PPPs in low-income housing and sanitation projects can accelerate poverty reduction.

Conclusion

India has made significant strides in poverty reduction, particularly in **reducing multidimensional poverty (SDG 1)**. However, persistent challenges such as inequality, unemployment, and lack of access to basic services remain. A multi-pronged approach is needed to address the root causes of **poverty, including strengthening social protection, promoting inclusive growth, and investing in human capital**.

Drishti Mains Question:

Despite significant economic progress, poverty continues to persist as a critical challenge in India. Analyze the reasons for its persistence and suggest effective measures to address this issue comprehensively.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q. The Multi-dimensional Poverty Index developed by Oxford Poverty and Human Development Initiative with UNDP support covers which of the following? (2012)

1. Deprivation of education, health, assets and services at household level
2. Purchasing power parity at national level
3. Extent of budget deficit and GDP growth rate at national level

Select the correct answer using the codes given below:

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (a)

Mains

Q. Despite Consistent experience of high growth, India still goes with the lowest indicators of human development. Examine the issues that make balanced and inclusive development elusive. **(2016)**

Q. Professor Amartya Sen has advocated important reforms in the realms of primary education and primary health care. What are your suggestions to improve their status and performance? **(2016)**

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