



Poverty Impact On Indian Economy In Modern Era

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ABSTRACT

Around 75 million more people in India fell into poverty last year because of the pandemic-induced economic recession, compared with what it would have been without the outbreak. That number for India accounts for nearly 60% of the global increase in poverty in 2020. poverty has declined, with evidence from studies and data. The number of poor across the States, including the poor and backward States has declined compared to 30 years ago. But this is a country where numbers can be tricky. When India became independent, the total population was about 300 million. Today the population who are poor is about 300 million. It is small if we compare it with today's total population of 1.2 billion looking just at the numbers. But if we closely look and introspect, this same number, 300 million is the total population of India of 1947 that is still poor, which makes it look huge.

Key Word : Backdrop, Impact and Situation

Meaning of Poverty

Poverty is defined as a state or condition in which an individual or a group lacks the financial means and necessities for a basic level of living. Poverty is defined as a situation in which one's earnings from work are insufficient to meet fundamental human requirements. The Indian economy is a developing one, and this is owed to the way that there are exceptionally significant measures of illiteracy, unemployment, poverty, and so on in India. With an instantaneously lessening Gross Domestic Product (GDP) to add to the different issues confronted by the Indian economy, there are a ton of elements that add to the characteristics and nature of the Indian economy being a developing one.

Backdrop of the Indian Economy

In the past as well, the Indian economy was one of the most stabilised and was the largest economy around the world. For almost 2 millennia (from the 1st century to the 17th century) the Indian economy contributed 35%-40% of the world's economy.

By 1750, the Mughal Empire had a strong industrial manufacturing sector, with India contributing around 25% of the world's industrial output, making it the most significant manufacturing hub in international commerce. Until the end of the 18th century, Mughal India accounted for almost 95% of the goods and textiles exported to Europe from Asia, while the import was as low as negligible and was still sufficient for the country.

During the British period, the Indian economy was hit majorly, and it came down to 4.2% of the world economy in 1950 from 24.4% in 1700. The Indian economy is a mixed economy, which means that a part of the economy is owned by private businessmen, industrialists, and entrepreneurs. The other part is managed by the government. The Indian economy is highly dependent on the service sector because of its contribution to the GDP of India which is equal to 60% of the total. It is followed by agriculture.

Impact of Poverty in India

Poverty affects children, families, and individuals in India in a variety of ways:

A high rate of infant death

India has one of the highest child death rates in the world, with over 1.4 million children dying before their fifth birthday each year. Pneumonia, malaria, diarrheal illnesses, and chronic malnutrition are the leading causes of death.

Malnutrition - Not even a bowl of rice a day is sufficient.

When it comes to malnutrition, India is at the top; more than 200 million people, including 61 million children, are malnourished.

Child Labor - There isn't enough time for children to play and study.

In India, child labour under the age of 14 is illegal, although government data show that 12.5 million children between the ages of 5 and 14 are employed. Furthermore, 65 million youngsters aged 6 to 14 do not attend school and instead work in farms, industries, quarries, private residences, and even prostitution.

Lack of education

According to UNICEF, over 25% of children in India do not receive an education. Girls are more likely than boys to be excluded from school. Despite the fact that Indian law requires men and women to be treated equally, women, particularly those from lower social castes, are regarded as inferior. Their chances of getting a decent salary in India are bleak due to their lack of education.

Marriage of a child

Even though it is illegal for children to marry, it is still done in several Indian communities. Young ladies become mothers when they are still children. Many people die before they reach adulthood. Because of their poverty, many parents encourage their children to marry young in the hopes of a better life.

On Decision Making

Participation in decision-making, as well as civil, social, and cultural life, is lacking due to poverty.

When a group of people is poor, they do not have a voice in the community and must rely on other more powerful groups or individuals to express their rights and choices. This endangers human rights in society and frequently leads to a dysfunctional political system that stifles social growth and peace.

Poor Purchasing Power

A country in which a poor country's or household's per capita income and purchasing power fall below a certain minimum standard, there is a lack of medical care and health facilities, productivity is low, and there is illiteracy. This resulted in epidemics and disease in society.

Addiction and Criminal activities to meet basic needs

Poor people will engage in socially unacceptable behaviours such as drug addiction, crime, prostitution, violence, and terrorism in order to satisfy their stomach.

These factors undermine human self-esteem, moral and social values in society as a whole, and as a result, an increasing number of people in the community become intolerant and rude to one another in their daily lives.

Exploitation of people in poverty

Poor people live in deplorable conditions, with some members of their families dying of hunger or famine disease.

It causes parents to sell their children into slavery or prostitution due to a lack of resources to feed or care for that child, and it occurs when government institutions fail to protect the rights of the poor.

This poses a threat to the social fabric.

Political factors:

We all know that the East India Company started lopsided development in India and had reduced our economy to a colonial state. They exploited the natural resources to suit their interests and weaken the industrial base of Indian economy. The development plans have been guided by political interests from the very beginning of our independence.

Indian Economy and Poverty

The incidence of poverty in India is a matter of key concern for policy analysts and academic researchers both because of its scope and intensity. National poverty line estimates indicated a poverty incidence of 27.5% in 2004-2005, implying that over one quarter of the population in India lives below the poverty line. Also, in absolute numbers, India still has 301.7 million poor persons with a significant percentage of them being substantially or severely poor in terms of the norms identified as being necessary for survival.

If one considers the international poverty line of \$1 per day (measured at 1993 purchasing power parity exchange rates), then the percentage of poor people in India is even higher, at around 34%. This percentage is pushed up to an alarming level of 80% if one uses the \$2 per day as a poverty threshold.

The significance of India in the context of world poverty is apparent given the fact that around half of the world's poor live in South Asia and of the 534 million people in South Asia who lived on less than \$1 per day in 2003, over 300 million lived in India. The Suresh Tendulkar Committee estimated over 430 million (37.2%) below the poverty line based on a bundle of deprivations. The recently introduced multi dimensional deprivation index (MPI) also places about 645 million (55.4%) Indians below the poverty line. In terms of non-income dimensions of poverty too, such as infant and maternal mortality rates, literacy levels and gender inequalities, India continues to display 'intense poverty'.

While economic growth is a powerful tool for poverty reduction, the impact of higher growth on poverty reduction depends significantly on the pattern of growth and levels of inequality. Owing to rapid growth in recent years, the Indian economy has also undergone significant structural changes. Inclusive growth has therefore become a major policy priority and is defined as a process whereby the benefits of growth are shared by a vast proportion of the population.

Poverty and Growth in India

Famously, India's post-independence planners hoped that the country's urban-centred industrialisation process would bring longer-term gains to poor people, including through rural labour absorption. However, that hope was largely shattered by the evidence of the slow pace of poverty reduction in the period from Independence until the 1980s. In explaining this, a number of observers pointed to the slow pace of labour absorption from agriculture associated with the more inward-looking and capital-intensive development path of this period (e.g. Bhagwati 1993, Eswaran and Kotwal 1994).

The urban population share has been rising steadily over time in India, from 17% in 1950 to 31% today. However, India's pace of population urbanisation (proportionate increase in the urban population share) has been less than either South Asia as a whole or lower middle-income countries as a whole, and markedly slower than for, say, China. The trend rate of growth in India's net domestic product (NDP) per capita in the period 1958-1991 was under 2% per annum. The picture that emerges from the accumulating evidence from India's National Sample Surveys (that started in the 1950s) indicates that economic growth in India up to the start of the 1990s, though slow, had in fact been poverty-reducing. Ravallion and Datt (1996) showed that the elasticity of the incidence of poverty with respect to mean household consumption was -1.3 over 1958-1991. Given the modest rate of growth over this period, success at avoiding rising inequality prior to the 1990s was key to this outcome.

Many observers came to the view that too little growth was the reason for India's slow pace of poverty reduction. However, a deeper exploration of the data suggests that the sectoral pattern of growth also played a role. Using data up to the early 1990s, Ravallion and Datt (1996) found that rural economic growth was more poverty reducing, as was growth in the tertiary (mainly services) and primary (mainly agriculture) sectors relative to the secondary (mainly manufacturing and construction) sector. They also found that spillover effects across sectors reinforced the importance of rural economic growth to national poverty reduction. Urban growth and secondary sector growth had adverse distributional effects that mitigated the gains to the urban poor, while urban growth brought little or no benefit to the rural poor. The slow progress against poverty reflected both a lack of overall growth and a sectoral pattern of growth that did not favour poor people. With the backdrop of this history of recent economic change in India, in a new paper we have revisited the implications for poverty of both the higher rate of growth and the pattern of growth (Datt et al. 2016).

The sectoral imbalance in India's post-reform growth would be a concern for poverty reduction if the model linking poverty to growth had remained the same, notably with the rural and agricultural sector contributing most to poverty reduction. However, previous research by Datt and Ravallion (2011) found signs that the process of economic growth had been changing in India, making urban economic growth more pro-poor in the post-reform period up to 2005-06. It is important to know whether this pattern has continued in more recent data – to assess whether stronger linkages from urban economic growth to rural poverty reduction have continued, alongside a more economically diversified rural economy.

Situation Report of Indian Poverty and Economy

The capture of spatial and temporal variation in prices in estimating the State-level and rural-urban poverty levels (given all-India rural and urban estimates) has undergone substantial refinement since 1979. The Expert Group (Rangarajan) agrees with the methodology adopted by the Expert Group (Tendulkar) in this regard. This overcomes the limitations of using fixed base-year weights by using a combination of unit values derived from successive NSSO's Consumer Expenditure Surveys and price-relatives derived from the Consumer Price Indices.

The Expert Group (Rangarajan) recommends the updation of the poverty line in the future using the Fisher Index. The weighting diagram for this effort can be drawn from the NSSO's Consumer Expenditure Survey. For the Food –group, the Expert Group (Rangarajan) recommends that the current practice of relying on the unit values derivable from the NSSO Consumer Expenditure Surveys should continue till such time a new CPI of CSO with a weighting diagram based on the 2011-12 pattern of consumption becomes available. In respect of non-food- items, the price indices available in the exiting CSO Consumer Price Indices can be used in the construction of requisite Fisher indices. Once the new series of Consumer Price Index numbers (with 2011-12 as the base year) become available, it may be used if the extent of change in the structure of consumption at that point in time relative to the 2011-12 structure of consumption is not very different.

Rangarajan Committee (2014): Due to widespread criticism of Tendulkar Committee approach as well as due to changing times and aspirations of people of India, Rangarajan Committee was set up in 2012.

This Committee submitted its report in June 2014. It reverted to the practice of having separate all-India rural and urban poverty line baskets and deriving state-level rural and urban estimates from these. It recommended separate consumption baskets for rural and urban areas which include food items that

ensure recommended calorie, protein & fat intake and non-food items like clothing, education, health, housing and transport. This committee raised the daily per capita expenditure to Rs 47 for urban and Rs 32 for rural from Rs 32 and Rs 26 respectively³ at 2011-12 prices. Monthly per capita consumption expenditure of Rs. 972 in rural areas and Rs. 1407 in urban areas is recommended as the poverty line at the all India level. The government did not take a call on the report of the Rangarajan Committee.

Conclusion

One of the biggest causes of poverty in India is the country's high population growth rate. This leads to a high rate of illiteracy, inadequate healthcare facilities, and a lack of financial resources. Furthermore, rapid population increase has an impact on per capita income, lowering it even further. The Indian economy is a developing economy, aiming to become a \$5 trillion economy by the end of the financial year 2025. Although it wants to be a developed nation, there are enormous factors which are hindering India's progress. Also, the Indian economy is an agro-based economy. Relative poverty is the condition in which people lack the minimum amount of income needed in order to maintain the average standard of living in the society in which they live. Relative poverty line is defined relative to some measure of welfare for the entire population. In other words, what determines relative poverty is the overall income level or standard of living in a society. A relative poverty line is set in relation to the overall distribution of income or consumption in a country/region of reference.

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