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## Challenges Before Indian Economy – Poverty

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Poverty in India is widespread, with the nation estimated to have a third of the world's poor. In 2010, the World Bank reported that 32.7% of the total Indian people fall below the international poverty line of US\$ 1.25 per day (PPP) while 21.7% live on less than US\$ 2 per day.

The recent poverty index shows a rapid reduction in poverty in India to 21.9% in 2011-2012 from 37.2% in 2004-2005 as per the Planning Commission of India. As compared to the higher commodity prices in USA, India produces the same commodity at reduced prices making it affordable for the public falling below US\$ 2 per day. The Lather items in European countries are sold in the market at the higher prices in the range US \$ 40-500. However, the Lather items of better qualities are sold in India in much cheaper prices around US \$ 1-4. This makes the world poverty index by world bank over projected and need to be reconsidered by taking the all the facts into account.

According to a 2011 poverty Development Goals Report, as many as 320 million people in India and China are expected to come out of extreme poverty in the next four years, while India's poverty rate is projected to drop to 22% in 2015. The report also indicates that in Southern Asia, however, only India, where the poverty rate is projected to fall from 51% in 1990 to about 22% in 2015, is on track to cut poverty by half by the 2015 target date.

The 2011 Global Hunger Index (GHI) Report places India amongst the three countries where the GHI between 1996 and 2011 went up from 22.9 to 23.7, while 78 out of the 81 developing countries studied, including Pakistan, Nepal, Bangladesh, Vietnam, Kenya, Nigeria, Myanmar, Uganda, Zimbabwe and Malawi, succeeded in improving hunger conditions.

### Impact of poverty

Since the 1950s, the Indian government and non-governmental organisations have initiated several programmes to alleviate poverty, including subsidising food and other necessities, increased access to loans, improving agricultural techniques and price supports, and promoting education and family planning. These measures have helped eliminate famines, cut absolute poverty levels by more than half, and reduced illiteracy and malnutrition.

Presence of a massive parallel economy in the form of black (hidden) money stashed of foreign aid have also contributed to the slow pace of poverty alleviation in India.

Although the Indian economy has grown steadily over the last two decades, its growth has been uneven when comparing social groups, economic groups, geographic regions, and rural and urban areas. Between 1999 and 2008, the annualized growth rates for Gujarat, Haryana, or Delhi were much higher than for Bihar, Uttar Pradesh, or Madhya Pradesh. Poverty rates in rural Orissa (43%) and rural Bihar (41%) are among the world's most extreme.

Despite significant economic progress, one quarter of the nation's population earns less than the government-specified poverty threshold of ₹32 per day (approximately US\$ 0.6). According to a 2010 World Bank report, India is on track to meet its poverty reduction goals. However by 2015, an estimated 53 million people will still live in extreme poverty and 23.6% of the population will still live under US\$1.25 per day. This number is expected to reduce to 20.3% or 268 million people by 2020. However, at the same time, the effects of the worldwide recession in 2009 have plunged 100 million more Indians into poverty than there were in 2004, increasing the effective poverty rate from 27.5% to 37.2%.

As per the 2001 census, 35.5% of Indian households availed of banking services, 35.1% owned a radio or transistor, 31.6% a television, 9.1% a phone, 43.7% a bicycle, 11.7% a scooter, motorcycle or a moped, and 2.5% a car, jeep or van; 34.5% of the households had none of these assets. According to Department of Telecommunications of India the phone density reached 73.34% by December 2012 and has an annual growth decreased by -4.58%. This tallies with the fact that a family of four with an annual income of ₹ 137,000 could afford some of these luxury items.

Causes : One cause is a high population growth rate, although demographers generally agree that this is a symptom rather than cause of poverty. While services and industry have grown at double-digit figures, agriculture growth rate has dropped from 4.8% to 2%. About 60% of the population depends on agriculture whereas the contribution of agriculture to the GDP is about 18%. The surplus of labour in agriculture has caused many people to not have jobs. Farmers are a large vote bank and use their votes to resist reallocation of land for higher-income industrial projects.

### Reduction in poverty :

Despite all the causes, India currently adds 40 million people to its middle class every year. Analysts such as the founder of Forecasting International, Marvin J. Cetron writes that an estimated 300 million Indians now belong to the middle class; one-third of them have emerged from poverty in the last ten years. However, this has to be seen in perspective as the population of India has increased by 370 million from 1991 and 190 million from 2001 so the absolute number of poor has increased.

Despite government initiatives, corporate social responsibility (CSR) remains low on the agenda of corporate sector. Only 10% of funding comes from individuals and corporates, and a large part of CSR initiatives are artfully masqueraded and make it back to the balancesheet. The widening income gap between the rich and the poor over the



years has raised fears of a social backlash.

#### Efforts to alleviate poverty :

Since the early 1950s, Govt. has initiated, sustained, and refined various planning schemes to help the poor attain self-sufficiency in food production. Probably the most important initiative has been the supply of basic commodities, particularly food at controlled prices, available throughout the country as the poor spend about 80% of their income on food. The schemes have however not been very successful because the rate of poverty reduction lags behind the population growth rate.

#### Controversy over extent of poverty reduction :

The definition of poverty in India has been called into question by the UN World Food Programme. In its report on the global hunger index, it questioned the government of India's definition of poverty saying:

The fact that calorie deprivation is increasing during a period when the proportion of rural population below the poverty line is said to be declining rapidly, highlights the increasing disconnect between official poverty estimates and calorie deprivation.

While total overall poverty in India has declined, the extent of poverty reduction is often debated. While there is a consensus that there has not been increase in poverty between 1993-94 and 2004-05, the picture is not so clear if one considers other non-pecuniary dimensions (such as health, education, crime and access to infrastructure). With the rapid economic growth that India is experiencing, it is likely that a significant fraction of the rural population will continue to migrate toward cities, making the issue of urban poverty more significant in the long run.

A 2007 report by the state-run National Commission for Enterprises in the Unorganised Sector (NCEUS) found that 77% of Indians, or 836 million people, lived on less than ₹20 per day (USD 0.50 nominal, USD 2.0 in PPP), with most working in "informal labour sector with no job or social security, living in abject poverty. However, a 2010 report from the UN disputes this, finding that the number of people living on US\$1.25 a day is expected to go down from 433 million or 51.3 percent in 1990 to 295 million or 23.6 percent by 2015 and 268 million or 20.3 percent by 2020.

#### Persistence of malnutrition among children:

The Indian government came up with the Integrated Childhood Development Service (ICDS) in 1975 to combat the problem of malnutrition in the country. ICDS is the world's largest child development programme, but its effects on the problem in India are limited. This is because the programme failed to focus on children under 3, the group that should receive the most help from the ICDS; most growth retardation would have developed during the age of 2 and are mostly irreversible. With the lack of help, the chances that newborn babies are unable to develop fully would be higher. The quality of ICDS centres varies from states to states and often the babies with the most serious problem of malnutrition have the lowest amount of help given. Rajasthan, Uttar Pradesh, Bihar, Orissa and Madhya Pradesh, all rank in the bottom ten in terms of ICDS coverage. Despite the poor distribution of help, the ICDS is still considered to be efficient in improving the health of the children in the country. Statistics from UNICEF shows that the mortality rate of children under 5 has improved from 118 per 1000 live births in 1990 to 66 in the year 2009. However, malnutrition is still a problem for India; it has been found that "micronutrient deficiencies alone may cost India US\$2.5 billion annually. Malnutrition can lead to children not being able to attend school or perform to their fullest potential, which in turn leads to a decrease in labour productivity, affecting India's economic growth as a whole.

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