

# **INDIAN ECONOMY I PROJECT**

**NAME: DEBASMITA SAHA**

**SEMESTER: 5<sup>th</sup> SEM**

**CLASS ROLL NO.: ECON045**

**REGISTRATION NO.: 21201220045**

**PAPER CODE: ECON05C11**

**PAPER NAME: INDIAN ECONOMY I**

**HOW DOES POVERTY**  
**IMPACT THE INDIAN**  
**ECONOMY ?**

# **CONTENTS**

1. ABSTRACT
2. INTRODUCTION
3. POVERTY IN INDIA
4. LITERATURE REVIEW
5. METHODOLOGY AND RESULTS
6. POVERTY ALLEVIATION PROGRAMMES DURING THE  
PLAN PERIODS
7. CASE STUDY: “*FARMERS’ SUICIDES IN INDIA*”
8. CONCLUSION
9. REFERENCES

# **1.ABSTRACT**

This paper attempts to provide an overview of the understanding of poverty in India and to suggest future research directions. To put poverty in perspective, the relation between the three main sectors namely, employment, education and income inequality sectors with poverty in India has been presented. The paper also highlights the famous case study on farmers' suicides in India and the different poverty alleviation programmes that was formulated during the Five Year Plans in India.

## 2.INTRODUCTION

Poverty has been defined as a state of "pronounced deprivation in well-being", while being poor is defined as "to be hungry, to lack shelter and clothing, to be sick and not looked after, to be illiterate and been uncivilized". The central issues are, "Does overall economic growth reduce poverty, i.e., is there a "trickle-down" mechanism?" and "Has economic growth been accompanied by rising income inequality?" People in poverty are especially prone to adverse things outside of their authority. The state and its institutions frequently treat them poorly were denied access to authority and voice within those establishments. *The World Development Report (2000-01: 3)* uses income as a proxy for poverty.

Rural poverty poses the most serious concern to policy makers and public analysts in India for various reasons. More than 70 per cent of India's population still lives in the pastoral areas. The weaker and the poorer sections of the society are confronted with employment and work environment, especially in job changes from more productive to non-agricultural activities, on a daily basis. *The 2013 National Food Security Act*, whereby the government provided rations of food to the bottom 50 per cent of the rural population. *The Multidimensional Poverty Indicator (MPI)* shows a large reduction in poverty in India, where about 275 million people moved out of multidimensional poverty from 2005-06 and nearly 140 million people from 2019-21. The impoverished ones do not possess or have access to resources including land, water, forests, houses, credit, knowledge, longevity, voice, and capital—both

material and communal. Most people living in extreme poverty engage in subsistence-level activities for which people endure severe hardships but receive exploitatively low profits bodily suffering and risking significant risks in order to make a pitiful living.

### 3. POVERTY IN INDIA

Poverty is wide in the world with over 3 billion people living on lower than \$2.50 a day. The inequality can be emphasized from the fact that the Gross Domestic Product (GDP) of the 41 heavily obliged poor countries (567 million people) is lower than the wealth of the world's top six richest people together.

India is ranked 162 Gross National Income (GNI) per capita with 1410 US Bones in 2011 and is named as 'lower middle income country' and is ranked 156 under Purchasing Power equality (PPP) system a GNI per capita of 3590 transnational bones in 2011. In 2010, The World Bank reported that 32.7 of the total Indian people falls below the transnational poverty line of US\$1.25 per day while 68.7 live on lower than US \$2 per day.

Poverty in India is substantially due to lack of proper government programs and the exploitation of the financially weaker section by the richer class. Estimates by *National Council of Applied Economic Research (NCAER)* show that 80 million homes in India are in income situations of Rs. 45,000 to Rs. 90,000 a day. In 1947, the average periodic income in India was US \$619 and by 1999, it became US \$1818 for India.

Poverty Line is the cut-off position of per capita consumption expenditure per month which is demanded to maintain minimal respectable standard of living in a country. The World Bank has fixed the transnational poverty line as US\$1.25 per day while the World Health Organization (WHO) considers people living below US\$ 2 per day as poor. According to the recent data updates, the number of

people living below the transnational poverty line in 2005 was US \$1.4 billion, or close to US \$500 million.

The attempts to measure absolute and relative poverty in India were made by a **Task Force** (TF) and an **Expert Group** (EG). All these were set up by the Planning Commission in 1962, 1977, 1979 and 1989 respectively. The Task Force in 1979 recommended poverty lines separately for rural and urban areas at country level. They have suggested Rs. 49.09 in pastoral areas and Rs. 56.64 in urban areas for the base year 1974 as official poverty line. This requires the minimum daily calorie requirements of 2400 Kcal in pastoral areas and 2100 Kcal in civilized areas. The cost of the grains (about 650 grams) was the poverty line. In 1978, it was Rs.61.80 per person per month for pastoral areas and Rs.71.30 for civic areas. The Indian Planning Commission has taken sweats to reduce the number of people living below poverty line by reducing the norms from the transnational \$1.25 per day to \$0.50 per day rather of perfecting their standard of living.

‘Income’ is the bare minimum to support food conditions and doesn't give important or other introductory essential particulars like health, education, human development, etc. This is why occasionally poverty lines have been described as ‘starvation lines’.



Percentage of rural persons below poverty in 1983, 1993-94 and 2004-05									
Years	1983			1993-94			2004-05		
States	No. of Persons (million)	% of Persons	State's Share in the Poor	No. of Persons (million)	% of Persons	State's Share in the Poor	No. of Persons (million)	% of Persons	State's Share in the Poor
Andhra Pradesh	11.4	26.5	4.5	7.9	15.9	3.3	6.3	10.5	2.7
Assam	7.3	42.6	2.9	9.4	45.0	3.9	5.7	22.1	2.5
Bihar	41.8	64.4	16.6	45.1	58.2	18.5	45.3	42.6	19.5
Gujarat	7.3	29.8	2.9	6.2	22.2	2.6	6.7	18.9	2.9
Haryana	2.2	20.6	0.9	3.7	28.0	1.5	2.2	13.2	0.9
Himachal Pradesh	0.7	17.0	0.3	1.5	30.3	0.6	0.7	10.5	0.3
Jammu-Kashmir	1.3	26.0	0.5	1.9	30.3	0.8	0.4	4.3	0.2
Karnataka	1.4	36.3	4.0	9.6	29.9	3.9	8.7	20.7	3.7
Kerala	8.2	39.0	3.2	5.6	25.8	2.3	3.0	13.2	1.3
Madhya Pradesh	21.5	48.9	8.6	21.6	40.6	8.9	25.1	36.8	10.8
Maharashtra	19.4	45.2	7.7	19.3	37.9	7.9	18.0	29.6	
Orissa	16.5	67.5	6.5	14.1	49.7	5.8	15.8	46.9	6.8
Punjab	1.7	13.2	0.7	1.8	12.0	0.7	1.6	9.0	0.7
Rajasthan	9.7	33.5	3.8	9.5	26.5	3.9	9.1	18.3	3.9
Tamil Nadu	18.2	54.0	7.2	12.2	32.5	5.0	7.8	23.0	3.4
Uttar Pradesh	44.8	46.5	17.8	49.6	42.3	20.3	51.4	33.3	22.1
West Bengal	26.9	63.1	10.7	21.0	40.8	8.6	17.6	28.4	7.6
All India	252.0	45.7	2488.4	244.0	37.3	2400.4	232.2	28.3	2321.6

[Source: Ministry of Social Justice and Environment]

We can observe from the table that, Uttar Pradesh and Bihar are having the maximum number of people who are living below the poverty line amongst all other states from 1983-2005. On the other hand, Punjab is having the least poverty rate amongst all other states in the above mentioned time period.

## 4.LITERATURE REVIEW

According to *Sahasranaman et al., (2021)*, he suggested that transitions out of poverty outweighs transitions into poverty in recent times, but that there is still a non-trivial proportion of individuals changing annually into poverty, highlighting the economic weakness of those near the poverty line.

According to *Pal M., Bharati P. (2005)*, they developed a methodology towards the measurement of poverty using the conventional method of calorie norm of a household.

According to *Mehta A., Shah A. (2001)*, he showed an overview of incidence of income poverty in India to put chronic poverty in place.

*Bhalla et al. (2022)* highlight that including food subsidies in measures of consumption estimates was important in understanding the extent to which India may have helped mitigate extreme poverty during the pandemic.

According to *Mujawar J. (2017)*, he compared the relation between education and poverty at both macro and micro levels.

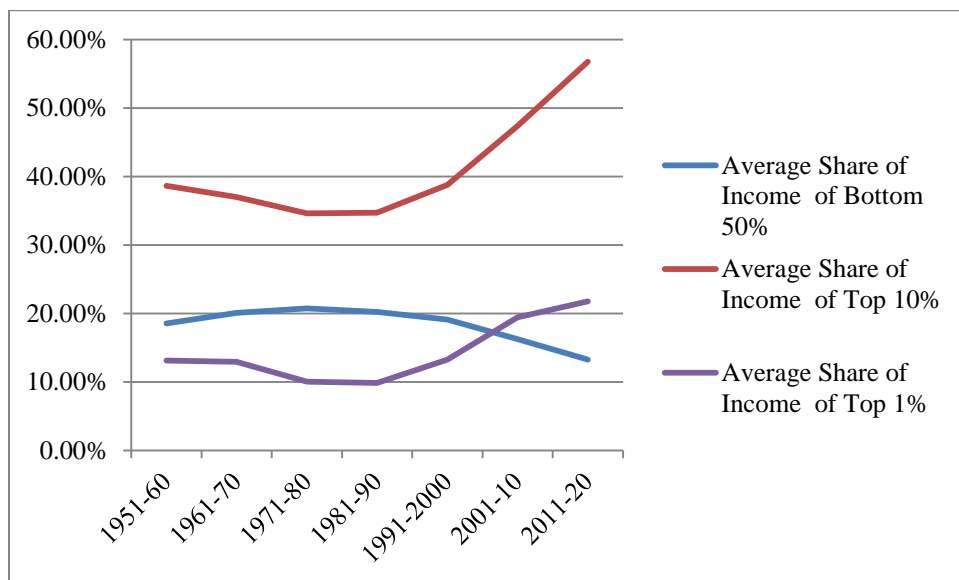
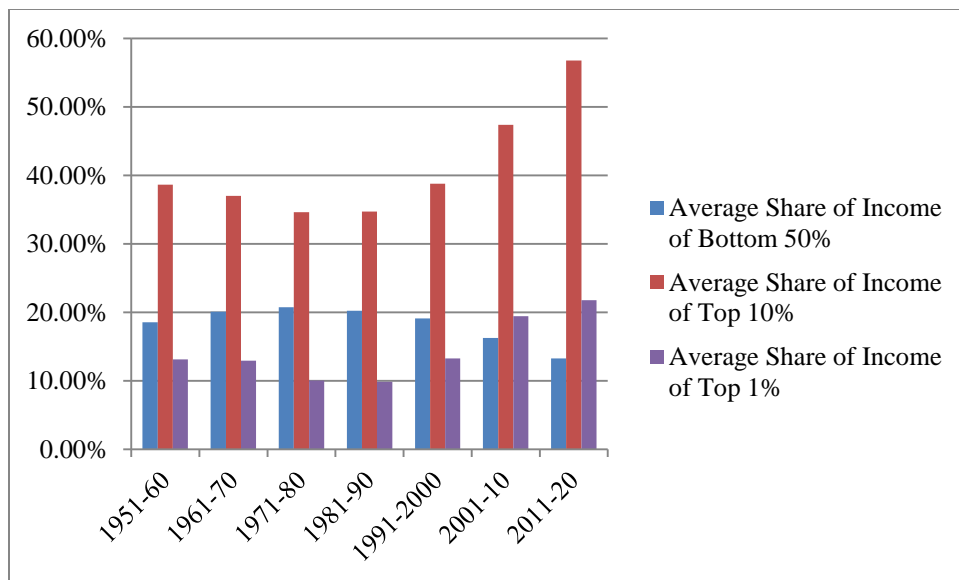
## 5.METHODOLOGY AND FINDINGS

### a) Income Inequality-Poverty Relationship:

The data on income-poverty gives a broad picture on average share of income by bottom 50%, top 10% and top 1% in India and how is it impacted due to the presence of poverty.

Average Share of Income by Economic Group in India (1951-2020)			
Year	Average Share of Income of Bottom 50%	Average Share of Income of Top 10%	Average Share of Income of Top 1%
1951-60	18.56%	38.62%	13.13%
1961-70	20.10%	36.98%	12.91%
1971-80	20.75%	34.62%	10.05%
1981-90	20.24%	34.69%	9.87%
1991-2000	19.08%	38.75%	13.26%
2001-10	16.26%	47.37%	19.42%
2011-20	13.25%	56.74%	21.74%

[Source: International Monetary Fund]



### **Findings:**

- The graph showed that the average income share of the bottom 50% rose from 1951-60 till 1991-2000. After then, it witnessed a decline in its trend from 2001-20. This was mainly due to the presence of COVID-19 which affected the Indian economy on a wide basis. The bottom 50% comprised of people living below the poverty line; they were highly affected due to the pandemic and lockdown.
- The Top 10% had a quite upward trend throughout from 1951-2020. This includes the people who are above the poverty line (higher average share of income) are wealthier enough to survive were not much affected due to the external causes of the economy.
- The top 1% also had an upward trend but less than top 10% which shows that their average income share was not affected due to imbalances present in the economy and was experiencing a growth in their income from 1991-2020.

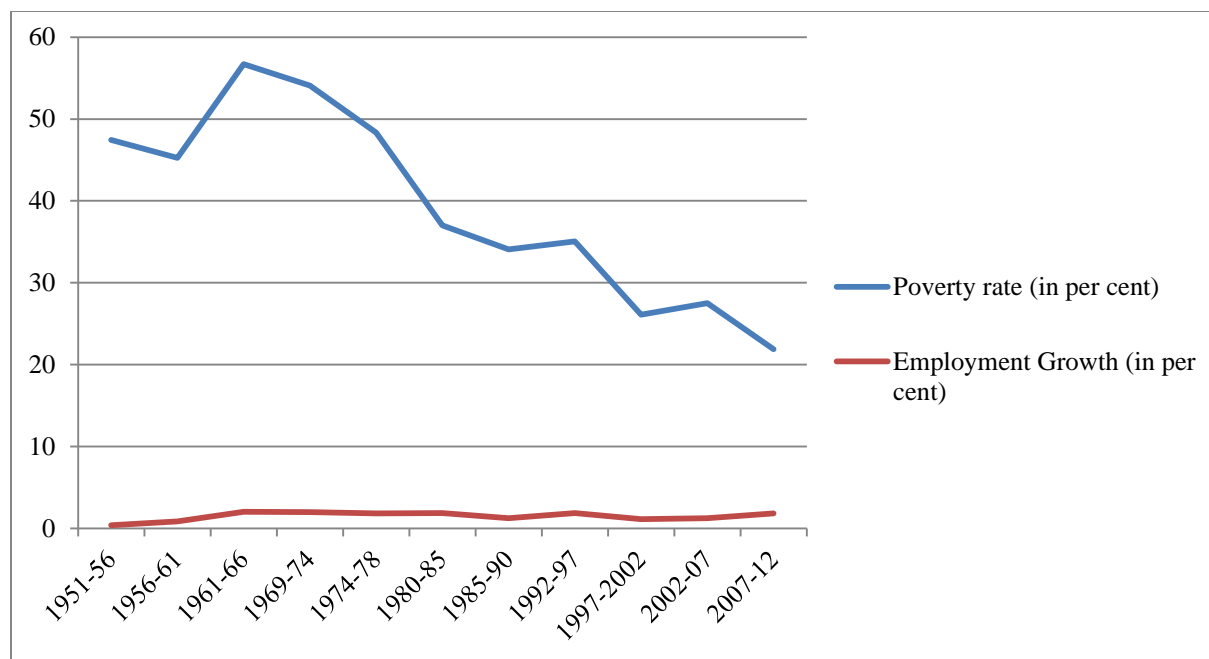
## **b) Employment-Poverty Relationship:**

The data on employment-poverty gives a detailed picture on the growth of employment and the rate of decline of poverty. Here, poverty rate and employment growth is measured according to the different Five Year Plans implemented in different years in India.

**Employment-Poverty relation according to Five Year Plans in India**

<b>Five Year Plans</b>	<b>Years</b>	<b>Poverty rate (in per cent)</b>	<b>Employment Growth (in per cent)</b>
First Five Year Plan	1951-56	47.43	0.39
Second Five Year Plan	1956-61	45.25	0.87
Third Five Year Plan	1961-66	56.71	2.03
Fourth Five Year Plan	1969-74	54.1	1.99
Fifth Five Year Plan	1974-78	48.36	1.84
Sixth Five Year Plan	1980-85	37	1.89
Seventh Five Year Plan	1985-90	34.07	1.26
Eighth Five Year Plan	1992-97	35.05	1.86
Ninth Five Year Plan	1997-2002	26.1	1.14
Tenth Five Year Plan	2002-07	27.5	1.23
Eleventh Five Year Plan	2007-12	21.9	1.82

[Source: ILO Asia-Pacific Working Paper Series]



## Stata Output:

```
. reg Povertyrateinpercent EmploymentGrowthinpercent
```

Source	SS	df	MS	Number of obs = 11		
Model	22.0402997	1	22.0402997	F(1, 9) = 0.15		
Residual	1350.51175	9	150.056862	Prob > F = 0.7104		
Total	1372.55205	10	137.255205	R-squared = 0.0161		
				Adj R-squared = -0.0933		
				Root MSE = 12.25		

Povertyrateinpercent	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
EmploymentGrowthinpercent	2.753576	7.184826	0.38	0.710	-13.49963	19.00678
_cons	35.32106	11.2814	3.13	0.012	9.800748	60.84137

### **Findings:**

We can observe,

- a higher rate of decline in the poverty rate over the years from 1951 to 2012 indicated by a downward sloping curve on the graph, whereas the employment growth remained almost the same (constant) throughout the time period. It is more or less a straight line coinciding with the horizontal axis shown in the graph.
- This shows that as the poverty rate declined over the years from 1951-2012, the employment growth didn't change that much. It almost remained the same throughout without noting any drastic change overall.
- There is no significant presence of unemployment on that time period; maybe there was frictional or structural unemployment for shorter periods over the years.
- From the stata output, we get to see that, as employment growth increases by 1 per cent, poverty rate increases by 2.75 per cent throughout from 1951-2012.

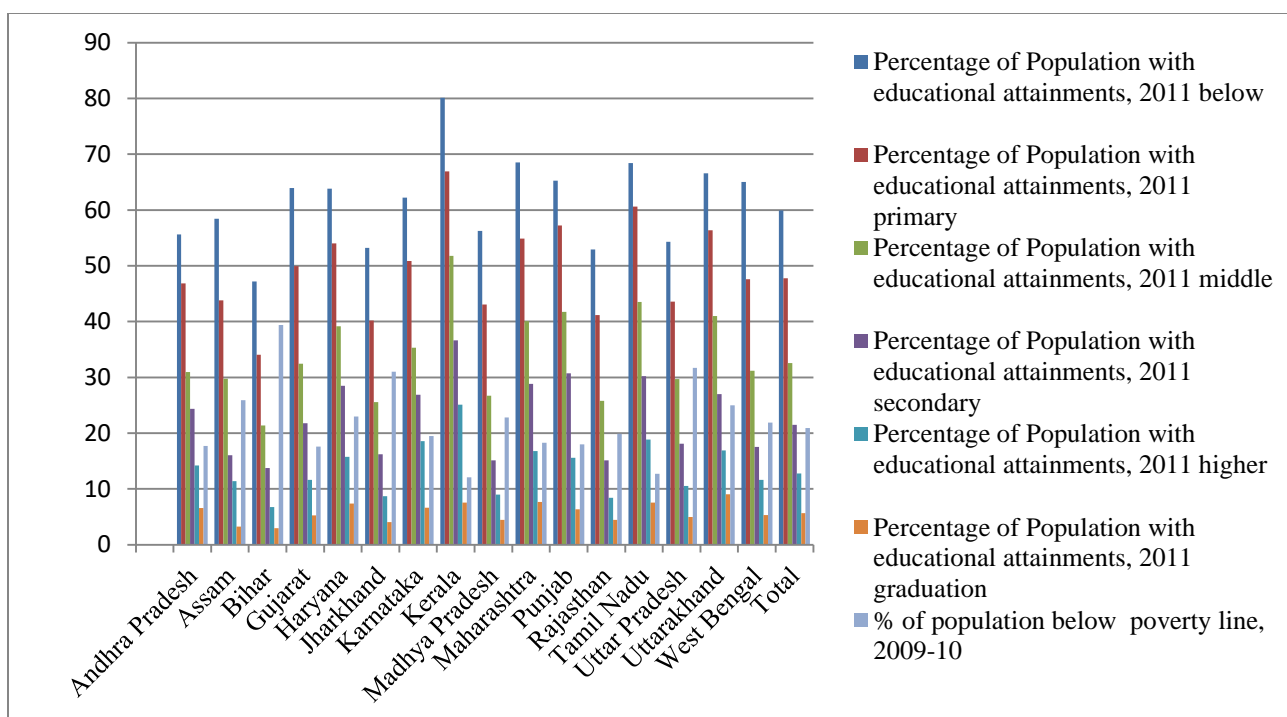


### c) Education-Poverty Relationship:

The data on education-poverty gives the state-wise picture on the growth of employment and the rate of decline of poverty. Here, poverty rate and employment growth is measured according to the different Five Year Plans implemented in different years in India.

Educational level and percentage of people living below poverty line in different states in India							
States	Percentage of Population with educational attainments, 2011						% of population below poverty line, 2009-10
	below primary	primary	middle	secondary	higher secondary	graduation and above	
Andhra Pradesh	55.64	46.85	30.95	24.36	14.21	6.59	17.7
Assam	58.4	43.82	29.77	16.04	11.4	3.24	25.9
Bihar	47.19	34.03	21.39	13.73	6.75	2.94	39.4
Gujarat	63.92	49.92	32.45	21.77	11.63	5.25	17.6
Haryana	63.79	54.03	39.15	28.48	15.76	7.4	23
Jharkhand	53.18	40.16	25.59	16.22	8.72	4.03	31
Karnataka	62.21	50.87	35.33	26.89	18.57	6.62	19.5
Kerala	80.12	66.94	51.78	36.63	25.1	7.58	12.1
Madhya Pradesh	56.26	43.06	26.71	15.1	8.99	4.44	22.8
Maharashtra	68.51	54.86	40.06	28.86	16.79	7.69	18.3
Punjab	65.24	57.21	41.75	30.7	15.61	6.35	18
Rajasthan	52.94	41.15	25.79	15.12	8.39	4.47	19.9
Tamil Nadu	68.4	60.6	43.52	30.2	18.84	7.56	12.7
Uttar Pradesh	54.32	43.6	29.68	18.11	10.54	4.96	31.7
Uttarakhand	66.6	56.35	40.97	27.02	16.92	9.03	25
West Bengal	65.02	47.6	31.21	17.55	11.6	5.29	21.9
Total	59.91	47.78	32.57	21.51	12.76	5.64	20.9

[Source: Mujawar J Mujawar J. (2017). *Relationship between Education and Poverty: A Case of India.*]



## Stata Output:

```
. reg ofpopulationbelowpovertyli belowprimary primary middle secondary highersecondary graduationandabove
```

Source	SS	df	MS	Number of obs	=	17
Model	654.003382	6	109.000564	F(6, 10)	=	9.65
Residual	112.936618	10	11.2936618	Prob > F	=	0.0011
				R-squared	=	0.8527
				Adj R-squared	=	0.7644
Total	766.94	16	47.93375	Root MSE	=	3.3606

ofpopulationbelow~i	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
belowprimary	.0285263	.4573546	0.06	0.951	-.9905232 1.047576
primary	-3.787934	.9337482	-4.06	0.002	-5.868454 -1.707413
middle	3.745697	.9433896	3.97	0.003	1.643694 5.8477
secondary	-.3488859	.6142081	-0.57	0.583	-1.717427 1.019655
highersecondary	-.6507262	.67664	-0.96	0.359	-2.158374 .8569216
graduationandabove	1.265915	1.047149	1.21	0.255	-1.067278 3.599108
_cons	89.35195	12.89158	6.93	0.000	60.62772 118.0762

### **Findings:**

We can observe that,

- ‘below primary’ educational level is the highest among all other educational levels for all the states of India in 2011.
- People who are ‘graduated and above’ are having the least records for all the states.
- Despite the poverty rate being different for different states in India, below primary education is regarded as the basic educational level of any citizen for their survival.
- ‘Higher secondary till graduation and above’ is less in most of the states in India because many people couldn’t afford the education due to financial crisis, especially people who are living below the poverty line.
- Another reason for the same is because many children after a certain age get involved in child labour leading to exploitation of human capital and thus, they couldn’t complete their studies fully.
- Moreover, people who are below the poverty line doesn’t receive any scholarship benefits to carry on their studies and thus, remain uneducated in most of the states.
- As poverty rate increases, more people are remaining uneducated. Overall, we notice there is a negative trend between education and poverty in India in 2011.

## **6. POVERTY ALLEVIATION PROGRAMMES DURING THE PLAN PERIODS**

The targeted programmes for poverty alleviation can be regarded as a strategy of direct assault on poverty related to resource and income generation for the rural people, creation of supplementary employment opportunities for the rural poor and the minimum needs programme.

Brief descriptions of some of these programmes are as follows:

<b>NAME OF THE PROGRAMME</b>	<b>DATE OF INAUGURATION</b>	<b>OBJECTIVES</b>
Small Farmers Development Agency (SFDA)	Under the recommendations of Bhagwati Committee (1973) during the Fifth Five Year Plan	The Government undertook this scheme to supply adequate credit to small farmers, so that they could adopt the new techniques of cultivation and diversify their agricultural patterns.
Drought Prone Areas Programme (DPAP)	During the Fifth Five Year Plan	To create gainful employment among the general people of drought prone areas.

Minimum Needs Programme (MNP)	During the Fifth Five Year Plan	Aimed at making provisions for elementary education, health, etc. particularly in backward regions.
National Rural Employment Programme (NREP)	During the Sixth Five Year Plan	To provide wage employment to rural workers at the time of their seasonal unemployment
Training of Rural Youth for Self-employment (TRYSEM)	During the Sixth Five Year Plan	To train two lakh rural youths per annum for self-employment
Employment Assurance Scheme (EAS)	During the Eighth Five Year Plan (2 <sup>nd</sup> October, 1993)	Aimed at providing assured employment of 100 days of unskilled manual work to the rural poor

## 7. ***“FARMERS’ SUICIDES IN INDIA”***

India is an agricultural country with around 70 of its people depending directly or laterally upon husbandry. Agriculture had 15.4 shares in the frugality of India in 2017. Around 41.49 of total labor was associated with husbandry in 2020. Farmer suicides account for 11.2 of all self-murders in India. Activists and scholars have offered several clashing reasons for planter self-murders, similar as anti-farmer laws, high debt burdens, poor government programs, corruption in subventions, crop failure, internal health, particular issues and family problems.

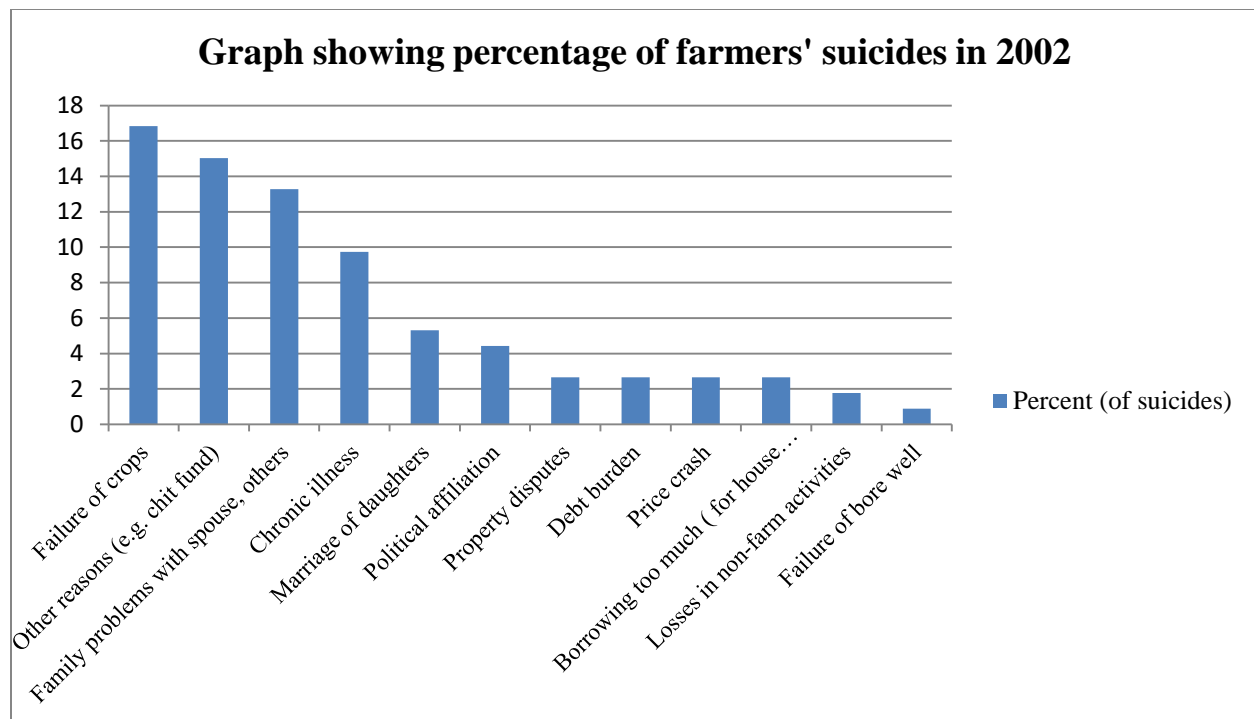
Growers' income rose by 30 per cent while their debt surged by around 58 per cent between 2013 and 2019.

The National Crime Records Bureau of India reported that an aggregate of 296,438 Indian growers had failed by self-murder between 1995 and 2014. Out of these, 60,750 planter self-murders were in the state of Maharashtra since 1995 and the remaining in Odisha, Telangana, Andhra Pradesh, Madhya Pradesh, Gujarat and Chhattisgarh, all countries with loose fiscal and entry regulations. The Government had reported varying numbers, from 5,650 planter self-murders in 2014 to the loftiest number of planter self-murders in 2004 of 18,241. The planter's self-murder rate in India had ranged between 1.4 and 1.8 per 100,000 of total population, over a 10- time period through 2005.

### Statistical data of farmers' suicide in 2002

Reasons for farmers suicides in 2002	Percent (of suicides)
Failure of crops	16.84
Other reasons (e.g. chit fund)	15.04
Family problems with spouse, others	13.27
Chronic illness	9.73
Marriage of daughters	5.31
Political affiliation	4.42
Property disputes	2.65
Debt burden	2.65
Price crash	2.65
Borrowing too much ( for house construction)	2.65
Losses in non-farm activities	1.77
Failure of bore well	0.88

*[Source: Wikipedia]*



Two most important reasons for the Farmers' suicides in India are,

- Financial instability is a significant driver of farmer suicides. Farmers often face debts due to factors like crop failure, low yields, rising input costs, and fluctuations in crop prices. When they are unable to repay their loans and face mounting debt, the stress can become overwhelming.
- Farmers are highly dependent on weather conditions for successful crop production. Unpredictable weather patterns, droughts, floods, and other natural disasters can lead to crop failures, leaving farmers with little or no income. In many parts of India, especially in rain-fed regions, farmers are heavily dependent on rainfall.



## 8. CONCLUSION

In conclusion, poverty in India remains a complex issue closely tied to inequality. It requires a multi-faceted approach that addresses income disparities, rural-urban divides, caste and gender inequalities, access to basic services, and effective implementation of government programs. The COVID-19 pandemic has had a significant and complex impact on poverty in India.

Employment plays a central role in the poverty landscape of India. The prevalence of informal labor, underemployment, gender disparities, and inadequate job opportunities pose significant challenges. Reducing poverty in India is closely linked to improving the quality of employment and ensuring that individuals have access to secure and well-paying jobs.

Education is a critical determinant of poverty in India. While strides have been made in increasing access to education, challenges related to quality, gender disparities, dropout rates, and skill development still persist.

## 9. REFERENCES

- Sahasranaman et al., (2021). *Long-term dynamics of poverty transitions in India.*
- Pal M., Bharati P. (2005). *Development of Methodology towards Measurement of Poverty (Project sponsored by Ministry of Statistics and Programme Implementation).*
- Mujawar J Mujawar J. (2017). *Relationship between Education and Poverty: A Case of India.*
- Mehta A, Shah A, Chronic Poverty Research Centre (2001). *Chronic poverty in India : overview study.*
- Bhalla SBhasin KVirmani A.(2022). *Pandemic, Poverty, and Inequality: Evidence from India, WP/22/69, April 2022.*
- Arbatli-Saxegaard ECoppo MKhalil NKotera SFiliz D (2023). *Inequality and Poverty in India: Impact of COVID-19 Pandemic and Policy Response, WP/23/147, July 2023.*
- Dhamija N., Bhide S. (2010). *Dynamics of Poverty in India: A Panel Data Analysis.*
- Deaton A, Dreze J. (2002). *Poverty and Inequality in India: A Re-examination.*
- Banerjee A, Mazumdar D. (2016). *Principles of Economics.*