

POVERTY TRENDS IN INDIA: A STATE WISE ANALYSIS

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Abstract

First Millennium Development Goal (MDG 2000) of Millennium Summit of the United Nations is to alleviate extreme hunger and poverty. In almost all developing countries where per capita income is low, income inequality has led to in a number of problems, of which poverty is definitely the most serious one. According to Lewis, "we come closer to describing what poverty is when we define it as the inability to satisfy one's material wants or needs". It is actually a socio-economic phenomenon that is closely linked to inequality and it adversely affects health, efficiency, productivity and finally income. Moreover, it deprives a portion of society of basic necessities of life that is food, clothing, shelter, sanitation, education, clean water and health care. Poverty is the main cause of under nourishment and hunger. India, like other developing countries, is a low per capita income country with high incidence of poverty and this poverty has an effect on all aspects of development. There is no doubt that almost India's one-fourth population lives in poverty. Poverty is not only severe but is also a chronic problem in India and it affects the social and economic development of the country. It is more of societal marginalization of a household or group in the society rather than lack of income to satisfy the basic needs. Actually, inadequate income is accordingly one of the elements of marginalization but not the exclusive factor. Any country cannot claim economic development when sections of the people are unable to get basic needs of life in the society. The Planning Commission is the nodal organisation in the government of India for assessment of poverty at national and state levels. The estimations of poverty are prepared using the large sample survey figures on household consumer spending organized by the National Sample Survey Organization (NSSO). The Planning Commission has made available estimations of the incidence of poverty in India since the early 1970s. So in the present study, an attempt has been made to analyse the poverty trends in India and to study the state wise changes in poverty. The present study is completely based on secondary data gathered from various sources like reports of planning commission of India, NSSO reports and several other sources.

Key words: Poverty, Growth, Poverty Trends in India, State level Poverty estimates.

1.1 Introduction

In emerging country like India, with low level of income and high incidence of poverty, poverty has an impact on all aspects of progress (social as well as economic). Poverty affects social development directly. Poverty is defined in terms of income, expenditure as well as nutritional value. Households who cannot afford the basic necessities for healthy, active and productive lives are called poor. Poverty can be looked at from different dimensions. It ordinarily refers to deprivation of a minimum level of living defined in income or its bare minimum consumption terms. Any household failing to meet this level of consumption expenditure can be treated as a poor household. Several studies focus on deprivations. Poor does not simply mean not having

enough money but having a lack of access to resources enabling a minimum style of living and participation in the society within which one belongs (Cappellari and Jenkins, 2007). It is very difficult to aggregate deprivations. It can be deprivations in areas such as literacy, schooling, life expectancy, child mortality, malnutrition, safe water and sanitation. Poor generally does not mean lack of monetary income and existence of hunger.

The Human Development Report (UNDP), considers some of these non-income dimensions of deprivation. This approach is based on capability up gradation and enlargement of opportunities for the people. Income deprivation is closely connected with other types of deprivation. It may not always be directly related to other deprivations. Income is important in the capability approach to the extent it helps in expanding basic capabilities of people to function. This minimum level of consumption expenditure can be derived, in terms of minimum expenditure on food and non-food items. Minimum food consumption is related to fulfilling certain nutritional standards. However, the minimum non-food consumption is more problematical. There are several concepts related to measurement of poverty. They are; Poverty line, Head count ratio (HCR), Poverty gap, Squared poverty gap, Lorenz curve, Gini coefficient and \$1 a-day poverty line. The Millennium Development Goal sets its poverty target in terms of this poverty line. The Poverty Line is defined in India as the level of monthly expenditure that enables an individual to consume a minimally defined number of calories per day. It is not lack the of resources or technical skills in India which are hindrances in our development rather it is mainly due to the gap between policies and legislation (Krishna and Shariff, 2010). The present study is an attempt to analyse the poverty trends in India and to study the state wise changes in poverty.

1.2 Review of Literature

Although concerned efforts have been introduced by the Government of India through various plans and measures to alleviate poverty in rural India, there still remains much more to be done to bring prosperity in the lives of the people in rural areas. Datt (1998) presented complete and updated series on poverty measures for India covering the period 1951 to 1994. The series of statistics were presented at the all-India level as well as for 15 major states, and for rural and urban sectors separately. He described key features of the evolution of poverty in India. The assumed sharp reduction in poverty after 1993-94 was at variance with what Sheila Bhalla calls an “economic development disaster” reflected in the decline in per capita consumption expenditure in constant prices in rural areas in every year of the 1990s (S. Bhalla 2000).

Mehta & Shah (2001) tried to summarise the present state of knowledge about chronic poverty in India. An overview of the trends in incidence of income poverty in India was provided so as to place chronic poverty in context. They try to identify the states and regions that have a high incidence of people with incomes severely below the poverty line so as to focus attention on areas that are spatial poverty traps. Attention was also drawn to the significance of identifying those who are vulnerable to risky poverty due to lack of ability to absorb the impact of shocks. Suryanarayana (2002) have discussed such an in issue in the context of strategies for and estimates of poverty reduction in the developing countries. The results were general and illustrated with reference to India. He concluded that the estimates of poverty with reference to a time-invariant calorie-intake-based norm do not show a real reduction in poverty but only a decrease in overestimation of poverty for the early years followed by its underestimation for the later years.

2. Data and Methodology

The present study is completely based on secondary sources of data, secondary data has been collected from Books, journals, Annual reports, and internet sources. Poverty statistics is available from national as well as international organisation. In India government has been appointing different panel to suggest best possible methodology to estimate poverty. Their way of bifurcating population into poor and non-poor is based on a Poverty Line, a threshold income level to lead a life with minimum standard. Methodology to measure poverty has a vital role in the accuracy of poverty statistic. Rangarajan, latest expert group’s head, who has published his report on poverty status and details of methodology in 2014. Apart from Planning Commission, poverty data is available from Ministry of Rural Development (MoRD). MoRD is mainly focusing on rural poverty and it follows a door to door survey method, known as ‘BPL Survey’. The present study is mainly to discuss poverty estimates in India and in its states during different period at different Poverty Line by Planning Commission. Above all social group wise disparity in poverty will also come in the analysis.

3. Analysis and Discussion

3.1 Planning Commission Estimates of All India Poverty

In the year 1997 the Planning Commission accepted the poverty estimation methodology advocated by the Lakdawala Expert Group. As the team consider price differentials in different states in the poverty threshold decision, their methodology is an advanced one compared to the previous methodology by Alagh. According to Lakdawala methodology National poverty is the population weighted average of state poverty. Both state as well as national poverty data from 1973 to 2005-04 period at Lakdawala line are available which are measured by using consumption expenditure data of NSSO. NSSO data in the year 1999-2000 is available, but it is not comparable with other rounds due to change in sample design (Panagriya and Mukim, 2013). So which is not considered here for the analysis.

Table 3.1 Poverty Status in India in Various Years (Lakdawala Methodology)

Year	Poverty Ratio (%)			Number of Poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
1973-74	56.4	49.0	54.9	261.3	60.0	321.3
1977-78	53.1	45.2	51.3	264.3	64.6	328.9
1983	45.7	40.8	44.5	252.0	70.9	322.9
1987-88	39.1	38.2	38.9	231.9	75.2	307.1
1993-94	37.3	32.4	36.0	244.0	76.3	320.3
2004-05	28.3	25.7	27.5	220.9	80.8	301.7

Source: Expert Group Report, Planning Commission (2014)

The whole nation can be segmented into rural and urban area. Differences in the living standard, working status and difference in the development of different places in the same country all demand different policy intervention. So the rural-urban segmentation and governance may give better output in terms of development of the region in particular and the nation in general. A Rural-Urban poverty data enables for a better analysis. From the table 3.1 one can find out the fact that both rural and urban poverty rate was declining and the gap get reduced during three decades, 1973-74 to 2004-05. But the variation of number of poor in absolute term indicates a different trend of poverty, I.e., urbanisation of poverty. Poverty in developing nation is also in the

same line, i.e., a major share of poor lives in urban area with less than one dollar (Ravallion Chen, and Sangraula 2007). In India the rural poverty is declining but the urban share in the total poor had been increasing. Such a trend may be because of factors like rural-urban migration. Poverty data shows India was in a right track of wiping extreme poverty out of the country throughout the period. A 27.5 per cent of poverty in India during 2004-05 is about a half of 1973-74 poverty. This is considered to be a great achievement as far as a developing nation is concerned.

Table 3.2 Poverty in India during 1993-94 to 2011-12 (Tendulkar Methodology)

Year	Poverty Ratio (%)			Number of Poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
1993-94	50.1	31.8	45.3	328.6	74.5	403.7
2004-05	41.8	25.7	37.2	326.3	80.8	407.1
2009-10	33.8	20.9	29.8	278.2	76.5	354.7
2011-12	25.7	13.7	21.9	216.7	53.1	269.8

Source: Expert Group Report, Planning Commission (2014)

A switchover from URP method to MRP can be seen in the Tendulkar's report on poverty measurement. Poverty estimates from the year 1993-94 to 2011-12 periods at the Tendulkar line has given in table 3.2. As per this alternative methodology the number of poor accounts for 45.3 per cent of the total Indian population in the 1993-04. In the same year more than half of rural masses are found to be in the poverty trap, which is alarming as the period is just after the structural break in 1991. A significant rural urban gap exists during the period of 1993-94 – 2011-12, but it had been reducing over the period. Data tells us the rural poverty stands above the urban. In 2011-12 a quarter of rural masses are below the poverty line. At the same time the combined rural-urban poverty rate comes to 21.9 per cent in India due to a relatively less urban poverty (13.7 %). An average annual decline of poverty during 1993-94 to 2011-12 is 1.30 per cent. Till 2004-05 the rate of decline was not much faster. But the next five years after 2004-05, poverty has declined in a relatively higher rate (see table 3.3). Compared to urban poverty, rural poverty has reduced significantly, which helps in the drop of rural-urban poverty gap.

Table 3.3 Rate of Decline in Poverty (Tendulkar Methodology)

Period	Rural (% in year)	Urban(% in year)	Total(% in year)
1993-94 to 2004-05	0.75	0.55	0.74
2004-05 to 2011-12	2.32	1.69	2.18
1993-94 to 2011-12	1.36	1.01	1.30

Source: Expert Group Report, Planning Commission (2014)

Latest poverty line measurement methodology is of Rangarajan Expert Group. Estimates of poverty ratio in the year 2009-10 and 2010-11 are available in the expert committee report 2014. Tendulkar methodology and Rangarajan methodology tells almost similar rate of decline in all India rural, urban as well as combined poverty rate during this period. Which shows an alike trend in the poverty. But a higher percentage of poor has found in the estimation based on Rangarajan poverty line (see Table 3.4).

Table 3.4 Poverty Rate and Average Annual Decline in Poverty during 2009-10 and 2011-12: (Tendulkar and Rangarajan Methodology)

Year	Poverty Ratio			No. of poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
Expert Group (Rangarajan)						
2009-10	39.6	35.1	38.2	325.9	128.7	454.6
2011-12	30.9	26.4	29.5	260.5	102.5	363.0
Reduction (%age points)	8.7	8.7	8.7	65.4	26.2	91.6
Expert Group (Tendulkar)						
2009-10	33.8	20.9	29.8	278.2	76.5	354.7
2011-12	25.7	13.7	21.9	216.7	53.1	269.8
Reduction (%age points)	8.1	7.2	7.9	61.5	23.4	84.9
Source: Gol (2014)						

3.2 State-wise Poverty Statistics

National poverty data gives an idea about the average poverty exists in a country. Countries are differing in the geographical location, resource endowment, cultural difference and political influence and so on. All these can influence life of people and the degree of improvement from past status to present in terms of wellbeing. A national poverty average cannot be representative as there is a huge inequality among all states in India. It will be a revealing exercise if we have a closer look on to state wise poverty statistics. The Planning Commission, the think-tank, is used to publish poverty rates in the country based on NSS reports and those set of poverty data is what our governing body considers to ensure a subsistence minimum to the society and through which poverty eradication. A continuous data on poverty from 1973-74 to 2004-05 based on Lakdawala methodology is available.

The present study considers 17 largest Indian states for state wise poverty analysis. About 90 per cent of population representation will come from these 17 states and which will make the analysis manageable too. In 1973-74 Kerala was a state with 59.78 per cent poor population, which placed the state in the top 5th position among Indian states. Later years witnessed a progressive reduction in poverty compared to all other states.

Table 3.4: Number of poor population in different Indian states in different years (Lakdawala Methodology)

No.	States/UTs	1973-74	1977-78	1983	1987-88	1993-94	2004-05	Average decline of poverty in each year
		% age of Persons	No. of Persons (lakhs)	% age of Persons	No. of Persons (lakhs)	% age of Persons	No. of Persons (lakhs)	% of Persons
1	Kerala	59.79	52.22	40.42	31.79	25.43	15	1.444839
2	West Bengal	63.43	60.52	54.85	44.72	35.66	24.7	1.249355
3	Andhra Pradesh	48.86	39.31	28.91	25.86	22.19	15.8	1.066452
4	Tamil Nadu	54.94	54.79	51.66	43.39	35.03	22.5	1.046452
5	Assam	51.21	57.15	40.47	36.21	40.86	19.7	1.016452
6	Gujarat	48.15	41.23	32.79	31.54	24.21	16.8	1.01129
7	Karnataka	54.47	48.78	38.24	37.53	33.16	25	0.950645
8	Uttar Pradesh	57.07	49.05	47.07	41.46	40.85	32.8	0.782903
9	Rajasthan	46.14	37.42	34.46	35.15	27.41	22.1	0.775484
10	Madhya Pradesh	61.78	61.78	49.78	43.07	42.52	38.3	0.757419
11	Maharashtra	53.24	55.88	43.44	40.41	36.86	30.7	0.727097
12	Haryana	35.36	29.55	21.37	16.64	25.05	14	0.689032
13	Bihar	61.91	61.55	62.22	52.13	54.96	41.4	0.661613
14	Orissa	66.18	70.07	65.29	55.58	48.56	46.4	0.638065
15	Chhattisgarh	-	-	-	-	-	40.9	
16	Jharkhand	-	-	-	-	-	40.3	
17	Punjab	28.15	19.27	16.18	13.2	11.77	8.4	0.637097

Source: Expert Group Report, Planning Commission (2014)

As per available statistics the average decline of poverty between 1973-74 and 2004-05 is highest in Kerala compared to other states. In the initial period Kerala had about 60 per cent of its population in the poverty trap. That has shortened to 15 per cent in 2004-05. Methodology developed and the poverty calculation done by Lakdawala expert group was with Uniform Recall Period (URP) data. Among the 17 states Punjab was in a comparatively better position with less than 30 per cent poverty and in the 2004-05 which hold a place on the list of states which has a less than 10 per cent poverty. In 2004-05 states like Andhra Pradesh, Kerala and Haryana have achieved a relatively lower rate of poverty (around 15 per cent). Nearby states Orissa, Bihar, Chhattisgarh, Jharkhand are in a high risk category with about 40 per cent of poor population and a 38 per cent of the total population of Madhya Pradesh is also in BPL list during the same year.

Table 3.5 State wise Poverty (Tendulkar Method)

		2004-05		2009-10		2011-12		Decline from 2004-05 to 2011-12
		% age of Persons	No. of Persons (lakhs)	% age of Persons	No. of Persons (lakhs)	% age of Persons	No. of Persons (lakhs)	
1	Andhra Pradesh	29.9	238.8	21.1	176.6	9.2	78.8	2.96
2	Assam	34.4	97.3	37.9	116.4	32.0	101.3	0.34
3	Bihar	54.4	485.6	53.5	543.5	33.7	358.2	2.96
4	Chhattisgarh	49.4	109.9	48.7	121.9	39.9	104.1	1.36
5	Gujarat	31.8	172.2	23.0	136.2	16.6	102.2	2.17
6	Haryana	24.1	55.1	20.1	50.0	11.2	28.8	1.84
7	Jharkhand	45.3	130.7	39.1	126.2	37.0	124.3	1.19
8	Karnataka	33.4	185.7	23.6	142.3	20.9	129.8	1.79
9	Kerala	19.7	65.0	12.0	39.6	7.1	23.9	1.80
10	Madhya Pradesh	48.6	316.9	36.7	261.8	31.6	234.1	2.43
11	Maharashtra	38.1	393.3	24.5	270.8	17.4	197.9	2.96
12	Orissa	57.2	220.2	37.0	153.2	32.6	138.5	3.51
13	Punjab	20.9	53.8	15.9	43.5	8.3	23.2	1.80
14	Rajasthan	34.4	210.3	24.8	167.0	14.7	102.9	2.81
15	Tamil Nadu	28.9	186.8	17.1	121.8	11.3	82.6	2.51
16	Uttar Pradesh	40.9	735.5	37.7	737.9	29.4	598.2	1.64
17	West Bengal	34.3	289.1	26.7	240.3	20.0	185.0	2.04
	17 states	36.8	3946.2	29.3	3449	21.9	2613.8	2.12
	All India	37.2	4076.1	29.8	3546.8	21.9	2697.8	2.19

State wise poverty trend in the period from 2004-05 to 2011-12 can be understood from Tendulkar poverty estimates. The given 17 state's average poverty and all India poverty is almost

same and the data shows a declining trend. In 2011-12 the all India poverty is 21.9 per cent. Average poverty of 17 states is also 21.9 per cent. Andhra Pradesh, Punjab and Kerala are the succeeded states in achieving a poverty rate below 10 per cent. In the year 2011-12 Haryana (11.2 per cent poverty) and Tamil Nadu (11.3% poverty) is also in the track to join with these 3 states. Pace of decline in poverty is highest in 3 states among the 17, which are Andhra Pradesh, Bihar and Maharashtra (an annual average decline of 2.96 per cent). All BIMARU states except Uttar Pradesh has reduced their poverty rate with a higher annual average decline than the all India average. Even though the pace of decline is 1.8 per cent, Kerala is the state with lowest poverty among others.

4. Conclusions

In a developing country like India, with low level of income and high incidence of poverty, poverty has an impact on all aspects of development (social as well as economic). Poverty affects social development directly. In this paper an attempt has been made to analyze the poverty trends in India. This study can conclude that; poverty rate differs according to different methodology of poverty estimation. From the analysis we could able to see the difference in the rate of poverty in Indian states. Over the study period the fruits of development have spread across Indian states. There has been a decline in the poverty rate and a number of people have risen above poverty line. However instead of remaining mere statistical figures, the development should become a sustainable change in the lives of poor. As the inclusive and sustainable development is a policy focus of nation as well as international organisations finding out of root cause of poverty is important. It can possible only through a detailed analysis of different marginalized sections.

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