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## Poverty Alleviation in India: A Study of National Plans and Programs

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### ABSTRACT

The problem of poverty is the biggest challenge to development planning in India. Poverty is a socio-economic phenomenon that is intimately associated with inequality, poor quality of life, deprivation, malnutrition, illiteracy and low human resource development. It adversely affects human health, efficiency and productivity which in turn affect their income. Such a high incidence of poverty is a matter of concern in view of the fact that poverty eradication has been one of the major objectives of the development planning process. No country can claim economic growth when sections of the people are marginalized to the periphery of the society. India is home to 22 percent of the world's poor. Such a high incidence of poverty is a matter of concern in view of the fact that poverty eradication has been one of the major objectives of the development planning process. Indeed, poverty is a global issue. Its eradication is considered integral to humanity's quest for sustainable development. Reduction of poverty in India, is, therefore, vital for the attainment of international goals. So this research paper is an attempt to study national plans and programs for poverty eradication.

**Keywords:** Poverty-Poverty Alleviation Programmes-Plans Perspectives in India.

### 1. DIMENSIONS AND INCIDENCE OF 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 percent 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 percent. A recent ADB study defined an Asian Poverty Line of \$1.35. On this basis two-thirds of India's population live in

poverty. 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 recently introduced multi dimensional deprivation index (MPI) also places about 645 million (55.4 percent) 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'.

### **Combating Poverty: Making Anti-poverty Programs More Effective**

Whereas countries such as South Korea in 1960s and China more recently relied mainly on growth to eradicate poverty, India has relied on a two-pronged strategy. In addition to raising incomes of the poor through growth, it has used substantial portions of the enhanced revenues from faster growth to directly help the poor. The effort along this second track has consisted of several programs aimed at addressing specific aspects of poverty such as food and nutrition, employment, housing, road connectivity, electricity, water, toilets, literacy and health. In the following, we discuss the most important of these programs, offering recommendations on how they can be improved to maximise their impact on poverty reduction.

#### **Nutrition: Mid-day Meal Scheme (MDMS)**

MDMS was launched as a Centrally Sponsored Scheme in 1995 with the objective of improving the nutritional status of school children, eliminating classroom hunger and enhancing school enrolment, retention and attendance. From 2008-09, the programme has been extended to upper primary level. The government envisages expansion of MDMS in a progressive manner including to children in private schools (since they now have a 25% quota for Economically Weaker Sections), particularly in SC/ST and Minority concentrated areas. During 2013-14, MDMS covered 10.80 crore children across the country as compared to 10.54 crore during 2011-12. The MDMS engages about 25.7 lakh cook-cum helpers in States/UTs out of which 80% are women.

There is poor convergence of MDMS with the school health programme. As such there is a need to form networks of Medical Colleges, Home Science faculties and State MDMS steering and monitoring committees and institutions to evolve State Specific guidelines for improved quality and safety of food. Only 75% of schools have kitchen sheds. This means that 25% of schools prepare the mid-day meal either in an open area or in the classrooms, which is a major cause of concern as it impacts the safety of students.

#### **Employment: Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**

MGNREGA guarantees 100 days of unskilled employment at a specified wage in a given financial year to one member of every rural household. The scheme was launched in 2006-07 in 200 selected districts and gradually extended to the whole country by 2008-09. The underlying objective of the scheme is to enhance the livelihood security of the poor households in rural areas of the country. Approximately two-third of works taken up under MGNREGA are related to water conservation and other activities with positive impact on agricultural productivity. The volume of wage employment under the scheme has grown from 143.59 crore person-days in 2007-08 to 220.35 crore person-days in 2013-14 but fell to 165.1 crore person-days in 2014-15. A large number of MGNREGA workers are small and marginal farmers. Scheduled Castes

and Scheduled Tribes accounted for 47% of the total person-days employed. The average wage has risen from ₹65 per person day in 2006-07 to ₹144 in 2014.

On the negative side, as against the guarantee of 100 days of wage employment to one person in each household annually, MGNREGA's average achievement has been less than 50 days

There are several areas in which, if modified, MGNREGA could deliver significantly better outcomes than currently. Possible improvements are as below:

1. Employment under MGNREGA exclusively for unskilled manual work undermines the objective of skill development that the government is vigorously pursuing. The program should be made more flexible such that workers can be imparted skills while being paid MGNREGA wage.
2. Given that skilled employment under MGNREGA would require a legislative change, a movement in this direction can be achieved by according priority under central and state skill development programs to those MGNREGA workers who have completed a specified number of days of work. Since this criterion is an effective instrument of identifying the poor, it can be used to target them for other programs that help combat poverty. Recently, some movement in this direction has taken place under the Livelihoods in Full Employment (LIFE) project that proposed to select 14 lakh households which have completed 100 days of work under MGNREGA during 2014-15 and have workers under 35 years of age receive skill development training aimed at helping them find urban employment opportunities. This is a very welcome innovation within the confines of the existing legislation.
3. During the peak period of agricultural season, farmers experience acute shortages of labour. It would be worthwhile to consider a reform to address this shortage such that farmers are allowed to hire MGNREGA workers with them paying the bulk of the wage (for example, 75 per cent) and MGNREGA covering the remainder.
4. To ensure the payment of MGNREGA wages through banks and post-offices, branches of these institutions must be opened or bank correspondents placed in areas where they do not currently exist. Timely delivery of wages with no leakages is an important key to the success of the scheme. The Jan-Dhan Yojana and Aadhar initiatives will contribute to this objective as well.
5. Workdays per beneficiary have averaged below 50 during most years. This suggests the presence of a fiscal constraint and calls for better targeting of the program so that the poorest households can get the promised 100 days of work. There is now considerably evidence that the benefits of the program have been disproportionately reaped by some of the more prosperous states accounting for small proportions of the poor. Therefore the issue of restricting MGNREGA to around half of the poorest blocks nationwide may be considered. An expert committee could be appointed to develop the exclusion, inclusion and deprivation criteria to select the beneficiary blocks.

### **Housing for All: Rural and Urban**

In the 2015-16 Budget, the government has committed to the provision of housing for all by 2022. This would require completion of 3 crore houses in rural areas and 2 crore houses in urban areas. Key programs

devoted to rural and urban housing were Indira Awas Yojana (IAY) and Rajiv Awas Yojana (RAY), respectively. The objective of IAY was construction of free houses to members of the Scheduled Castes/ Scheduled Tribes, Freed Bonded Labourers in Rural areas and below-poverty-line households. Until 2011-12, the total government spending per house was ₹45,000. From April 1, 2013, the Government of India has enhanced the permitted cost to ₹70,000 for plains, and ₹75,000 per unit for hilly areas. The difficult areas have also been re-defined. In congested localities, where land is costly, provision for multi-storeyed buildings has been made. Under the scheme, priority is given to manual scavengers, bonded labourers, women in difficult circumstances, widows of defence, paramilitary and police personnel killed in action, mentally and physically challenged persons and households with single girl child. Construction of toilets with IAY houses is now mandatory. During 2013-14, expenditure under IAY was ₹12,983.64 crore and 15.92 lakhs houses were constructed. The funds allocated for IAY during 2014-15 were ₹16,000 crore. The scheme has recently been folded into the new mission called Housing for All and is to be funded as per the changed Centre-State funding pattern.

The scheme has progressed well overall but can be improved along several dimensions. First, the scheme faces a major challenge in the selection of beneficiaries. Second, there are gaps in reporting by the States on completion of the houses against the physical targets and the updated progress is not reflected in the reporting system. Third, the trend of houses constructed over the eight years beginning 11th Plan shows that the States have to come forward with larger resources to meet the objectives of 'Housing for All by 2022' in the rural areas. Fourth, proposals for housing for manual scavengers must be prepared by the States on a priority basis. Finally, there is need for more effective convergence of this and other Central and State schemes.

Rajiv Awas Yojana (RAY) aimed at achieving slum-free India was launched by the central government in September 2013. The scheme mandated assignment of lease rights to slum dwellers that could be mortgaged, renewed and inherited. States were expected to bring out three complementary reforms: Reservation of 15% of residential Floor Space Index or 35% of dwelling units for Economically Weaker Sections (EWS) and the Low Income Groups (LIG) in all future housing projects; earmarking of 25% of the budget of the municipality to provide basic services to the urban poor and setting of a municipal cadre for social/ community development; and urban poverty alleviation. The scheme only focused on rehabilitation of slum dwellers and could not address the problems of urban poor outside slums. The present government has decided to discontinue RAY and subsume liabilities created under approved on-going projects, where work on ground has been started, in the new mission on Housing for All. The Government intends to provide pucca housing for every family by the 75th year of Independence (2022). It also aims to provide these houses with basic amenities: water, sanitation, electricity and even broadband.

If successfully implemented, the mission Housing for All will be a game changer in many ways. First, since housing deficit is most severe at low incomes, decent housing would considerably uplift standard of living of these households. Second, in urban India, an overwhelming proportion of the workforce is engaged in "informal sector." Many of these workers live in slums or low quality houses where they face a very high coping cost due to deficiency in basic amenities. Their poor living condition also adversely affects their economic productivity. Hence provision of housing with these services is also a productivity enhancing measure. Third, income and output multiplier effect of investment in construction sector has been estimated to be very high. Progress towards ensuring housing to all would also result

in increased investment in this sector thereby creating more, and much needed decent jobs in Indian cities.

There are several challenges in the successful implementation of this scheme. First, affordable housing is not possible unless land is made available for this purpose. Issues related to the Urban Land Ceilings Act of 1976 and the resulting land shortages need to be addressed. Second, the true potential of the construction sector which has high capacity for generating employment can be realised only if the building norms, land conversion process and approval processes are streamlined and made transparent. Third, integration between land and transport planning is needed so that affordable housing is linked with public transport. A lack of transport links leads families to locate near the work place, which often creates slums or slum like dwellings. Finally and extremely importantly, when migrants come into a city, what they need most is housing at low rent. But since such housing is rarely available, slums get created. Therefore, it is essential to make low-rent housing an integral part of the provision of urban housing. This would, of course, require a fundamental change in thinking and activating new reforms, importantly, rental laws. According to one estimate, rental laws that are heavily tilted in favour of the tenant and against the owner have meant that as many as 10.2 million units in urban India are lying vacant.

### **Nutrition: National Food Security Act (NFSA), 2013**

India has had a long history of maintaining a public distribution system (PDS) whereby the government offers subsidized food grains to the citizens. Originally, the system was universal but was later made selective to target the poor. Most recently, the National Food Security Act (NFSA) was passed. Under it, 75 per cent of rural and 50 per cent of urban populations are eligible for five kilograms of food grain per person per month at highly subsidized prices. A small subset of extremely poor households is provided seven instead of five kilogram of food grain under the program. The way PDS works is that the government procures grain at pre-specified Minimum Support Prices (MSP) in selected regions of the country and stocks it. It offers this grain to the states that in turn pass them on to beneficiaries through a vast distribution network that ends at the PDS shops. The PDS system has operated far from ideally. There are leakages at various points. There are also times when part of the grain sits in storage for two or more years and becomes unfit for human consumption. This system should be reformed to make more effective use of the financial resources spent on the program first Each shop may be asked to take a biometric reading of the beneficiary and give the latter a receipt at the time of the transaction. The shopkeeper may be allowed to charge a small fee per kilogram of grain sold as transaction fee. The system would eliminate all multiple and ghost ration cards. With the passage of the recent law giving Aadhar a legal status, the government is well positioned to exercise this option. In addition, modern technology can be employed to monitor the movement of grains from the Food Corporation of India (FCI) warehouses to the PDS shops to eliminate the leakage in transit. Second, the beneficiary may be allowed to choose between cash transfer equivalent to current implicit subsidy and continued subsidized purchases. As long as beneficiaries have access to banking services, they are likely to choose cash as the option. This would free them to purchase grain at market prices from the PDS shop or private traders and create healthy competition thereby promoting efficiency.

An important but mostly neglected issue is that while subsidized grain can help raise calorie consumption, it does not ensure a balanced diet.

## **Combating Poverty: New Approaches**

So far, this paper has focused on making the existing central government anti-poverty program more effective. In this section, we discuss some additional innovative programs that may be helpful in speeding up poverty reduction.

### **Jan Dhan Yojana, Aadhar and Mobile (JAM): Towards Cash Transfers**

Two key instruments—Jan Dhan bank accounts under PMJDY and biometric identity cards under Aadhar—promise to revolutionize the anti-poverty programmes by replacing the current cumbersome and leaky distribution of benefits under various schemes by the Direct Benefit Transfers (DBT) in ways that was unthinkable until recently.

On 15th August 2014, the Prime Minister announced Pradhan Mantri Jan Dhan Yojana, the biggest financial inclusion initiative in the world. On 20 January 2015, the Finance Minister listed out the achievements under PMJDY. Against the estimated target of opening bank accounts for 7.5 crore uncovered households in the country, Banks had opened 11.5 Crore accounts. Out of the accounts opened, 60% were in rural areas and 40% are in urban areas. Share of female account holders was 51%, these numbers suggest that 90 per cent or more households now have a bank account.

Simultaneously, India is also moving towards completion of the Aadhar project that aims to give a biometric identity to all Indians

Under MGNREGA, direct transfers of wages have already begun taking place. The employer records employment of a worker in a central database using the Aadhar identity. This triggers a transfer of the wage payment from a central government account to the worker's bank account. The worker can then access that account via mobile or banking correspondent as per need.

The government has issued RuPay cards to more than 10 Crore beneficiaries who will get a benefit of personal accidental insurance of ₹1.00 lakh per household. In addition, there is a life insurance cover of ₹30,000 for eligible beneficiaries

Jan Dhan Yojana, Aadhaar, Mobile (JAM) trinity could play a vital role in widening the reach of Government to the vulnerable sections. Jan Dhan bank accounts under Prime Minister's Jan Dhan Yojana (PMJDY), biometric identity cards under Aadhar and accessibility to the accounts through mobile phones promise to eventually revolutionize the anti-poverty programmes by replacing the current cumbersome and leaky distribution of benefits under various schemes by the Direct Benefit Transfers (DBT).

With the Aadhar linked accounts permitting aggregation of the information, the government would have an excellent database to assess the total volume of benefits accruing to each household. In turn, this information could eventually pave the way for replacing myriad schemes with consolidated cash transfers except in cases in which there are other compelling reasons to continue with in-kind transfers.

### **Lifting the Five Poorest Families in Each Village Out of Poverty**

As the Prime minister has suggested, each Gram Panchayat may be asked to identify five poorest families in the village and endeavour to lift them out of poverty. The Gram Panchayat should ensure that they get benefits of all government programs meant for the poor and vulnerable section of the society like job to

one family member under MGNREGA, subsidized food grain under NFSA, housing under Housing for All, free schooling under the Right to Education Act, access to health care services, drinking water and sanitation facilities and guaranteed opportunity for skill development. A modest cash transfer for a pre-specified time period may top these benefits. The eventual effort should be to ensure that the families become capable of earning and sustaining above-poverty level of income within five to seven years.

A similar effort may also be made in urban, municipal jurisdictions where one hundred poorest families may be identified and supported.

## 2. METHODOLOGY

This research paper describe current state of poverty and study of national policies, plans and programs for poverty alleviation in India. The relevant secondary data is collected through various sources such as websites, Economic survey, report of Niti Aayog, books and journals.

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