



Roadmap for Multi-Dimensional Poverty Eradication

This editorial is based on [A roadmap to eliminate poverty in India](#) which was published in The Indian Express on 19/07/2023. It talks about the possible growth strategy for India for the next 25 years, considering the global and domestic factors that may affect its development.

For Prelims: [Multidimensional Poverty Index \(MPI\)](#), [Land reforms](#), [National Family Health Survey 2019-21 \(NFHS-5\)](#), [Incremental capital output ratio \(ICOR\)](#), [Gross Fixed Capital Formation](#)

For Mains: Poverty in India: Status, Reasons and Way Forward

With Covid-19 under control and hopes for a peaceful resolution to the Russia-Ukraine War, India must plan its future growth strategy. The main goal is to increase the average income per person, which was around USD 2,379 in 2022-23, by nearly six times over the next 25 years. This will improve people's living standards and reduce poverty. Now, the important task is to identify the challenges India will encounter in achieving this objective and the necessary actions to overcome them.

What is the Status of Poverty in India?

- According to NITI Aayog's [National Multidimensional Poverty Index \(MPI\)](#), India's population living in multidimensional poverty was 14.96%.
 - The rural areas of India experienced multidimensional poverty of **19.28%**.
 - In urban areas, the poverty rate was **5.27%**.
- According to the data from the World Bank, about 10% of the Indian population lives on less than USD 2.15 a day, which is the international poverty line for lower-middle income countries.

What are the Reasons behind Multi-Dimensional Poverty in India?

- **Lack of Inclusive Economic Growth:** India has achieved impressive economic growth in recent decades, but it has not been equally distributed among different segments of society. The [Gini coefficient](#), which measures income inequality, has increased from 0.32 in 1983 to 0.36 in 2019.
 - Moreover, India's growth has been largely driven by the service sector, which employs only a small fraction of the workforce.
 - The majority of the population still depends on the agriculture sector, which has low productivity and income.
- **Sluggish Agricultural Performance and Poverty:** Agriculture is the main source of livelihood for about 50% of the Indian population, but it contributes only around 17% to the GDP. The agriculture sector faces many challenges, such as fragmented and subdivided landholdings, lack of capital, illiteracy about new technologies, use of traditional methods of cultivation, wastage during storage, climate change, and natural disasters.
- **Non-implementation of Land Reforms:** Land is a crucial asset for the rural poor, but it's

distribution is highly unequal in India. According to the 2011 Census, about 5% of the rural households own 32% of the land, while 56% of the rural households own only 10% of the land. [Land reforms](#), such as redistribution of surplus land, tenancy reforms, ceiling on landholdings, and land rights for women and marginalized groups, have not been effectively implemented in most states.

- **Rapid population growth:** India's population has steadily increased through the years. During the past 45 years, it has risen at a rate of 2.2% per year, which means, on average, about 17 million people are added to the country's population each year. This also increases the demand for consumption goods tremendously.
 - However, there is not enough expansion in opportunities and resources to match this demand.
 - Population growth also puts pressure on the environment and natural resources, which are already scarce and degraded.
- **Unemployment and under-employment:** Unemployment is another factor causing poverty in India. The ever-increasing population has led to a higher number of job-seekers. However, there is not enough expansion in employment opportunities to match this demand.
 - The unemployment rate in India was 8.11% in April 2023, according to the Centre for Monitoring Indian Economy (CMIE). This is the highest unemployment rate in India since April 2020.
 - Moreover, many people who are employed are under-employed or engaged in low-quality jobs that do not provide adequate income or social security.
- **Slow growth of employment opportunities in the organised sector:** The organised sector in India accounts for only about 10% of the total employment. The majority of the workforce is employed in the unorganised sector, which is characterized by low wages, poor working conditions, lack of social protection, and high vulnerability to shocks.
 - The organised sector has not been able to absorb enough workers from the unorganised sector due to various reasons such as skill mismatch, rigid labour laws, high cost of doing business, and lack of infrastructure.
- **Lack of access to basic services:** Poverty is not only about income deprivation but also about lack of access to basic services such as education, health care, water, sanitation, and electricity. These services are essential for human development and well-being. However, many people in India do not have access to these services due to various reasons such as affordability, availability, quality, and discrimination. For example,
 - According to the [National Family Health Survey 2019-21 \(NFHS-5\)](#), which was conducted in 2019-20, there are an estimated 16.2 million children in India aged 6-17 years who are not attending school.
 - According to the [National Health Profile \(NHP\) 2019](#), there is one government doctor for every 10,926 people and one government hospital bed for every 1,844 people.

What is the Way Forward?

- **Quest for Continuous Growth:** There is a need of continuous growth of 7% during the next 25 years. This requires a [Gross Fixed Capital Formation](#) rate of 28%, taking into account an incremental capital-output ratio (ICOR) of 4. The assumed ratio of 4 is based on better use of capital.
 - The [incremental capital output ratio \(ICOR\)](#) basically refers to the **additional capital required to generate additional output**.
- **Increase the Investment:** India needs to work towards achieving the required investment rate in the next 25 years which may be in the range of 30-32% of GDP. While recognising that public investment has picked up, it is necessary to emphasise that the investments by the business sector, both corporate and non-corporate, must increase.
 - The investment must flow into sectors and segments which are crucial to promote growth and employment generation.
 - While [foreign direct investment](#) must be welcomed, particularly in the newly emerging technological sectors, bulk of the investment must come from within.
- **Adopt a Multi-Dimensional Strategy:** The export-led growth strategy like China and South Korea may not work for India, particularly in the context of changed global trade situation. The emphasis should be on agriculture and related activities, manufacturing and exports. India has emerged strongly in the services area.

- **Addressing the Challenge of AI Absorption and Employment Impact in India:** India faces a critical issue concerning the assimilation of new technologies, particularly [Artificial Intelligence \(AI\)](#) and its wide-ranging implications. AI is expected to boost productivity and output significantly, but it may not necessarily create new jobs. This poses a particular concern for highly populated countries like India. To navigate this challenge successfully, a proactive approach must be adopted.
 - It is imperative to reorient the educational system to equip students with the essential skills required to thrive in the AI-driven future job market. Emphasizing AI-related fields and fostering a culture of continuous learning will be vital.
 - It is equally crucial to identify labour-intensive economic activities that can serve as potential avenues for employment. By focusing on sectors that are less susceptible to AI-driven automation, we can mitigate the impact on employment to some extent.
- **Include a Provision for Basic Income:** There are many issues connected with [basic income](#) which need to be resolved. The level of basic income and the coverage of beneficiaries have to be determined taking into account certain normative considerations and the capability of the funds.
 - With basic income, we should be prepared to cut down most subsidies other than those on food.
 - In an uncertain world, the need for the provision of basic income becomes even more urgent.
- **Focusing on the Climate for Peace:** This is vital for sustainable growth. The recent Ukraine-Russia conflict has adversely affected this climate, posing a significant threat to future growth if tensions persist. Furthermore, we must closely monitor supply disruptions of essential imports such as oil, as these disruptions can have severe repercussions not only on developing nations but also on developed countries.

Conclusion

In the past 75 years, India has built a reasonably strong and diversified economy. Though India is today the fifth largest economy, which is an achievement, in per capita terms, it is ranked (2022) 149 out of 194 countries. Thus, we have a long way to go. Growth is important to lift the economy up. We have the potential. As of now, the external situation is not encouraging. We have to live with it. But a 6 to 7% growth continuously is still possible if the strategy is correct and if we can create an appropriate investment climate.

Drishti Mains Question:

India needs a higher growth rate to eradicate the poverty in the country. In this light discuss the reasons behind poverty and suggest ways to address it.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims:

Q. Increase in absolute and per capita real GNP do not connote a higher level of economic development, if: (2018)

- (a) industrial output fails to keep pace with agricultural output.
- (b) agricultural output fails to keep pace with industrial output.
- (c) poverty and unemployment increase.
- (d) imports grow faster than exports.

Answer: (c)

Q. In a given year in India, official poverty lines are higher in some States than in others because: (2019)

- (a) poverty rates vary from State to State
- (b) price levels vary from State to State
- (c) Gross State Product varies from State to State
- (d) quality of public distribution varies from State to State

Answer: (b)

Mains:

Q. Despite implementation of various programmes for eradication of poverty by the government in India, poverty is still existing'. Explain by giving reasons. **(2018)**

Q. Can the vicious cycle of gender inequality, poverty and malnutrition be broken through microfinancing of women SHGs? Explain with examples. **(2021)**

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