Determinants of Rural Poverty in India

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ABSTRACT

In the past, several efforts have been made to reduce the poverty in rural areas through various public interventions but still poverty remains a major challenge before policymakers and planners. Also, the income inequality within and between the regions and various sections of the society has increased considerably. Poverty is greatly influenced by various socioeconomic, political, and personal characteristics. Issue of poverty needs to be addressed not only in width as head count ratio but also depth of poverty as deprivation of various segment of society. There is a need to focus on multi-dimensional aspect of poverty such as education, health, and living standards (nutrition, child mortality, schooling, cooking fuel, sanitation, drinking water, housing, electricity, etc.). This calls for developing adequate infrastructure and policy support for creating conducive atmosphere so that enough gainful employment can be created in the rural areas itself.

Key Words: *Rural Prosperity, Poverty, Inequality, Indebtedness*

Introduction

Poverty is a major problem faced by almost all the developing countries. In India, the number of poor people is very large amounting to more than 300 million (according to the country's Eleventh National Development Plan, 2012). The country has been successful in reducing the proportion of poor people from about 55 per cent in 1973 to about 27 per cent in 2004. But almost one third of the country's population continues to live below the poverty line, and a large proportion of poor people live in rural areas. Though poverty is not specific to any caste or religion but is deepest among members of scheduled castes and tribes residing in the country's rural areas. In 2005 these groups accounted for nearly 80 per cent of poor rural people, although their share in the total rural population is much smaller. Moreover, poverty is heavily concentrated in the parts of Rajasthan, Madhya Pradesh, Uttar Pradesh, Bihar, Jharkhand, Orissa, Chhattisgarh and West Bengal.

Poverty is influenced by various factors and to address the issue of poverty one needs to understand the socioeconomic environment of the country. A close look of facts given in Table 1 that population growth in the country is still very high (1.3%) in India and nearly 70 percent of the people

reside in the rural are. Mortality rate, especially for infants (less than 5 years of age) is quite high (48.2 per thousand live at birth). Moreover, income inequality is quite high as lowest 20 percent of people account for merely 8.1 percent of total income against 20 percent of people in the higher income group account for about 32 percent in the total income of the country.

Table 1

Some Relevant Socioeconomic Indicators in India

Sl No.	Indicators	Value
1	Population growth (annual %) (2010)	1.3
2	Population density (people per sq. km) (2010)	394
3	Rural population (% of total population) (2010)	69.9
4	Birth rate, crude (per 1,000 people) (2009)	22.5
5	Death rate, crude (per 1,000 people) (2009)	7.4
6	Mortality rate, infant (per 1,000 live births) (2010)	48.2
7	Mortality rate, under-5 (per 1,000) (2010)	62.7
8	Life expectancy at birth, total (years) (2009)	64.8
9	Labor force, female (% of total labor force) (2009)	27.6
10	Poverty headcount ratio at rural poverty line (% of rural population) (2005)	28.3
11	Poverty headcount ratio at national poverty line (% of population) (2005)	27.5
12	Income share held by lowest 20% (2005)	8.1
13	Income share held by lowest 20% (2005)	31.5

Extent of Poverty

It becomes evident from Table 2 that during last five decades, poverty at the national level has considerably reduced but not with the same pace in all the regions. Still many regions suffer from severe poverty, unemployment and lack of access to adequate food security (Singh, Amarendra P. 2005b).

The poverty (Head count ratio) in India has continuously declined from 56.4 percent during 1973-74 to 28.3 percent during 2004-05. But, the rate of decline has been quite slow in some of the major states and still a large disparity exists. Still there are states where extent of poverty is quite high, namely Orissa (46.8%), Bihar (42.1%), Madhya Pradesh (36.9%), and Uttar Pradesh (33.4%).

Table 2

Rural Poverty (Head Count Ratio) in Major States of India.

State	Rural poverty (%)					
	1973-74	1977-78	1983	1987-88	1993-94	2004-05*
Andhra Pradesh	48.4	38.1	26.5	20.9	15.9	11.2
Assam	52.7	59.8	42.6	39.4	45.0	22.3
Bihar	63.0	63.3	64.4	52.6	58.2	42.1
Gujarat	46.4	4.8	29.8	28.7	22.2	19.1
Haryana	34.2	27.7	20.6	16.2	28.0	13.6

Himachal Pradesh	27.4	33.5	17.0	16.3	30.3	10.7
Jammu and Kashmir	45.5	42.9	26.0	25.7	30.3	4.6
Karnataka	55.1	48.2	36.3	32.8	29.9	20.8
Kerala	59.2	51.5	39.0	29.1	25.8	13.2
Madhya Pradesh	62.7	62.5	48.9	41.9	40.6	36.9
Maharashtra	57.7	64.0	45.2	40.8	37.9	29.6
Orissa	67.3	72.4	67.5	57.6	49.7	46.8
Punjab	28.2	16.4	13.2	12.6	11.9	9.1
Rajasthan	44.8	35.9	33.5	33.2	26.5	18.7
Tamil Nadu	57.4	57.7	54.0	45.8	32.5	22.8
Uttar Pradesh	56.4	47.6	46.5	41.1	42.3	33.4
West Bengal	73.2	68.3	63.1	48.3	40.8	28.6
ALL INDIA	**56.4**	**53.1**	**45.6**	**39.1**	**37.3**	**28.3**

* Based on URP (Uniform Reference Period).

Source: Planning Commission & NSSO data, 61st round

Income and Poverty

Table 3 shows that there is large disparity in the incidence of poverty and income across various states in India. There is no definite pattern in the level of income and incidence of poverty. In many states where average per capita income is quite high the extent of poverty is also high while in a few states both poverty and per capita income is low. This indicates that income is not equitably distributed. Average income alone may not explain the extent of poverty unless its distribution is also examined. Table 3 also indicates that the poorest state like Bihar with average per capita income of Rs 16715 had slightly less number of poor (42.1%) compared to Odissa with an average annual income of Rs 33226 has highest poverty (46.8%). Similarly,

Madhya Pradesh and Assam has almost equal income i.e. about Rs 27,000 but extent of poverty is quite different as poverty in Madhya Pradesh was 36.9 percent while in Assam poverty was only 22.3 percent. In contrast, Haryana with highest average annual income of Rs 78781 had poverty to the extent of 13.6 percent while the Maharashtra, with second highest average per capita annual income of Rs 74027 had more poor (29.6 %). This suggests that the size of state and distribution of income is more important in describing the extent of poverty. However, this difference might be possible mainly due to differences in the level of agricultural development, infrastructure development, and level of productivity as well as agro-industrial development, etc.

Table 3

Relative Ranking of Per Capita Income (Rs) and Rural Poverty in Major States of India

State	Rural Poverty in (%)	Rank	Per capita Income (Rs)	Rank
	2004-05*		2009-10	
Haryana	13.6	12	78781	1
Maharashtra	29.6	5	74027	2
Gujarat	19.1	10	63961	3
Tamil Nadu	22.8	8	63547	4

Punjab	9.1	16	60746	5
Kerala	13.2	13	59179	6
Karnataka	20.8	9	52097	7
Andhra Pradesh	11.2	14	51025	8
Himachal Pradesh	10.7	15	50365	9
West Bengal	28.6	6	41219	10
Rajasthan	18.7	11	34042	11
Odisha	46.8	1	33226	12
Jammu and Kashmir	4.6	17	30582	13
Madhya Pradesh	36.9	3	27250	14
Assam	22.3	7	27197	15
Uttar Pradesh	33.4	4	23395	16
Bihar	42.1	2	16715	17

Multi Dimensional Poverty

Like agricultural development, poverty has also multidimensional aspects. Poverty measured as only head count ratio reflect only one dimension- width of poverty measured by level of income or consumption expenditure but there is need to examine depth of poverty also by examining some other dimensions. In this regard, it is worth mentioning that Human Development Report of United Nations Development Programme (UNDP) has developed a Multidimensional Poverty Index (MPI) which incorporates many other aspects of poverty in any country. The MPI reflects both the incidence (H) of poverty-the proportion of the population that is multi-dimensionally poor- and the average intensity (A) of their deprivation-the average proportion of indicators in which they are deprived. Hence, this index identifies deprivations across the three dimensions as Human Development Index (HDI) and shows the number of people who are multi-dimensionally poor (suffering from deprivation in 33% weighted indicators) and number of deprivations with which poor household are typically counted. This index is calculated by multiplying the incidence of poverty by the average intensity across the poor. A person is identified as poor if he or she is deprived in at least 30 percent of the weighted indicators (OPHI Country Briefing 2010) This may also be a useful tool for policymakers to address the issue of poverty in a much more meaningful way. Components of the Multidimensional Poverty Index (MPI) include three major dimensions and ten indicators such as:

Dimensions	Indicators
Health	Nutrition
	Child Mortality
Education	Years of schooling
	Children enrollment
Living Standards	Cooking fuel
	Toilet/Sanitation
	Water
	Electricity
	Floor
	Assets

Multidimensional poverty index presented in Table 4 also indicates that poverty measured as head count ratio is high in those states where other aspects of poverty such as health, education and living standards are also poor. This clearly shows that these indicators are closely related to poverty. Hence, any strategy to reduce poverty must focus on improving the nutrition and reduction of child mortality. Besides, efforts should be made to improve educational facilities to enhance enrollment of children in the school and provide better housing facility, fuel requirement, sanitation, drinking water, etc.

The extent of poverty (Head count) as well Multidimensional Poverty Index (MPI) both are quite high in a few states commonly known as BIMARU states. These 7 states (Bihar, Jharkhand, Madhya Pradesh, Chhatisgarh, Uttar Pradesh, Uttrakhand and Rajasthan) account for about 42 percent of poverty against their share in total population of about 48 percent. In contrast, there are a few states in southern states namely Kerala, Tamil Nadu, Andhra Pardesh, and Karnataka where share of poor is quite less than their share in total population. However, there are a few north Indian states like Punjab and Haryana, where share of total poor is less compared to their share in total population (Table 4).

Table 4

Multidimensional Poverty Index (MPI) in different states of India

State	MPI	MPI Rank	Proportion of poor (%)	Poverty Rank	Average Intensity	Share in total poor (%)	Share in total Population (%)
Kerala	0.065	1	15.6	1	40.9	0.6	3.0
Goa	0.094	2	21.7	2	43.4	0.1	0.1
Punjab	0.120	3	26.2	3	46.0	1.0	2.3
Hmachal Pradesh	0.131	4	31.0	4	42.3	0.3	0.6
Tamil Nadu	0.141	5	32.4	5	43.6	2.6	5.8
Uttarkhand	0.189	6	40.3	7	46.9	0.5	0.8
Maharashtra	0.193	7	40.1	6	48.1	6.0	9.3
Haryana	0.199	8	41.6	9	47.9	1.3	2.1
Gujarat	0.205	9	41.5	8	49.2	3.4	4.9
Jammu and Kashmir	0.209	10	43.8	10	47.7	0.7	1.0
Andhra Pradesh	0.211	11	44.7	11	47.1	5.1	7.2
Karnataka	0.223	12	46.1	12	48.3	4.2	5.0
NE states	0.303	13	57.6	13	52.5	4.0	3.8
West Bengal	0.317	14	58.3	14	54.3	8.5	7.7
Odisha	0.345	15	64.0	15	54.0	4.3	3.5
Rajasthan	0.351	16	64.2	16	54.7	7.0	5.6
Uttar Pradesh	0.386	17	69.9	17	55.2	21.3	16.5
Chattishgarh	0.387	18	71.9	19	53.9	2.9	2.1
Madhya Pradesh	0.389	19	69.5	18	56.0	8.5	6.0
Jharkhand	0.463	20	77.0	20	60.2	4.2	2.6

Bihar	0.499	21	81.4	21	61.3	13.5	8.2
India	**0.206**		**55.4**		**53.3**	**100.0**	**100.0**

Source: www.ophi.org.uk; http:/hdr.undp.org/en/statistics/mpi

Causes of Poverty

Poverty is affected by many geographic, social, economic, personal behavior and characteristics, government policies, infrastructure development, etc. A major cause of poverty among India's rural people, both individuals and communities, is lack of access to productive assets and financial resources, high levels of illiteracy, inadequate health care and extremely limited access to social services are common among poor rural people. Microenterprise development, which could generate income and enable poor people to improve their living conditions, has only recently become a focus of the government. It is said that "a country is poor because it is poor." This idea has come down from Ragnar Nurkse who pinpointed the problem of the vicious circle of poverty. Low level of saving reduces the scope for investment; low level of investment yields low income and thus the circle of poverty goes on indefinitely. Rural poverty is a multi-dimensional social and economic problem. There are many factors influences the poverty. Some major causes of poverty are given in the following paragraphs.

1. Climate- Climatic conditions substantially affect the capacity of people to adjust for extreme cold and hot environment. This calls for different approaches to cope with such situation and also funds for mitigating the adverse effects of climate such as flood, famine, earthquake and cyclone which cause heavy damage to agriculture. Moreover, absence of timely rain, excessive or deficient rain affect severely country's agricultural production.

2. Demographic factors- Rapid growth of population aggravates the poverty of the people as it lowers the per capita income which tends to increase poverty. The burden of this reduction in per capita income is borne heavily by the poor people. Population growth at a faster rate increases labour supply which tends to lower the wage rate. In addition, size of family and number of dependent s in the family

significantly affect the poverty. The larger the size of family, the lower is the per capita income, and the lower is the standard of living.

3. Personal causes-Personal characteristics such as lack of motivation among people also affect the economic condition of the people as few of them do not have a motive to work hard or even to earn something. Besides, some people are lazy and reluctant to work or remain dull to some reason remain poor.

4. Economic Factors:

4.1 Agriculture – Economic factors substantially affects the poverty like situation. Poverty and income are very much interrelated. Increase in real income leads to reduction of the magnitude of poverty. Since most of the people residing in the rural areas largely depend on agriculture as main source of income, the agricultural productivity substantially affect the poverty because still a large number of farmers follow the traditional method of cultivation resulting in lower yield. Land as the basic source of production as well as other necessary agricultural infrastructure is unequally distributed in the rural areas in almost all the states. A large number of (more than 80 percent) operates marginal and smaller holdings with poor infrastructure which is not sufficient to earn adequate livelihood of people and they often continue to be poor.

4.2 Cottage Industry - There has been decline in the cottage and village industries creating severe unemployment in the rural areas and lack of regular source of earning round the year affect the earning of people. There is lack of mobility of labour, especially the women, who constitute the major work force, for earning outside village. It has been found that even if higher wages are offered, labourers are not willing to leave their homes. Rural people are mostly illiterate, ignorant, conservative, superstitious and fatalistic (Singh, Amarendra P. 2005a). Poverty is considered as god-given,

something preordained. All these factors lead to abysmal poverty in rural India.

4.3   Credit - In the rural areas a large number of people due to low regular income depend on borrowings from the money-lenders and land-lords to meet even their consumption expenses. Moneylenders, however, exploit the poor by charging exorbitant rates of interest and by acquiring the mortgaged land in the event of non-payment of loans. Their poverty is further accentuated because of indebtedness and they continue to remain under the poverty line for generations because of this debt-trap.

5. Social causes - Social factors such as caste system, joint family system and level of education do affect poverty like situation. Education plays a major role in enhancing the capability of people to earn higher income. Poverty is closely related to the levels of schooling and earning power is endowed in the individual by investment in education and training. Poor remain poor because they are unable to adequately invest in themselves for enhancing their capabilities. Besides, the social customs also affect poverty. The rural people spend a large percentage of their earnings on social ceremonies like marriage, death feast etc. As a result, they remain in debt and poverty.

Often rigid caste system inhibits low caste people to actively participate in the economic progress. Birth decides their occupation and economic fate which promotes exploitation resulting to poverty like situation. However, the joint family system provides social security to its members. Some people take undue advantage of it. They live upon the income of others. They become idlers. Their normal routine of life consists in eating, sleeping and begetting children. In this way poverty gets aggravated through joint family system.

Correlates of Poverty

Multidimensional aspect of poverty is influenced by many socioeconomic, physical, geographic and political factors. A few of the possible correlates of poverty have been discussed in the following paragraphs.

Net State Domestic Product and Poverty

Evidences suggest that poverty is not directly affected by the growth in economy as measured by per capita Net State Domestic Product (NSDP). For example, Rajasthan with low per capita NSDP (less than Rs 25,000) has low poverty (10 to 20%) only while Goa and Haryana with high per capita NDSP (more than Rs 50,000) also have more poverty (10 to 20 %). Similarly, Maharashtra with quite high per capita NSDP (more than Rs 50,000) had 20-30 percent poverty. Uttar Pradesh, Madhya Pradesh, Odisha, and Bihar have more poverty and have low per capita NSDP (less than Rs 25,000). Punjab is the only state which has higher NDSP and also low poverty (Table 5).

Table 5

Linkages between Poverty and Net State Domestic Product (NSDP) at Constant Prices of 2004-05 in Major States of India

Incidence of Poverty, 2004-05 (%)*	Per Capita Average Net State Domestic Product at Constant prices of 2004-05 (000 rupees)			
	Less than 25	25-40	40-50	Above 50
Less than 10%		Jammu and Kashmir	Punjab,	
10-20 %	Rajasthan,	Andhra Pradesh,	Gujarat, Kerala,	Goa, Haryana

			Himachal Pradesh,	
20-30 %	Assam	Karnataka, West Bengal	Tamil Nadu	Maharashtra
30-40 %	Uttar Pradesh (including Uttrakhand)	Madhya Pradesh (including Chhatisgarh)		
Above 40 %	Odisha, Bihar			

* Poverty based on URP (Uniform Reference Period).

Source: Planning Commission & NSSO data, 61st round

Farm Size and Poverty

Analysis of poverty and farm size indicates that size of farm alone does not explain the issue of poverty. Crop diversification, extent of irrigation, level of input use, etc. might be closely associated with the income of farmers and hence, farm size alone might not be solely responsible for higher poverty as expected. Average farm size in a few states like Bihar, Uttar Pradesh, Uttra Khand, is less than one hectare and the poverty is also quite high (more than 30 to 40 percent) while states like Kerala and Jammu Kashmir with smaller holding of less than one hectare has very low poverty (less than 10-to 20 %). In contrast, there are a few states like Madhya Pradesh (including Chhatisgarh) with relatively larger holdings (1.5 to 2 hectare) had poverty to the extent of 30-40 percent. Punjab is the only exception which has larger holdings (more than 2.5 ha) and lowest poverty of less than 10 percent. There seems to be no clear pattern of increasing farm size and low incidence of poverty (Table 6).

Table 6

Linkages between Poverty and Farm Size in Major States of India

Average size of holding (Ha)	Extent of Poverty, 2004-05*				
	Less than 10%	**10-20 %**	**20-30%**	**30-40%**	**Above 40%**
Less than 1 ha	Jammu and Kashmir,	Kerala	Tamil Nadu, West Bengal	Uttra Khand, Uttar Pradesh	Bihar
1.0 to 1.5 ha		Andhra Pradesh, Himachal Pradesh	Assam		Odisha
1.5 to 2.0 ha			Karnataka, Maharashtra	Madhya Pradesh, Chhattisgarh	
2.0 to 2.5 ha		Gujarat, Haryana			
Above 2.5 ha	Punjab	Rajasthan,			

* Poverty based on URP (Uniform Reference Period).

Source: Planning Commission & NSSO data, 61st round

Poverty and Indebtedness

It is a known fact that both agricultural development and economic access to food are closely associated with the access to credit to rural households. People, especially farmers take loan for meeting the expenses related to farm input such as fertilisers, pesticide, and water, etc. as well as food. Range of indebtedness of rural farm households in various major states of India indicates that in Andhra Pradesh and Tamil Nadu more than 75 percent of the rural households are indebted while in Assam and Uttrakhand only less than 20 percent of the farmers are indebted. In most of the states about 40 to 60 percent of farm household are indebted for various reasons. This indicates that access to credit is quite different across various states in India. Southern states like A.P., Tamil Nadu, Kerala and Karnataka has more access to credit compared to north Indian states like U.P., M.P., H.P., etc. Punjab is the only state in north India which as more access to credit. Moreover, analysis of indebtedness and poverty indicates that Bihar the poorest state with more than 40 % of poverty is less indebted or in other word has less access to credit. In contrast Punjab has lowest poverty of less than 10% but more than 60 to75% household are indebted or had more access to credit. However, there seems to be no clear pattern in the incidence of poverty and indebtedness (Table 7).

Table 7

Linkages between Poverty and Indebtedness in Major States of India

Range of indebtedness (%)	Extent of Poverty, 2004-05*				
	Less than 10%	10-20%	20-30%	30-40%	Above 40%
Less than 20%			Assam		
20-40 %	J & K	H.P.			Bihar (including Jharkhand)
40-50%				U.P. (including Uttrakhand)	Odisha
50-60%		Harayana, Rajasthan, Gujarat,	Maharashtra	M.P.(including Chhatisgarh), West Bengal	
60-75%	Punjab	Kerala	Karnataka		
Above 75%		A.P.	Tamil Nadu		

* Poverty based on URP (Uniform Reference Period).

Source: Report No. 498(59/33/1), Situation Assessment Survey of Farmers: Indebtedness of Farmer Households, National Sample Survey 59th Round (January-December 2003)

Conclusion and Suggestions

The problem of rural poverty has been addressed at different levels for a long time but it seems that it has remained concentrated around symptoms of poverty rather than real causes of poverty. Moreover, poverty needs to be examined not only in terms of number of people below a specified income level or consumption expenditure but also other aspects of poverty as multidimensional issues related to poverty such as health, education and

living standards. Besides, depth of poverty (severity of poverty) should be addressed rather than only width (number of poor) of poverty. Issue of poverty also requires to be addressed in a dynamic sense considering transient poverty rather than in a static sense. Since poverty is closely associated with inequality in access to basic minimum facilities, infrastructure development and level of agricultural development. There is a need to examine poverty in the context of agricultural development (Singh, Amarendra P. 2005c). The universal concept and definition of poverty for such a big country like India with so much diversity in climate, culture and development of infrastructure, etc. also need careful thinking (Singh 2000). Though, there has been constant decline in rural poverty but still a large number of rural people dependent on agriculture are unable to get adequate nutritive food. Moreover, nutritional insecurity is another major problem, especially among the children, pregnant as well as lactating women and old people.

Agriculture is the major sector of economy and most of rural people largely depend upon agriculture for their livelihood. Evidences indicate that agriculture is the main determinants of the poverty. The size of state, initial level of infrastructure development and economic condition, level of general as well as agricultural development, extent of urbanization, level of productivity as well as agro-industrial development and distribution of income are important factors in describing the extent of poverty (Rao, V.M. and Hanummappa, H.G. 2000). It has also been observed that average level of income and poverty is not necessarily correlated but inequality in the distribution of income and other resources are more important.

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