



THE POVERTY DEBATE

PART - 2

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Poverty in India

The Covid scenario

Introduction

The coronavirus pandemic has devastated economies worldwide. Although lockdowns were *considered* an effective measure to halt the spread of COVID-19, many people around the world lost their jobs and livelihoods.

As a result, some found it impossible to support themselves and their families. The effects of the pandemic are analysed in this edition by looking at India's economy, which was rising years before the pandemic.

Accounting for 17.7% of the world's population, COVID-19 has resulted in an increasing poverty rate in India, affecting millions living in the country and damaging the progress made in the decreasing rate of poverty with significant amount.

Indian Economy During COVID-19

Brief Summary from State of Working India Study (APU).

- On *average*, households lost around 22% of their cumulative income from March to October 2020. Poorer households experienced a larger proportion of income loss, leading to a significant increase in poverty in India in 2020.
- To cope with the shock, households resorted to borrowing from informal sources, selling assets, cutting back on food consumption, etc.
- The analysis primarily relies on monthly household income data from the CMIE-CPHS, along with data from the India Working Survey (IWS) and Azim Premji University Covid Livelihoods Phone Survey (CLIPS).
- State-level variations in the fall of household incomes are also examined, considering the impact of mobility restrictions on income.

Disproportionate impact of the pandemic on poorer households.

- The drop in incomes during the Covid months is higher for lower-income percentiles and decreases for higher percentiles. The top 10 percentiles also experience a small increase in income decline.
- On average, the bottom 10 percentiles experienced a 27% drop in incomes, while the decline was 23% for the 40th to 50th percentiles and 22% for the top 10 percentiles.
- The number of individuals below the national minimum wage threshold increased by 230 million during the pandemic, with a 15 percentage point increase in rural areas and nearly 20 percentage points in urban areas.
- Although urban areas experienced higher income declines compared to rural areas and the difference between the poor and relatively well-off households may seem small in percentage points, but it represents a significant decline in absolute terms.

Coping strategies during COVID

1. Positive coping strategies:

- Use of personal savings and sale of liquid assets.
- Borrowing from formal financial institutions or self-help groups.
- Transitioning to formal employment or taking on additional work.

2. Negative coping strategies (*Pre-existing vulnerabilities, such as informal sector employment, low wages, and lack of social security measures, increase the vulnerability of households to negative coping strategies*) include:

- Transitioning to risky, less formal employment.
- Reducing consumption - *predominantly seen in poor households with around 70% of lower-income households reducing consumption after the lockdown*
- Borrowing from informal sources at high-interest rates - *Poorer households resort to borrowing from their social networks*

Out of this, the most common coping strategy is reliance on formal and informal savings, with little variation across income groups.

Decline in food intake during COVID

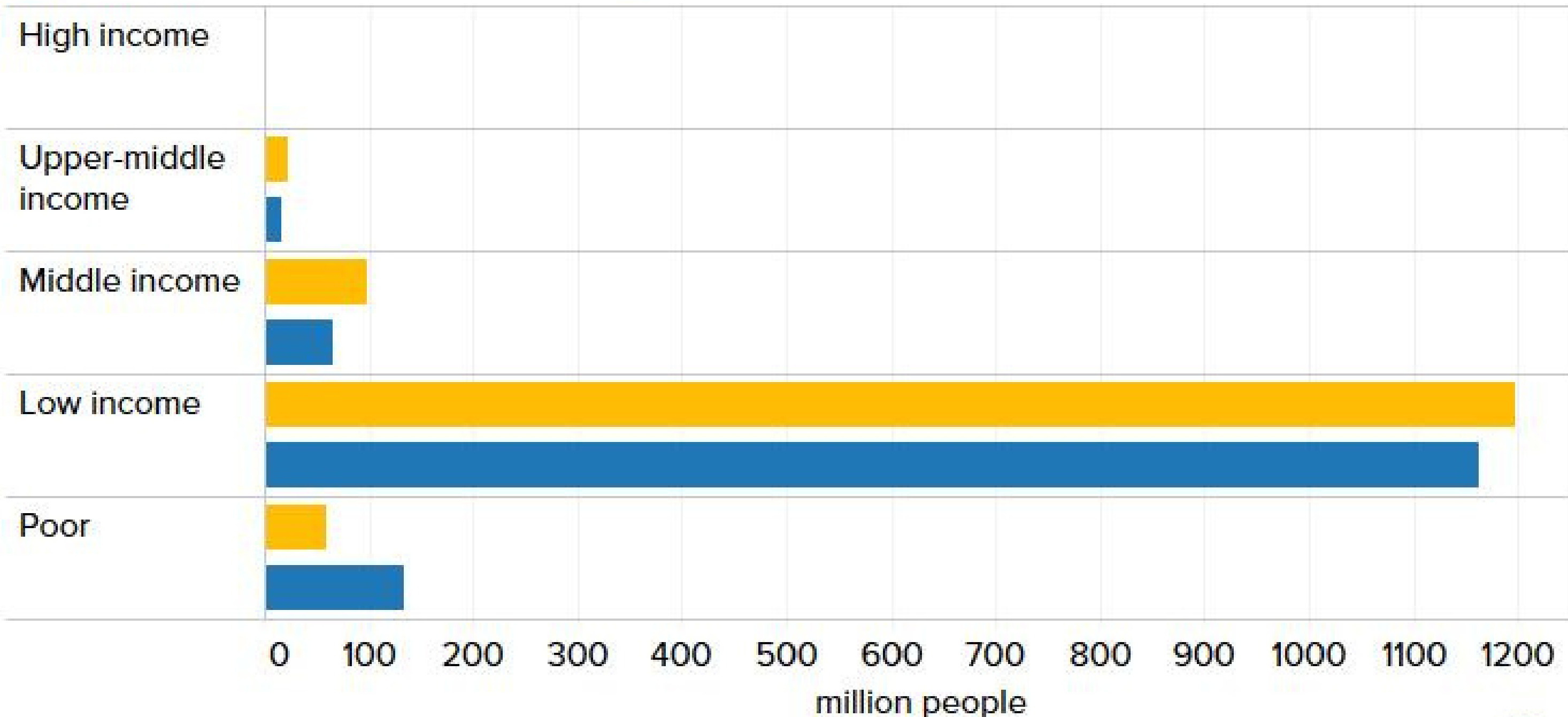
- 90% of households reported a reduction in food intake as a result of the lockdown.
- Even six months after the lockdown, 20% of the overall households (28% in the case of urban areas) reported no improvement in food intake.
- Rural households were better off, with the food intake of a relatively higher share of households (13 per cent) remaining unaffected and a lower share (15 per cent) reporting no recovery relative to their urban counterparts.
- Hunger Watch Surveys conducted by the Right to Food Campaign found that 66% of vulnerable and marginalized individuals had less to eat even five months after the lockdown.
- Even relatively richer respondents reported a degradation in nutritional quality compared to the pre-lockdown period.

Covid-19 recession hit income levels in India

*The poor live on \$2 or less daily, low income on \$2.01-\$10, middle income on \$10.01-\$20, upper-middle income on \$20.01-\$50, and high income on more than \$50

■ Pre-pandemic estimate for 2020

■ Post-pandemic estimate for 2020



Source: Pew Research Centre

The chart given below is according to a report from Pew Research Centre,

(It defined the poor as people who live on \$2 or less daily. The middle-income tier is defined as \$10.01 to \$20 a day. Growth in the country's middle class also took a hit)

Absolute Increase in Poverty in India due to Pandemic	75 million
Global Increase in Poverty (2020)	125 million (which implies that India's 75 million increase contributed 60% to global poverty increase)

Sources used by the Pew Research Centre makes its report reliable:

World Bank's PovcalNet Database

World Bank's World Development Indicators Database

World Bank Reports on Global Economic Prospects

United Nations Population Forecasts:

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'Poverty and Inequality in India: Before and After Covid-19'

According to a paper authored by Arvind Panagariya, former Niti Aayog Vice Chairman, titled 'Poverty and Inequality in India: Before and After Covid-19',

Rural poverty as a percentage of the total rural population declined continuously every quarter beginning July-September 2020.

(The paper was presented at the 3rd Columbia Summit on Indian Economy held at Columbia University on March 24-25, 2023)

This is based on household expenditures reported in the Periodic Labour Force Survey (PLFS 2020-21).

This paper/estimate contradicts widespread claims showing a large rise in poverty in both rural and urban India post the Covid-19 pandemic.

Poverty in rural India:

- It is *only* during the strict lockdown period (April-June 2020) that rural poverty saw a modest rise.
- It fell for the full year 2019-20, at a significantly lower rate and witnessed a sharp decline in 2020-21 (like the pre-Covid year of 2018-19)
- These results are consistent with the robust performance of agriculture (in 2019-20 and 2020-21), significant expansion of MGNREGA and free distribution of 5 kg food grain per person per month under the Food Security Act.

Poverty in urban India:

- It saw a modest rise on an annual basis in 2020-21 and started to decline by April-June 2021.
- The rise in urban poverty for four quarters beginning April-June 2020 was consistent with the large decline in the production of contact-intensive industries.
- The free distribution of additional 5 kg food grain helped arrest a sharper rise in urban poverty.

Why does the the current findings (reduction in poverty and inequality) differ from earlier findings (showing increase)?

- This is mainly due to differences in sample design between the Current Employment Statistics (CES 2011-12) and Periodic Labour Force Survey (2017-18).
 - This makes poverty estimates derived from the two sources entirely non-comparable.
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Looking Ahead: Steps Taken Towards SDG 1 (No Poverty)

Progress towards SDG 1

In order to determine if a country is on the way to fulfil its 2030 SDG 1 goals, 5 broad parameters have been set. These are:

- Eliminate severe poverty
- Reduce by at least half the proportion of men, women, and kids living in poverty in all of its forms
- Install social protection systems and policies that are appropriate for the country
- Ensure that all men and women, particularly the poor and the vulnerable, have equal access to economic resources.
- Bolster the resilience of the underprivileged and those who are already vulnerable.

The question is - Has India made sustainable progress towards these parameters?

- Since our research is divided into pre-2012 and post-2012 periods, *pre-2012 data* suggests that Tendulkar poverty lines show that poverty decreased by only 0.74 percentage points per year between 1993-1994 and 2004-2005.
- However, poverty dropped by 2.2 percentage points per year from 2004–05 to 2011–12 in India.
- Since the SDG goals were adopted by all UN members in 2012 and implemented in 2015, it's more accurate we measure the achievement of the goal post 2012.
- Nearly 10% of the global population was in poverty in 2015. In 2030, it is predicted that about 6% of the world's population would be living in poverty, despite reducing poverty rates.
- Only 22% of the unemployed, 28% of the severely disabled, and 41% of new moms receive unemployment benefits, disability benefits, and maternity benefits respectively.

India's Stance:

- As mentioned before, between 2005–2006 and 2015–2016, more than 271 million people were pulled out of poverty, with multidimensional poverty falling by half to 27.5 percent.
- Nutrition, infant mortality, school years, school attendance, cooking fuel, sanitation, drinking water, power, housing, and assets are all things to consider.
- Across all 10 of the aforementioned metrics, the bottom 40% of the population outperformed the broader population in terms of improvement in average achievement.
- India also displayed a pro-poor tendency at the local level, with rural areas experiencing a greater reduction in poverty than urban areas.
- Some of India's flagship schemes are mentioned in the next slide:

Some Schemes:

- The **MGNREGA Scheme** (the largest employment guarantee programme in the world):
 - Beneficiaries are disproportionately made up of women and people from scheduled castes and tribes, who contributed 56.19% and 37.1% of all person-days of labour in 2022–23, respectively.
- Access to a range of financial services, including banking, credit, insurance, and pensions, is made available to vulnerable populations under the **Pradhan Mantri Jan-Dhan Yojana (PMJDY)**.
- More than 154,000 Sub-Centres and Primary Health Centres has been transformed into **Ayushman Bharat-Health and Wellness Centres**, delivering thorough, inexpensive, and high-quality primary care close to home.
- The **Pradhan Mantri Awas Yojana (PMAY)** provides financial aid to economically disadvantaged people so they can construct homes with the necessities.
- The **National Social Assistance Programme (NSAP)** provides pensions to the underprivileged and vulnerable.

Source: <https://www.unadap.org/post/india-stance-on-sdg-1-no-poverty>

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Natural disaster Protection:

Disaster (vulnerability to climate) falls under SDG 1 as mentioned by UNADAP.

- The Indian landmass is nearly -
 - 60% seismically vulnerable,
 - 12% vulnerable to floods and river erosion,
 - 76% vulnerable to cyclones and tsunamis along its sprawling 7500 km of coastline,
 - Slightly more than two-thirds vulnerable to droughts.
- The Disaster Management Act of 2005 required the implementation of the National Policy on Disaster Management (2009), which advocates for a proactive preventive, mitigation, and preparedness-driven approach. This signals a paradigm shift from the prior relief-centric approach.
- The National Disaster Management Plan (NDMP), which focuses on disaster preparedness and response, has incorporated the Sendai Framework for Disaster Risk Reduction and the SDGs.

However,

- India is not on track to meet more than half of the Sustainable Development Goals (SDGs), a comprehensive list of worldwide goals adopted in 2015 by UN member states, by the organization's 2030 deadline, according to research from *Harvard T.H. Chan School of Public Health*.
- In order to assess progress towards nine out of the 17 SDGs, researchers looked at 33 indicators of health and socioeconomic determinants of health using data from India's National Family Health Survey conducted in 2016 and 2021.
- India is off-target nationwide for 19 of the 33 SDG measures, according to the study.
- The recommendation made by the study's authors was that a strategy roadmap should be developed to increase the momentum on four particular SDGs: No Poverty, Zero Hunger, Good Health and Well-Being, and Gender Equality
- Over 75% of Indian districts are off target for eight crucial indicators which includes poverty. There is an urgent need for improved policy-making.

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Thank you!