



**POVERTY IN INDIA: A LITERATURE REVIEW IN THE POST INDEPENDENCE  
PERIODS**

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**ABSTRACT**

*Poverty and the problems of Economic Inequality have for a long time been a part of the scenario in India. It has been approached by many authors in the literature of poverty and presented a different magnitude of measurements to reveal its real nature at the rural and urban India. Many experts and writers who tried to identify the nature and magnitude of poverty in the rural and urban India were based on secondary data analysis/studies. However, their opinion are differed about the nature and magnitude of poverty in both at the rural and urban areas. Here, this article examine the existence of poverty and its magnitude in measurements by surveying the literature of poverty with decadal differences in rural and urban areas in the post-independence periods. This articles also critically looking out the amelioration of nature of poverty in both of these areas of rural and urban in the above periods.*

**1. INTRODUCTION**

Poverty and the problems of economic inequality have for a long time been a part of the scenario in India. Though the belief that it is India's vast wealth that attracts a succession of invaders dies hard, there is enough evidence that, at the best of times, the rich have been few and the vast multitudes have lived in want and penury.<sup>1</sup> Social and Political institutions traditional to the Hindu Kingdoms have been insensitive to

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the gross disparities in the sharing of national wealth, as also to the enjoyment of civic rights and the standards of consumption and hence positive action to ameliorate poverty have never been a part of any social policy.<sup>2</sup> This is the condition which has been prevalent and continuously even under the Moghul and British rulers in India.<sup>3</sup>

India, after gaining her independence and starting out on her five year plans, has held as the primary objective the economic policy of eliminating poverty from the Indian soil. Since then, a number of studies have attempted to identify the extent of poverty in India. These studied the incidence and change of deprivation in the context of inter-temporal and inter-sectorial comparison. They have used different rounds of NSS data for their analyses and some of them through comparing NSS (National Sample Survey) data with official data, estimated the incidence of poverty. The Head Count Ratio method which expresses the proportion of the population living below the normatively fixed poverty line norms has been used by many researchers and institutions to estimate the incidence of poverty. Using different norms, to adopt the poverty line criterion, but strictly adhering to the subsistence level approach in terms of calorie intake, they have arrived at different conclusions regarding the incidence and trend of poverty in different time periods. However, their findings have emphasised, to a great extent, the nature and extent of poverty in India in the post independence period. This article examine the existence of poverty and its magnitude critically with decadal differences of rural and urban sectors in the post-independence periods. It also examine that how the amelioration of rural and urban poverty with its incidents and reduction are in these sectors of the above periods.

## **2. INCIDENCE OF POVERTY DURING THE DECADES**

### **2.1 In 1960's**

The simplest method of determining the poverty line is to agree upon a certain level of income or consumer expenditure as necessary to meet the minimum needs. In 1962, a study group consisting of D.R.Gadgil, V.K.R.V.Rao, P.S.Lokanathan, B.N.Ganguli, M.R.Masani, Asoka Mehta, Pitambar Pant, ShrimanAgarwal and Anna Saheb recommended a standard private consumption of Rs.20 per month per capita at 1960-61 prices as demarcating the

poverty line. The panel excluded expenses on medical and educational facilities from the total computed expenditure. The underlying assumption being that these shall be distributed cost free by the state. This level of Rs.20 per month per capita consumption has widely been used along with other sub-norms in various studies conducted by B.S. Minhas, P.K.Bardhan and others.

This Study Group's recommendations have been criticised on the ground that a per capita monthly consumer expenditure of Rs.20 without the reference to the prices of a number of essential commodities does not make clear the implied level of living sufficiently concrete and explicit. Hence, while the poverty line may be defined as a certain level of consumer expenditure, it is desirable and useful, for the connotation of the level of living to be associated with that particular level so that it is made explicit on the basis of certain criteria. There is also the criticism that it does not make any distinction between rural and urban living costs.

Based on the Study Group's recommendations, a number of scholars in the sixties have in a very controversial manner made studies of the magnitude of poverty in India. Though there are many studies by scholars and institutions who have widely participated in these discussions, yet only a few of these are briefly reviewed in this chapter.

Minhas (1970)<sup>4</sup> has made the following estimates regarding the percentage of rural poor in India. In 1956-57 there had been 65 per cent poverty, which has gradually decreased to 50.6 per cent in 1967-68. But in between these two periods the percentage of poor increased slightly in the year of 1963-64. The important observation in his study is that while the number of poor people appeared to be stable, the proportion of such poor people to the total population declined steadily over the years. This decline is largely explained by the growth in the average per capita consumption in real terms, rather than by the slight fall in the concentration index of consumer expenditure.

He has estimated the above figures by combining the national averages of per capita consumption at 1960-61 prices as estimated by S.G.Tiwari, the NSS - based estimates of percentage shares of the different fractile groups of the population in aggregate consumer expenditure, and the NSS ratio of rural to urban consumption. These estimates relate to rural India and the poverty line is taken as per capita consumption of Rs.240 per year at 1960-61

prices. But Bhattacharya (1970)<sup>5</sup> has commented against the foregoing estimates of Minhas as being subject to grave doubts. For one thing, he says that Tiwari's estimates appear to exaggerate the growth in real per capita consumption. Bhattacharya has said that the implicit national income deflator has increased from 100 in 1960-61 to only 170 in 1967-68.

According to Ojha (1970),<sup>6</sup> the percentage of the rural poor is 52 per cent and the urban poor only 8 per cent which corresponds to 184 million in the rural areas and 64 million in the urban areas as per 1960-61 figures. As far as the rural poor are concerned, it has been estimated that 70 per cent of the rural population lived below the threshold of poverty level in 1967-68. It implies that the proportion of the poor population in the rural area has increased by nearly 18 per cent between 1960-61 and 1967-68. This observation is totally different from Minhas' (1970) estimation, where it is claimed that the rural estimate is nearly 7 per cent lower than the Minhas' estimate in 1960-61. While Minhas' (1970) estimate shows reduction of poverty in 1967-68, Ojha has found an increasing nature in rural poverty. Moreover, Ojha has used a different methodology to identify the poor in the rural as well as in the urban areas.

According to Ojha, the criterion to study the incidence of poverty has been representative of the Indian needs such as 2250 calories per capita per day. He has also assumed that requirements must be met from food grains, such as cereals and pulses which amounts to 66 per cent in the urban areas and 80 per cent in the rural areas. This means that the intake of food grains should be 518 gms per person per day in the rural areas and 432 gms per person per day in the urban areas. The NSS 16th round household budget data for the period of July 1960 - August 1961 has been used with corrections in the NSS estimates of food grains consumption for over reporting, in the light of the official estimates of the availability of food grains.

Ojha's study suffers from certain drawbacks. Methodologically, it suffers from non-inclusion of health, education and housing expenditure while estimating the poverty line. Adopting the uniform minimum nutritional requirements as 2250 calories per person per day for the rural and urban population despite differences in socio-economic and cultural environments, which in turn causes the difference in the calorie intake requirements in these settings. He has further not taken into account the price differential in these two areas, while

calculating the poverty line. Bhattacharya (1970)<sup>7</sup> holds Ojha's estimate to be extremely doubtful. Further, Fonseca (1971)<sup>8</sup> has criticised Ojha's estimates about the nutritional norm criteria having certain deficiencies when used as criteria to measure poverty. First, the price of food grains, in the different years has been neglected. Second, the factor that the large imports of food grains had maintain the availability of cereals. But, he says that Dr. Ojha had been compelled to test his norm for the two specific years, that is 1960-61 and 1967-68 because data for these years had been available.

Dandekar and Rath (1971)<sup>9</sup> estimated that in 1960-61, nearly 33 per cent of India's rural population lived on diets inadequate in respect of calories. They have arrived at this estimate by a procedure similar to Ojha's. There are, however, two important differences. First, they have used the NSS estimates of consumption of food grains (and substitutes) without any correction; and second, they have assumed that the remaining items of food yield about 200 calories per person per day. Accordingly, they have found, the average diet just adequate upto the per capita consumer expenditure (PCE) bracket of Rs. 13-15, that is upto the annual per capita consumption approximately of Rs.170 in the rural sector. As regards the urban sector, they have assumed that the urban people get the minimum requirement of 2250 calories per person per day when their consumption of food grains and substitutes reaches 490gms per person per day. This level of consumption is not attained until one reaches the PCE range of Rs.21-24 which comes to about Rs.271 per person per year, and this is nearly 60 per cent above the corresponding figure (Rs.170) for the rural sector. It has then been found that nearly 49 per cent of the urban population live on diets deficient in respect of calories.

In difference to the standard of consumption at the rate of Rs.240 per capita per annum proposed by the Study Group, and where rural and urban areas are not distinguished, Dandekar and Rath (1971) have revised their rural minimum to Rs.180 per capita per annum and their urban minimum to Rs.270 per capita per annum. They have then estimated that nearly 40 per cent of the rural population and nearly 50 per cent of the urban population live below the minimum required standards.

Dandekar and Rath's estimation has been criticised, in the methodological point of view by two eminent scholars.<sup>10</sup> However, their estimations have been taken for extensive

use in poverty discussion, but they are not entirely satisfactory. For one thing, the translation of minimum calorie need into required monthly consumption expenditure involves a variety of judgments on the nature of the consumption basket, conversion ratios, relevant consumer prices, etc., which obviously will vary from one estimate to another.<sup>11</sup> Madalgi [1971] has stated that Dandekar and Rath have not given any scientific explanation for adopting 490gms as the nutritionally required quantity of food grains for the urban people and 616gms for rural people. He argues that if the food grains consumption level of NSS is a reliable aggregate, then annual consumption of food grains derived from per capita per month figures of NSS should have to be somewhere near the figure of national availability derived from production imports, etc. Desai (1980)<sup>13</sup> has stated that Dandekar and Rath are wrong in taking the average requirement. They are equally wrong in not taking into account the different requirements of different age groups, sex, and so on and in basing their calculations on an All India average of calorie intake. Further, by ignoring the type, nature and intensity of activities carried on in the rural and urban areas, they have either estimated the people falling below the poverty line in the rural areas or have over-estimated the urban poor.

Bardhan (1970)<sup>14</sup> questions the validity of the GNP (Gross National Product) deflator as used by Minhas on the ground that it covers both agricultural and manufactured commodities, and as such, has a tendency to understate the rise in prices paid by the rural poor because his budget includes a much smaller proportion of the manufactured than the national average. Instead, he adopts the official agricultural labour consumer price index for deflating the consumption of the rural poor and the working class consumer rice index for deflating the consumption of the urban poor. Like many other researches, he relies on the NSS data on consumption expenditure. Thus, he draws the poverty line for rural sector at Rs.15 and for urban sector at Rs.18 at 1960-61 prices, on the ground that the rural prices are generally lower than the urban prices. Accordingly he estimates 135 million persons constituting 38 per cent of rural population as rural poor and 34 million people comprising 44 per cent of the urban population as urban poor in 1960-61. Using the same norms for both the rural and urban areas, he suggests that at the 1960-61 prices, in 1968-69 as many as 54 per cent of the rural population and 41 per cent of the urban population were poor.

One of the major objections against the methodology adopted by Bardhan (1970), particularly regarding the uses of agricultural consumer price index, for deflating the

consumption of the rural poor is that, small farmers in very large numbers are also included in the category of the rural poor and their consumption pattern is not necessarily the same as that of the agricultural labour. Secondly, the appropriateness of price imputed for consumption of self-produced agricultural commodities is also questionable. Lastly Bardhan (1970) uses Rs.15 as the poverty line by excluding the expenditure on vegetables, nuts, education, health, etc., from the food basket of the Pay Commission Report, while as before using the NSS based average retail prices, he marks them down to take account of the fact that the average rural consumer does not procure all of his consumption needs from the market, a part of his supply being his own home grown stock.

Costa (1971)<sup>15</sup> approaches the problem from the monetary angle. He divides his population of the poverty stricken into the poor, the destitute and seriously destitute. His line of destitution comprises those persons with a level of consumer expenditure below Rs.13 in the rural areas and Rs.18 in the urban areas. According to his calculation, based on the sample survey, (18th round) for the year 1963-64, Costa (1971) finds 81 million destitute in the rural areas and 22 million destitute in the urban areas. There are about 103 million destitute in both rural and urban areas, comprising 22.7 per cent of the total population. He strongly suggests a support programme for these destitute people to pull them up above the line of destitution and a ministry of economic opportunity to provide assistance in the form of at least one job for as much as 200 or more man days for each household per year.

Vaidyanathan (1971)<sup>16</sup> has presented the following estimates of the proportion of the rural people living below PCE as being Rs.20 per month at 1960-61 prices. He has studied poverty by using NSS consumption data and official data separately and has attempted to identify the differences between these data sets in relation to the incidence of poverty, for the year 1960-61, 1964-65 and 1967-68 in the rural area.

**TableNo.1 : Rural Poverty**

<b>Data/Year Sets</b>	<b>1960-61</b>	<b>1964-65</b>	<b>1967-68</b>
Consumption Data used: NSS	59.5	60.4	67.8
Official	58.8	56.9	57.8

Source :Vaidyanathan (1974)

A perusal of the above table No. 1 reveals that as per NSS data, the degree of poverty has increased while according to official sources, there is a marginal decline recorded between, 1960-61 and 1967-68. The estimates in the second row have been obtained by combining the official figures of per capita consumption and the NSS pattern of disparities in the size distribution of PCE price indices which have been constructed separately for each decile group of the population by taking weighted averages of official wholesale price relatives for 10 commodity groups, the weights being based on NSS data. It is interesting to note that for 1967-68, the price indices (base : 1960-61) are around 190 for the bottom five or six decile groups.

Bhatty (1974)<sup>17</sup> has adopted Sen 's measure of poverty," Ps" and Head Count Ratio to estimate the incidence of poverty among the various occupational groups in the rural areas.

**Table No:2 Proportion of Rural People Below the Poverty Line(1968-69)**

Categories	Rs.15/-	Rs.20/-	Rs.25/-	Rs.30/-	Rs.35/-
Cultivators	22.66	38.31	52.48	62.36	70.28
Agricultural Labourers	31.64	56.21	71.36	82.84	89.56
Non Agricultural Workers	21.95	39.55	55.87	69.70	79.77
All households	24.19	42.43	56.41	67.15	75.02

Source :Bhatty (1974)

It is observed from the above Table No:2 that for all poverty levels above Rs.180 per capita per annum, the incidence of poverty is most severe among agricultural labourers and least among cultivators. Since the data pertains only to one year, i.e., 1968-69, it is not possible to show whether poverty has been increasing or not.

Sukhatme (1977)<sup>18</sup> has rejected the concept of average nutritional requirements and has estimated the poverty line, taking into account, the minimum requirement of calorie intake as against average requirement in terms of what he calls 'reference man' based on nutritional findings derived from average requirements of calorie intake. According to his norm, he estimates the population below the poverty line at 15 per cent rural and 25 per cent urban respectively. He feels that average calorie requirement does not represent the minimum



below which an individual can be treated as undernourished. But the problem rests on the fact that with the available data, analysis can be carried out only on the basis of mean consumption expenditure level and not on the consumption of individuals. Moreover, for all sorts of planning proposes and to have an idea about the energy deficiency concept of average requirement of calorie, it is found to be a better criterion as opposed to the concept of minimum requirement as suggested by Sukhatme (1977).

These discussions have dealt with the use of many eminent scholars in India on the incidence and extent of poverty in the sixties. The important findings one can make out through these studies are : (1) There is no consensus among scholars regarding the incidence of poverty both in the rural as well as in the urban areas. While some scholars (Ojha 1970, Bardhan 1970) argue in favour of the increasing trend of rural poverty, others such as (Minhas 1970) denied it. Comparing rural and urban poverty, except Dandekar and Rath (1971), others the Ojha, Costa, and Bardhan have found the number of poor in rural areas to be much higher than the poor in urban areas. However, in general, poverty in the sixties has shown that the problem of poverty in rural areas is more acute and that it increases over periods of time.

## **2.2 In 1970's**

This period will cover the period of nineteen seventies, based on studies upto the year 1979. Those who have contributed to studies during this period are mainly Dutta (1978), Ahluwalia (1978), the Seventh Finance Commission and Sixth Five year plan, and these have been reviewed.

Dutta (1978)<sup>19</sup> adopting the poverty line at Rs.15 per capita per month at the 1960-61 prices by using NSS data has aimed at measuring the changes in poverty and the distribution of income of poverty in rural India between the years 1968-69 and 1973-74. He has used the Head Count Ratio (H) and Sen's "Ps" measure in his analysis. In deflating the prices for the relevant years, he has used two types of price indices, first the series of consumer price index for agricultural labourers (CPIAL) with the 1960-61 = 100 base constructed on the basis of NSS rural retail prices and the weighting diagram provided by the second Agricultural Labour Inquiry.

The second approach is based on the proportion of total expenditure going to different categories of commodities in each expenditure class in year "t" according to NSS data. In the absence of reliable series of rural retail prices, he has used the indices of wholesale prices for various commodity groups issued by the Office of the Economic Advisers of the Government of India.

The above method has been adopted by Dutta (1978), who has found that poverty, according to one or the other index of poverty, has declined continuously between 1968-69 and 1973-74, when nominal consumption expenditure is deflated by agricultural labourer's consumer price index (ALPI). Almost the same picture emerges in the case of deflation according to expenditure class-specific consumer price index (ECPI) - "Ps" declines continuously, while "H" declines upto 1970-71 and then shows a small rise. These figures contradict the belief that in some quarters, that poverty in rural India has been increasing throughout the seventies. Moreover, it has been pointed out that the staggering increase in prices does not seem to have harmed the rural poor. Finally it is concluded nevertheless that "it is interesting that aggregate pictures seem to go against the popular belief that poverty has been increasing in rural India in general".

Against all previous observations, Ahluwalia (1978)<sup>20</sup> observed a new dimension in the trend of the extent of poverty. His study period covers the period 1956-57 to 1973-74. He has used per capita consumer expenditure of Rs.15 Permonth at 1960-61 rural prices as the poverty line. He calculates equivalent poverty line for the period under study with the help of the consumer price indices for the agricultural labour. He has also used the Head Count Ratio and Sen's poverty index "Ps" to calculate the incidence of poverty.

According to Ahluwalia (1978) the number of poor people who live under the poverty line is 152 million (42 per cent) in 1960-61. It has increased to 245 million (that is by 57.9 per cent) in 1967-68. From 1968-69 to 1973-74 the percentage of rural poor has fallen from 53.5 per cent to 47.6 per cent. Thus, he has observed that the trend in the incidence of poverty has grown between 1960-61 and 1973-74 and has also been fluctuating during this period. Moreover, it has also been observed that there is a significant inverse relationship between the performance of the agricultural sector and rural poverty.

The Seventh Finance Commission Report<sup>21</sup> reflects on the earliest estimates of poverty line as being too narrow. The Commission has developed a concept of an 'augmented poverty line', according to which monthly private consumption expenditure is augmented by the per capita monthly public expenditure by each state government under various heads such as education, social welfare, roads, water supply and sanitation, health, and family planning and administration of courts, jails and police. According to this augmented poverty line, the Commission concludes that in 1970-71, 53 per cent of the rural and 51 per cent of the urban population have lived below the poverty line.

In the history of the Planning Commission in India, only the Sixth Plan (1981)<sup>22</sup> clearly defines the parameters of poverty and a methodology is spelt out in the technical note of the plan document.

Adopting the physical survival definition of poverty, identifying poverty line as the mid-point of a monthly per capita expenditure for by those having a daily intake of 2435 calories per person in the rural areas and 2095 calories per person in urban areas estimates have been worked out as Rs.76 for rural areas and Rs.88 for urban areas at 1979-80 prices. Those spending less are deemed to be poor. Based on these criteria, the Planning Commission has found that in 1979-80, 316.8 million persons constituting 48.4 per cent of the country's total population to be living below the poverty line. Out of the total population of the poor, 260 million were those residing in the rural areas and 57 million in the urban areas. In relative terms 50.7 per cent of the urban population as categorised as poor.

Authenticating these estimates of the Planning Commission, regarding the incidence of poverty has come under severe criticism. The controversy centers around the number of persons estimated at 57 million by the Planning Commission, having had the chance to cross the poverty line because of their rise in their real incomes during 1980-81 and 1981-82. According to RajKrishna (1983), after taking into account the impact of Integrated Rural Development Programme (IRDP) and National Rural Employment Programme (NREP) as well as the growth of Gross National Product (GNP), the maximum number that could have crossed the poverty line in the first two years of the Sixth Plan could have only been 7.7 million and not 57 million. Therefore, his estimate of the population in poverty was around 33.1 million i.e., 48.8 percent of total population.<sup>23</sup>

Thus, the study on poverty during seventies emphasises the importance of rural poverty which has not been increasing (Dutta 1978), but has been fluctuating (Ahluwalia 1978) over the period. Both the Seventh Finance Commission and the Planning Commission (as far the Sixth Five Year Plan is concerned) focus on the rural poor, adopting totally different norms, yet then members seem to be higher relative to the urban poor. There is no consensus among scholars regarding the direction of change of poverty as to whether it has increased or decreased especially in the rural areas.

### **2.3 In 1980'S**

This is the period which speaks about the incidence and extent of poverty upto the year 1989. The scholars who have contributed to this period demonstrated different methods to quantify the poor and they have tried to identify the difference between states of poverty both of the inter-temporal and the inter-sectorial scenario. In these studies, the Planning Commission's expectation in the reduction of poverty is reflected in the excessive measurement of the incidence of poverty.

As per the Seventh Five Year Plan Report (1985),<sup>24</sup> poverty line as estimated concerns Rs.6400 per annum of household income or approximately Rs.107 per capita per month at 1984-85 prices. Applying this criterion, it has been found that the poor population in 1984-85 as 272.7 million i.e., 36.9 per cent of the total population. Out of this 222.2 million or 39.9 per cent lived in the rural areas and 50.5 million constituting 27.7 per cent resided in the urban areas. The Seventh Plan envisages that, the percentage of population whose consumption standard would be below the poverty line would come down to 25.8 per cent by 1989-90. The plan projection also suggested that the percentage of people below the poverty line would decline to 10 per cent by 1994-95 and again, would fall further to a level of 5 per cent in the year 2000.

The measurement of the Seventh Five Year Plan regarding the incidence of poverty is not free from lacunae. Sharma (1990)<sup>25</sup> has pointed out that the incidence of poverty over the years has been moving up and down following the trend of food-grains production. This fact has also been admitted by the Planning Commission. It is thus, seen that in 1972-73 when food-gains output had been at 97 million tonnes as against 105 million tonnes in 1971-72, the poverty line has jumped up to 51.5 per cent. In 1977-78, when food grains production went

up to 126.4 million tonnes from 121 million tonnes in 1976-77, the poverty level came down to 48.3 per cent. Again in 1983-84, when total production increased to 152.4 million tonnes as against 129.5 million tonnes in 1982-83, the poverty line also came down to 42.6 per cent. If this trend was followed, it would mean that in 1984-85, when the food-grains production decreased to 146 million tonnes, the poverty line should have jumped up and not fallen to 36.9 as estimated by the Planning Commission. Further in view of the overall performance of the Indian Economy, during the last four decades, it is reasonable to conclude that the expectation of the Planning Commission to bring down the percentage of population below the poverty line to 5 per cent is more a pipe dream than a performable reality. For the economic system followed in India, it may take half-a-century even to attain this ambitious target.

Tendulkar and Jain (1991)<sup>26</sup> have presented a method and have analysed the results of the decomposing change in state specific absolute number of poor between 1970-71 and 1983 separately for rural and urban poverty with regard to 20 states in India. They have followed three additive components attributable to: (1) growth in real average per capita total expenditure (i.e., growth effect), (2) growth in population (i.e., population effect), and (3) a change in relative size distribution of per capita total expenditure (i.e., distribution effect). They are distinguished in the present decomposition scheme. The decomposition has been an exercise undertaken separately for the rural and the urban population of the 20 States and All India. In order to define the poverty line, the All India Poverty line in terms of monthly per capita consumer total expenditure (PCTE) of Rs.15 for rural and Rs.18 for urban at 1960-61 prices has been adopted.

The chosen poverty line at the All India level has been converted to the state specific prices prevailing in the base year (1970-71) and the terminal year (1983) by using two adjustment factors, viz., (i) consumer price index for a given state relative to All India (=100) for the middle changes of population. (This allows for the middle change of population as also the price differential in a given state in comparison to the All India), (ii) Changes in 1960-61, 1970-71 or in 1983 in the consumer price index for a given state for the middle range of population. In this, the NSS data for the analysis of estimating the Head Count Ratio has been used.

This empirical analysis throws up an interesting point, i.e., between 1970-71 and 1983, while the head count ratio has declined from 47.11 per cent to 39.28 per cent (rural) and from 37.20 per cent to 30.21 per cent (urban), the absolute number of poor has increased by 7.4 million in the rural and 11.8 million in the urban segment or about 19 million in all. It has been argued that if only the growth effect in real average per capita consumer total expenditure, by itself, is to operate, keeping unchanged the population and the relative size distribution, then the number of poor should have declined by 39 million (rural) and 4 million (urban). It has been further seen that the distribution effect is adverse and has increased the number of poor in the rural areas. However, it has been favourable and has reduced the number of poor in the urban areas. Further, it has been established that the most striking effect is that of population growth. Increase in the number of poor was due to population growth while keeping APCTE (Average Per Capita Consumer Total Expenditure) and relative size distribution unchanged, accounts for 40 million (rural) and a high 20 million for the urban population. Thus, it has been observed that population growth more than neutralises the reduction that could have been brought about by a size in real APCTE for the rural population. As for the urban segment, population growth offsets the favourable impact of both growth in real APCTE and change in relative size distribution.

Compared to the aggregate picture of 20 states, it has been found that favourable growth effect is stronger and the population effect weaker in both the rural and the urban segments as also when combined on an all India basis. As regards the effect due to distributional change, it is more adverse for the rural and less favourable for the urban population. Finally, it has been concluded that at the All India Level, aggregated results for the 20 states included in this study, indicates a net increase in the number of rural poor by about 7 million and the number of urban poor by nearly 12 million despite a reduction in the head count ratio. Population growth effect has turned out to be the dominant factor in both segments. Both growth and distribution effects in the aggregate are favourable to the urban segment while adverse distribution effect only partially offsets growth effect in the rural segment.

Minhas, et al (1991)<sup>27</sup> have studied the incidence of poverty by constructing appropriate cost of living indices, which allow for the observed variation in consumption patterns and prices across states, as also the state-specific rural and urban poverty norms as well as the

corresponding estimates of the incidence of poverty in 20 states and All India between 1970-71 and 1987-88. The price data used are the adjusted price relatives of the consumer price index series for agricultural labourers (CPIAL) for the rural areas and the combined price relatives data of the consumer price index series for the industrial workers (CPIIW) and for non-manual employees (CPINM) for the urban areas. Like others, this study also uses the NSS data in its analysis.

The All-India rural and urban poverty lines, as exogeneously specified by the Planning Commission, i.e., monthly per capita total expenditure (MPCTE) of Rs.49.09 (Rural) and Rs.56.64 (urban) at All India level, at 1973-74 prices, are used to separate the poor from the non-poor. The appropriate cost of living indices for the relevant middle-range of population as described above have been followed to the lowest of the above norms in respect of the study years of 1970-71 and 1983 and 1987-88.

According to Minhas et al (1991), the result seems to show a continuous decline in the head count ratio in the three selected study years, both in the rural and in the urban areas. Over a twelve and half years (i.e., period between 1970-71 and 1983), the rural head count ratio has declined by 8 percentage points (from 58.8 per cent to 50.8 per cent) and the urban ratio has declined by 6.5 percentage points (i.e., from 46.2 to 39.7 per cent). In the next four and half years (i.e., period II) between 1983 and 1987-88, the head count ratio has declined further by 2 percentage points for both the rural and the urban populations. The combined, rural and urban head count ratio has registered a continuous decline from 56.3 (1970-71) to 48.1 per cent (1983) and further to 45.9 per cent in 1987-88.

The compound annual rate of decline in the head count ratio in period II is for the rural 0.9 and 1.1 per cent for urban All-India, which is slightly lower than that in period I (i.e., 1.2 per cent both for rural and urban All-India).

The absolute numbers of the rural poor (in million), on the other hand, has risen from 257.9 (1970-71) to 276.8 (1983) and further to 283.7 million (1987-88). In urban India the number of the poor has risen from 50.4 (1970-71) to 69.2 (1983) and to 77.5 million (1987-88). For the Indian Union as a whole, the population in poverty has grown from 308.3 million in 1970-71, to 346.6 million in 1983 and to 361.2 million in 1987-88. Incidentally, the total population of India was about 361 million in 1951, whereas the population of the

poor alone is exactly of the same magnitude in 1987-88. The annualised rate of growth of the rural population afflicted with poverty has been around 0.5 to 0.6 per cent between 1970-71 and 1983 as well as between 1983 and 1987-88. In sharp contrast, the corresponding rate of growth of urban population in poverty is about 2.5 to 2.6 per cent between 1970-71 and 1987-88. For India as a whole, it comes to around 0.9 per cent in the above year. Finally it has been calculated by the Planning Commission estimates that there has been a massive reduction in the incidence of poverty between 1983 and 1987-88, while the actual reduction in the incidence of poverty, eschewing the statistical artefacts employed by the Planning Commission (1990) reducing only small minimal for the said period.

Datt and Ravallion (1992)<sup>28</sup> have estimated poverty measures and their decompositions for rural and urban India from the National Sample Survey (NSS) of 1977-78, 1983, 1986-87 and 1988. To identify the poor, they have used the Planning Commission (Sixth Plan) poverty line, updated by Minhas et al (1987)<sup>29</sup> to a per capita monthly expenditure of Rs.89 at 1983 All Indian rural prices. The Consumer Price Index for Agricultural Labourers (CPIAL) and the Consumer Price Index of Industrial Workers (CPIW) are used as deflators over the entire period for rural and urban areas respectively. An estimate of the All India urban-rural price differential for 1973-74 is devised from Bhattacharya et al (1980)<sup>30</sup> which is updated for the period 1977-78 to 1988 using CPIAL and CPIW, the Head Count Ratio (H), Poverty Gap Index (PGI) and Foster-Greer-Thorbecke Index (P2) have been used as tools to measure poverty.

According to Datt and Ravallion (1992), all Poverty Measures falling within this period, though not all continuously, show an increase in the head count index in rural areas between 1986-87 and 1988. Both the Poverty Gap Index and P2 have declined over-all during this sub-period in the rural areas. The pattern is similar for the urban areas as well. Further, it has been found that there is a particular sharp fall in rural poverty between 1983 and 1986-87. Numerically, it is expressed as the rural head count index showing 53.92 per cent in 1977-78, which has fallen by 15.86 points to 38.06 per cent in the latter half of 1988. During sub-periods, this has been made up of a fall in the index of 8.97 points over 1977-78 to 1983, 8.08 points between 1983 and 1986-87 and it has risen by 1.19 points between 1986-87 and 1988.



It has been observed that the contribution of the urban sector to total poverty has increased quite dramatically over a period. For, poverty in respect of the urban sector has increased from 20.1 per cent in 1977-78 to 29.8 per cent in 1988 with the sharpest increase occurring between 1983 and 1986-87, largely reflecting the aforementioned fall in rural poverty.

The comparison of poverty measures across sectors is also of interest. Historically, poverty lines adjusted for cost of living difference, have shown higher poverty measures in the rural areas than in the urban areas, and this is common in developing countries.<sup>31</sup>

This has also been confirmed for the two earlier years, i.e., 1977-78 and 1983 even in this study. However, the results for the latter two years, that is 1986-87 and 1988 suggests a reversal in the poverty ranking of the two sectors, with generally higher measures in urban areas.

Thus, in general, the trend in rural poverty has been observed by many scholars to have declined in the 1980's and at the same time, the number of rural poor have increased over the periods. This is due to the population growth effect which is not offset by the distribution effect even though the economic growth effect is significant. Moreover, there is no common opinion to support the view that the trend in urban poverty has increased.

### **3. CONCLUSION**

So far, the studies observed and estimated the incidence and extent of rural and urban poverty from 1956-57 to 1987-88 have revealed the fact that there is no consensus among scholars about whether the poor have increased or decreased over the periods in general. However, different opinions have been expressed with majority of scholars supporting the view that the poverty in the rural areas is much higher than in the urban areas. Moreover, it has been pointed out that the adverse distribution effect creates more poor in the rural areas than in the urban areas. Undoubtedly intensive poverty in rural areas has increased absolutely and relatively in comparison with urban areas.

The main lacunae in this kind of study is that the Univariate Approach which is expressed in terms of calorie or monthly per capita expenditure has been followed and this has different

conceptual problems. Further, these poverty measures alone will not bring out the basic difference which is fabricated in different phenomena between rural and urban sectors. Some studies describe the disparities in the levels of living between rural and urban poor, by filling up certain gaps in this regard.

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