Tackling urban poverty


September 2003 - Poverty in India has been the focus of many debates and policies for decades. Most of this focus has been on rural poverty issues, but urban poverty being as prevalent as it is today, seeks equal attention.

The biggest cities are growing faster than smaller towns. India’s mega-cities have the highest percentage of slum-dwellers in the country. This indicates that as big cities grow even larger, their slums will swell. While slums have become an important place to reach the urban poor, even though the urban poor do not all live in slums. The urban poor population in India is estimated to be nearly 8 crores currently, while the slum population is only 4 crores. Our knowledge about the urban poor outside of slums is superficial. If there are as many urban poor living outside of slums as there are living in slums, the focus of poverty alleviation should differ considerably from those aiming mainly to upgrade slums and provide job training.

Policy makers need to understand the phenomenon of urbanisation in relation to economic growth and migration to address issues arising out of the growth in cities. Urban population and economic output tend to grow together. There is a proven relationship between urban growth and planned industrialisation. There is also a relationship between urban growth and the economic output of India’s states. India currently has a mainly rural population, but its population in urban areas is growing faster than in rural areas. It is predicted that nearly 50% of India’s population will be urban by the year 2030.

In India, urban poverty is defined in terms of minimum calorie intake, at 2100 calories per capita per day. This is a convenient measure for identifying urban poor for the purpose of implementing Urban Poverty Alleviation Initiatives (UPAIs). The Planning Commission’s revised methodology of 1997 results in an average poverty line for India of Rs. 353 per capita per month for 1996-97. This equals approximately Rs. 21,180 per household per annum. On this basis, Planning Commission data indicates that the urban poor were estimated to be 7.5 crores, comprising 38% of the total urban population in 1988. This number rose to 7.63 crores in 1993-94, i.e. 32% of the total urban population.

The number of Government sponsored Urban Poverty Alleviation Initiatives (UPAIs) being introduced year after year has increased, indicating that urban poverty has seen a gradual rise in importance for the policy-maker. The Centre’s UPAIs can be categorised into three waves: Housing, Welfare and Credit & Employment.

Housing was the first wave; it started in the 1950s and still continues to be a priority. Welfare programmes constitute the second wave that started with the Urban Community Development Programme in 1958 and grew in the 1960s and 1970s. Credit and Employment programmes started in 1977 with the extension of the Differential Rate of Interest scheme to the urban poor and became increasingly popular in the 1990s. An important feature of these waves is their simultaneous existence. The first wave did not stop before the second began, and all 3 waves continue today. Starting with the 20-Point Programme in 1986, new schemes became holistic and often contained components from all three waves.
The interest in addressing urban poverty peaked when the Planning Commission allocated a separate section to urban poverty in the 9th Five-Year Plan (1997-2002), putting unprecedented focus on urban development and urban poverty alleviation. Urban poverty was until then considered an extension of rural poverty or part of general urban development issues. In fact Central government UPAIs first addressed urban poverty as a result of unchecked rural poverty.

An empowerment approach needed

Experts emphasise the importance of pursuing an “empowerment” approach vs. a “delivery” approach that treats beneficiaries as mere recipients and not as subjects of change. The implementation methodology of a programme can mitigate more than just economic poverty, by involving the community in a genuine manner and addressing the issue of low self-esteem. As programmes are implemented and beneficiaries gain, the poor begin to integrate with mainstream economic activity. They gain acceptance as legitimate citizens and do not remain “objects of charity”. Successful efforts to raise the self-esteem of people can allow them to arrange for their own daily requirements like water, sanitation facilities, housing, job or food. Only very recently have Indian UPAIs begun to address empowerment. Usually empowerment is limited to programmes for groups of women and Neighbourhood Development Committees in some schemes. Most UPAIs continue to focus on providing visible primary goods, healthcare, and education. They fail to address sociological, anthropological and political perspectives of poverty. Additionally, empowerment is not part of the success criteria set for evaluating the few programmes that do have some design focus on the issue.

The economics of urban poverty not understood

Most UPAIs do not pay adequate attention to the complexity of urban market transactions in these societies. An example of this problem is the relocation of slum dwellers away from the economic centres that provide them income and access to informal markets. This compensates for the formal markets from which they are excluded. UPAIs are identical across the country, showing that the urban condition is understood to be the same everywhere. Since there are many differences in climatic conditions, culture, resources, goods and services, prices and nature of transactions, it is futile to have uniform programmes implemented throughout the country.

One solution could be to push the function of programme design to the states, though the Centre might be reluctant to allow states to design and implement programmes completely, because it seeks to maintain spending control over revenues it raises as well as retain its political supremacy. Another option is for the centre to conduct micro level studies of urban markets to understand their nature of operation. They could then give states adequate flexibility to modify the programme to suit the needs of the state. Decentralised UPAI design would be similar to positive trends in rural programmes where the idea of “untied funds” is gaining popularity.

Eradicating urban poverty lower priority than rural

Since independence, Indian policy-makers focused on rural development in response to Gandhi’s call that “India lives in its villages”. This focus was also justified by the fact that agriculture is subject to high risks from dependence on nature. As a result, urban poverty was sidelined because the urban poor were
seen as people who had greater access to opportunities in dynamic urban systems and were therefore exposed to less serious uncertainties. The choice made was to address the graver ill first.

However, urban poverty could not be ignored for very long as urban centres and poverty within them grew. The National Commission on Urbanisation recommended that the government adopt an integrated approach to address poverty in rural and urban areas. This was because rural and urban economies are interdependent and failure in any one sector will cause failures in the other sector. While the change in approach is an improvement that reflects the growing urgency of urban poverty, funding for urban poverty still lags behind the magnitude of the problem.

According to the National Commission on Urbanisation, the share of municipal expenditure of the overall government expenditure (sum of centre, state, and local) was only 8% in 1960-61 and fell to 4.5% in 1980-81. Over the same period, the urban population rose from 16% to almost 24%. As urban poverty grows, policymakers must understand that its cause is not simply unchecked rural poverty, but other causes as well.

As the population in urban areas rose faster than its infrastructure facilities, attempts were made to stall the migrant population in rural areas through the launch of many rural poverty alleviation programmes. Another approach to curb rural-urban migration was to create suitable conditions for the migrant population to settle in small and medium towns by developing infrastructure amenities in these areas. The main approach was to create employment opportunities for the educated unemployed in towns with less than 5 lakh population, that have the potential of being regional growth centres, through programmes like the Integrated Development of Small and Medium Towns (IDSMT).

India needs to develop a deeper understanding of urban poverty. Even today, popular opinion wrongly believes that urban poverty is caused solely by migrants from rural areas, who come to cities and cannot find work as easily as they had imagined. It is not surprising that since demographic and income data are incomplete, social data is even more scarce. This may cause policy makers to treat urban poverty as a single problem, either the result of rural-urban migration or as solely an economic problem. The urban poor should not be treated as a homogeneous group. The urban poor could be classified into destitute households (living below the poverty line and requiring social security schemes) and families with marginal incomes and minimal skills (capable of ensuring self-employment with support from the government). Classification borne out of a deeper understanding of the context of urban poverty will result in programmes that are tailored to the specific needs of each group.

- The series: Urban poverty alleviation in India

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This report has been adapted entirely from "Urban Poverty Alleviation in India: A General Assessment and a Particular Perspective" (2002), with permission. Authors: Supriti, Sharon M Barnhardt and Ramesh Ramanathan. Publishers: Ramanathan Foundation, 565, 3rd Block, RMV Extension, 2nd Stage Bangalore 560094. ISBN 81-901511-1-8. For a detailed critique of UPAIs, major recommendations, and an extensive catalog of government sponsored schemes, see the original publication (vol 1 and 2).

Note: The text in the original publication cites references extensively that are not reproduced here for the sake of brevity. To quote or republish, seek the original publication from the Ramanathan Foundation.

Author's note: This effort was first conceived because of the lack of credible data with which to evaluate the progress of Urban Poverty Alleviation Initiatives of the Government of India. At least one tangential objective of the publication will be achieved if our government agencies begin compiling timely and accurate data with which to drive the crucial decisions that they make. In this document, we attempt to present in one place all efforts made by the government in alleviating urban poverty and understand patterns in the approach over time.