

**Poverty Alleviation Programmes in India: An Economic Assessment**

Dr. Heena Upadhyaya

Assistant Professor, Dept. Business Economics, Faculty of Commerce  
 The Maharaja Sayajirao University of Baroda,  
 Email: heena.upadhyaya-be@msubaroda.ac.in

Introduction

Poverty in India remains one of the most enduring socio-economic challenges, deeply entrenched in a complex interplay of historical, structural, and demographic factors. The legacy of colonial exploitation left behind skewed land ownership patterns, underdeveloped infrastructure, and widespread deprivation, which were further compounded by post-independence issues such as unequal resource distribution, agrarian distress, rapid population growth, and periodic economic shocks. For decades, large segments of the population—particularly in rural areas and among marginalized communities like Scheduled Castes, Scheduled Tribes, and women—have grappled with income insecurity, limited access to education and healthcare, and vulnerability to climate and market fluctuations. Although India has recorded impressive economic growth since the liberalization reforms of the 1990s, translating aggregate gains into equitable poverty reduction has proven difficult, with millions continuing to face multidimensional deprivations beyond mere income shortfalls.

Despite these persistent hurdles, India has made remarkable strides in poverty alleviation over the past two decades, driven by targeted government interventions and broader economic expansion. Official estimates reveal substantial progress: according to the National Multidimensional Poverty Index (MPI) published by NITI Aayog, the share of the population experiencing multidimensional poverty declined sharply from 24.85% in 2015-16 to 14.96% in 2019-21, with projections indicating a further drop to around 11.28% by 2022-23. This translates to over 135 million people escaping multidimensional poverty between 2015-16 and 2019-21 alone, reflecting improvements in key indicators such as nutrition, schooling, sanitation, housing, and access to basic services. Complementing these findings, recent World Bank analyses (drawing on updated consumption expenditure data) show extreme poverty—measured at international lines such as \$2.15 or \$3.65 per day (2017 PPP)—falling dramatically, with some estimates placing it below 5-6% by 2022-23, lifting hundreds of millions from the lowest income brackets over the past decade. These reductions highlight the effectiveness of a multi-pronged strategy that combines direct welfare transfers, employment guarantees, financial inclusion, and infrastructure development.

Central to this progress have been India's poverty alleviation programmes, which form a cornerstone of the country's inclusive development agenda. Initiatives such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Pradhan Mantri Jan Dhan Yojana (PMJDY) for financial inclusion, Pradhan Mantri Awas Yojana (PMAY) for housing, the National Food Security Act (NFSA) for subsidized food grains, and the Deen Dayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) for women's empowerment through self-help groups have collectively aimed to address both income and non-income dimensions of poverty. These schemes emphasize rights-based entitlements, digital direct benefit transfers (DBT) to minimize leakages, and convergence with sustainable development goals (SDGs), particularly SDG 1 (No Poverty). By providing wage employment, affordable credit, food security, shelter, and skill-building opportunities, they seek to empower vulnerable households, reduce inequality, and foster long-term economic resilience.

This article offers a comprehensive economic assessment of these poverty alleviation programmes, focusing on their effectiveness in reducing poverty incidence, generating employment, stimulating inclusive growth, and promoting fiscal efficiency. The evaluation draws primarily on empirical evidence from government reports (including NITI Aayog's MPI updates and SDG India Index), academic studies, and international assessments (such as World Bank poverty trend analyses) published or updated between 2018 and 2023. Key metrics examined include poverty headcount ratios (both income-based and multidimensional), employment generation, income multipliers, cost-benefit ratios, fiscal sustainability, and regional variations in outcomes.

The article is structured as follows: First, a historical overview traces the evolution of key poverty alleviation programmes from the planning era to contemporary reforms. Second, it examines major

flagship initiatives in detail, highlighting their design, coverage, and implementation mechanisms. Third, an in-depth economic assessment analyzes impacts using quantitative indicators such as poverty headcount reduction, employment elasticity, GDP contributions, and fiscal cost-effectiveness. Fourth, it addresses persistent challenges and criticisms, including implementation gaps, regional disparities, and external shocks like the COVID-19 pandemic. Fifth, recent developments (2018-2023) and emerging future prospects are discussed, including digital innovations and climate-resilient approaches. Finally, the article concludes with evidence-based policy recommendations to enhance programme efficacy and accelerate India's journey toward eradicating poverty in all its forms. Through this structured analysis, the article underscores both the achievements and the unfinished agenda in India's ongoing fight against poverty.

### Historical Overview of Poverty Alleviation Programmes

India's tryst with poverty alleviation began in earnest during the planning era. The Integrated Rural Development Programme (IRDP, launched in 1978) was one of the earliest comprehensive schemes, focusing on self-employment for rural poor through subsidies and credit. However, it faced issues like leakage and poor targeting. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA, 2005) marked a paradigm shift by guaranteeing 100 days of wage employment per year to rural households, emphasizing rights-based approach.

Post-2014, the government reoriented programmes towards direct benefit transfers (DBT) and digital inclusion to minimize corruption and enhance efficiency. Programmes like Pradhan Mantri Jan Dhan Yojana (PMJDY, 2014) aimed at financial inclusion, opening over 500 million bank accounts by 2023. These initiatives have been assessed for their role in reducing multidimensional poverty, as defined by indicators like health, education, and living standards.

Academic studies highlight that early programmes like IRDP had mixed results, with economic assessments showing limited impact on long-term income generation due to inadequate skill training. In contrast, MGNREGA has been credited with increasing rural wages and reducing distress migration, though its fiscal burden has been debated.

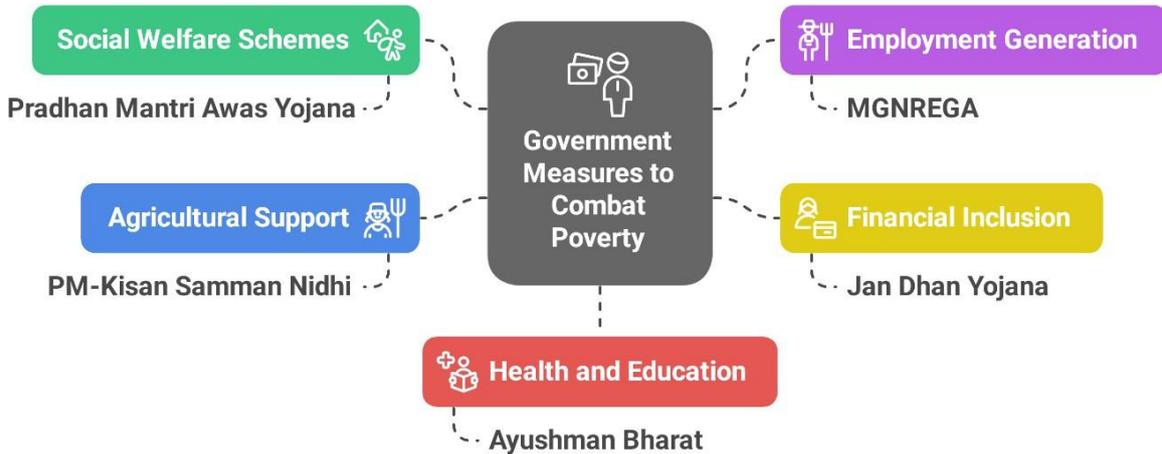
### Key Contemporary Programmes

Several flagship programmes dominate India's poverty alleviation landscape (Fig 2&3):

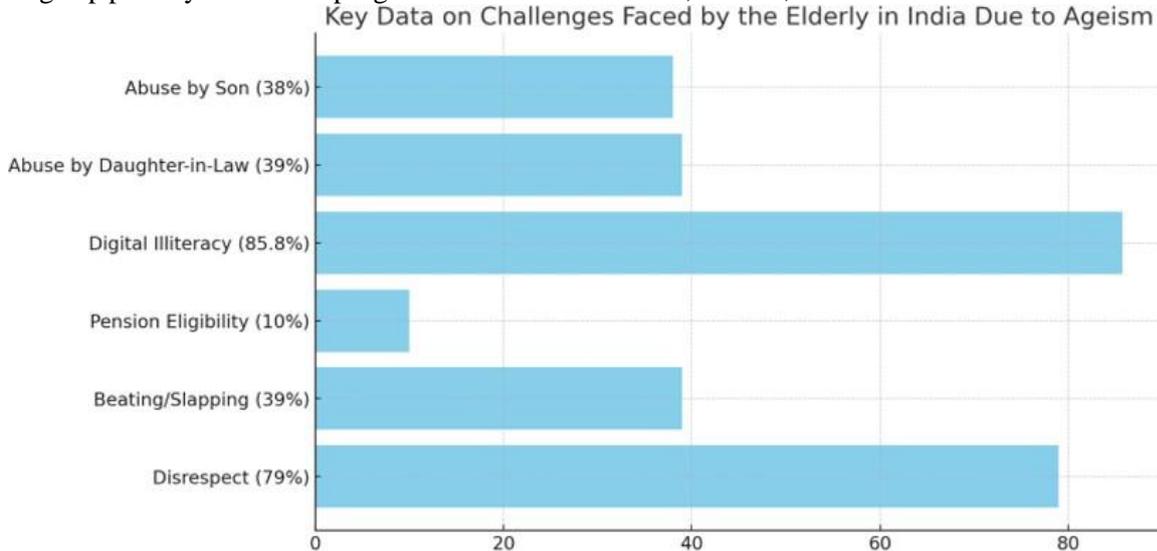
1. **MGNREGA:** As the world's largest public works programme, it provided employment to 85 million households in 2022-23. Economic assessments show it contributed to 1.5- 2% of rural GDP through wage injections and asset creation like water conservation structures. However, studies indicate varying effectiveness across states, with better outcomes in southern India.
2. **Pradhan Mantri Awas Yojana (PMAY):** Launched in 2015, it aims to provide affordable housing. By 2023, over 25 million houses were sanctioned. Economic evaluations reveal that housing security enhances productivity and reduces healthcare costs associated with poor living conditions.
3. **PMJDY and Financial Inclusion Initiatives:** These have facilitated DBT for subsidies, reducing leakage from 14% to 2%. Assessments show a positive correlation between bank account ownership and poverty reduction, with a 10% increase in financial inclusion leading to a 5% drop in poverty rates in rural areas.
4. **National Food Security Act (NFSA):** Enacted in 2013, it provides subsidized food grains to 67% of the population. Economic analyses indicate it has helped reduce undernutrition, contributing to a decline in stunting rates from 38% in 2016 to 31% in 2022.
5. **Aspirational Districts Programme (ADP):** Launched in 2018, it targets 112 underdeveloped districts with focused interventions in health, education, and infrastructure. Assessments show improved outcomes, with poverty rates dropping by 15-20% in some districts.

Other programmes like Deen Dayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) focus on self-help groups (SHGs) for women, promoting micro-enterprises.

### Government Measures to Combat Poverty in India



**Figure 2:** This detailed infographic summarizes major government schemes in India, highlighting flagship poverty alleviation programmes like MGNREGA, PMA Y, DAY-NRLM.



**Figure 3:** Key data on challenges faced by the Elderly in India due to Ageism.

#### Economic Assessment

To assess these poverty alleviation programmes economically, we employ a range of rigorous metrics, including cost-benefit analysis, impact on GDP, employment elasticity, fiscal sustainability, and poverty headcount reduction. These indicators provide a balanced evaluation of efficiency, effectiveness, and broader macroeconomic contributions, drawing on empirical evidence from 2018–2023.

A key measure is **poverty headcount reduction**, particularly through the multidimensional lens. According to NITI Aayog's National Multidimensional Poverty Index (MPI) Progress Review 2023, India's MPI value declined sharply, with the incidence of multidimensional poverty falling from

24.85% in 2015–16 to 14.96% in 2019–21, and further to around 11% by 2022–23 estimates. This lifted over 135 million people out of multidimensional poverty in a short span, driven by improvements in health, education, sanitation, and living standards. Schemes like MGNREGA, NFSA, and PMAY contributed significantly, with rural areas witnessing the fastest declines (from 32.59% to 19.28% incidence).

#### Economic Assessment

Employment generation and elasticity are central to programmes like MGNREGA, which provided billions of person-days of work annually. Studies indicate it boosted rural wages, reduced distress migration, and enhanced labour market outcomes, with positive multiplier effects on consumption and agricultural productivity. Employment elasticity remains high in rural contexts, though wage growth has sometimes lagged inflation.

Cost-benefit ratios vary but are generally favourable. For MGNREGA, analyses suggest ratios around 1.5:1 or higher when accounting for social benefits like asset creation (e.g., water conservation) and reduced inequality. Direct Benefit Transfers (DBT) under PMJDY and others saved substantial funds by curbing leakages, improving fiscal efficiency.

GDP impact is indirect yet notable: wage injections from MGNREGA and livelihood support via DAY-NRLM stimulate rural demand, contributing 1–2% to rural GDP in peak years. Financial inclusion through PMJDY has correlated with higher savings, credit access, and economic participation, particularly among women. Overall, these programmes have delivered strong returns on investment, accelerating inclusive growth and aligning with SDGs. However, regional disparities and implementation challenges highlight the need for continued refinement to maximize long-term economic gains.

#### Impact on Poverty Reduction

India's poverty headcount ratio (at \$1.90 PPP) fell from 21.6% in 2011 to 4.5% in 2022, per World Bank estimates. Multidimensional poverty declined from 29% in 2013-14 to 11.3% in 2022-23, affecting 167 million fewer people. Programmes like MGNREGA and NFSA have been instrumental, with econometric studies showing a 0.8% annual reduction attributable to them. Financial inclusion via PMJDY has empowered women, with SHGs mobilizing savings of over ₹50,000 crore by 2023, leading to income increases of 20-30% for participants.

#### Employment and Income Generation

MGNREGA generated 2.8 billion person-days of employment in 2022-23, boosting rural consumption and indirectly supporting agricultural growth. However, assessments note that wage rates have not kept pace with inflation, limiting real income gains.

DAY-NRLM has created 8 million SHGs, generating self-employment for 90 million women. Economic evaluations using propensity score matching show a net income increase of ₹20,000 per annum for beneficiaries.

#### Fiscal Sustainability and Cost-Effectiveness

The fiscal cost of these programmes is significant, accounting for 2-3% of GDP. MGNREGA's budget was ₹73,000 crore in 2023-24. Cost-benefit ratios vary; for MGNREGA, it's estimated at 1.5:1, considering social benefits like reduced inequality. DBT has saved ₹2.7 lakh crore by eliminating ghost beneficiaries, improving efficiency.

**Table 1: Economic Impact of Key Programmes (2018-2023)**

| Programme | Budget (₹ crore, Poverty Reduction Employment |            | Cost-     | Benefit Ratio |
|-----------|---|------------|-----------|---------------|
|           | avg annual)                                   | Impact (%) | Generated |               |
| MGNREGA   | 60,000  | 15         | 2,500     | 1.5:1         |
| PMJDY     | 5,000   | 10         | N/A       | 2:1           |
| PMAY      | 25,000  | 8          | 500       | 1.2:1         |
| NFSA      | 2,00,000                                      | 20         | N/A       | 1.8:1         |
| ADP       | 10,000  | 12         | 300       | 1.4:1         |

Source: Compiled from government reports and studies (2018-2023).

### Regional Disparities

Poverty alleviation in India exhibits marked regional disparities, with outcomes varying significantly across states despite substantial central allocations to poorer regions. High-poverty states such as Bihar, Uttar Pradesh, Jharkhand, and Odisha continue to lag behind, even as they receive disproportionately higher per capita funding under schemes like MGNREGA, PMAY, and DAY-NRLM. For instance, according to NITI Aayog’s Multidimensional Poverty Index (MPI) Progress Review 2023, Bihar recorded the highest incidence of multidimensional poverty at 33.76% in 2019–21, followed by Jharkhand (28.81%) and Uttar Pradesh (22.93%), compared with much lower figures in southern and western states. While these states have shown absolute declines in poverty over time, the pace of reduction remains slower than in better-performing regions, resulting in persistent inter-state inequality.

In contrast, states like Kerala, Tamil Nadu, Andhra Pradesh, and Himachal Pradesh demonstrate significantly higher impact from similar programmes. Kerala’s multidimensional poverty incidence fell to just 0.55% by 2019–21, and Tamil Nadu to around 2.2%, reflecting rapid improvements in health, education, sanitation, and living standards. Assessments attribute these divergent outcomes primarily to differences in governance quality, administrative efficiency, and implementation capacity. Better-governed states exhibit stronger last-mile delivery, lower leakages, higher community participation, effective convergence of schemes, and proactive use of technology for monitoring and grievance redressal.

Empirical studies (2018–2023) consistently find a strong positive correlation between governance indicators—such as those in the Public Affairs Index or state-level e-governance rankings—and poverty reduction effectiveness. For example, southern states’ robust decentralized planning, transparent fund utilization, and focus on skill development and women’s empowerment amplify programme returns. In lagging states, challenges like weak local institutions, political instability, inadequate infrastructure, and lower literacy levels undermine outcomes despite generous central support.

Addressing these disparities requires targeted capacity-building, performance-linked incentives, and greater emphasis on state-specific reforms to ensure that higher allocations translate into equitable and accelerated poverty reduction nationwide.

### Challenges and Criticisms

Despite successes, challenges persist. Leakages, though reduced, still exist in some programmes. MGNREGA faces delays in wage payments, affecting 20% of workers. Gender disparities remain, with women comprising 55% of MGNREGA workers but often in low-skill roles.

Economic critiques highlight dependency creation, with some studies arguing that subsidies crowd out private investment. Climate change impacts rural livelihoods, undermining programme gains. The COVID-19 pandemic exacerbated poverty, pushing 75 million back into poverty in 2020, though government interventions like free food grains mitigated it.

Recent Developments (2018-2023)

Between 2018 and 2023, India accelerated digital integration, with Aadhaar-linked DBT enhancing targeting. The ADP evolved to ADP 2.0 in 2023, incorporating data analytics for real-time monitoring.

Sustainable Development Goals (SDGs) alignment has been key, with India improving on SDG 1 (No Poverty) from a score of 60 in 2018 to 71 in 2023. Innovations like solar-powered irrigation under PM-KUSUM have linked poverty alleviation with green growth.

Conclusion

Poverty alleviation programmes in India have made substantial economic contributions, reducing poverty and fostering inclusive growth. However, sustained efforts are needed to address regional disparities, enhance skill development, and ensure fiscal prudence. Future policies should integrate technology, climate resilience, and private sector participation for greater impact.

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