IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Poverty Reduction And Inclusive Growth In India

Dr. Thimmegowda T.K

Associate Professor of Economics

Government First Grade College

Chikkanayakanahalli. Tumkur District.

Abstract

Poverty reduction and inclusive growth are two of the most important objectives of India's economic development strategy. Economic growth is essential for increasing national income, employment and productive capacity, but growth alone does not automatically ensure that the benefits of development reach all sections of society. Inclusive growth seeks to ensure that the opportunities and benefits generated by economic development are accessible to disadvantaged groups, rural populations, women, small farmers, informal workers, Scheduled Castes, Scheduled Tribes and other economically vulnerable communities. India has made considerable progress in reducing poverty over the past few decades through economic growth, employment generation, social protection, financial inclusion, rural development, improved access to basic services and targeted welfare programmes.

Recent evidence indicates a substantial reduction in poverty. The World Bank's updated analysis reports that the proportion of India's population living below the lower-middle-income poverty line of $4.20 per person per day declined from 57.7 percent in 2011–12 to 23.9 percent in 2022–23. Extreme poverty, measured using the updated international line of $3 per person per day, declined from 27.1 percent to 5.3 percent over the same period. NITI Aayog has also reported a significant decline in multidimensional poverty, with the estimated proportion falling from 29.17 percent in 2013–14 to 11.28 percent in 2022–23, implying that 24.82 crore people moved out of multidimensional poverty during the nine-year period.

Despite this progress, India continues to face challenges relating to inequality, quality employment, regional disparities, rural vulnerability, gender gaps, informal employment, human capital and access to quality public services. This article examines the relationship between poverty reduction and inclusive growth in India and argues that sustainable poverty reduction requires not only faster economic growth but also employment-intensive development, human capital investment, social protection, financial inclusion, women's economic participation and balanced regional development.

Keywords: Poverty, Inclusive Growth, Economic Development, Employment, Inequality, Social Protection, Financial Inclusion, Rural Development, India

1. Introduction

Poverty is one of the most persistent challenges confronting developing economies. It is not merely a shortage of income but a multidimensional condition involving inadequate access to food, housing, education, healthcare, sanitation, drinking water, employment and other essential services. Consequently, poverty reduction requires a comprehensive development strategy rather than a narrow focus on income.

India has experienced substantial economic transformation since the economic reforms of 1991. Liberalisation, privatisation and globalisation increased the role of markets, private investment, international trade and technological development. Economic growth accelerated, new industries emerged and employment opportunities expanded in several sectors. However, the benefits of growth have not been equally distributed among all regions and social groups.

Inclusive growth therefore occupies a central position in India's development strategy. Inclusive growth refers to a pattern of economic development in which opportunities for productive employment, education, entrepreneurship, finance and basic services are available to a broad section of society. It also implies that vulnerable groups should have adequate protection against economic shocks.

The relationship between poverty reduction and inclusive growth is mutually reinforcing. Higher economic growth can create employment and increase household incomes, thereby reducing poverty. At the same time, improvements in health, education, nutrition and financial access enhance the productivity of poor households and enable them to participate more effectively in economic activity.

2. Objectives of the Study

The major objectives of the study are:

1. To examine the trends in poverty reduction in India.
2. To analyse the concept and importance of inclusive growth.
3. To examine the major factors contributing to poverty reduction.
4. To assess the role of employment and economic growth in reducing poverty.
5. To examine the contribution of social protection and welfare programmes.
6. To study the importance of financial inclusion in inclusive development.

3. Research Methodology

The study is based on secondary sources of information. Data and evidence have been collected from NITI Aayog, the Government of India, the World Bank and other published economic reports. The study adopts a descriptive and analytical approach. Poverty is examined from both monetary and multidimensional perspectives. The analysis also considers employment, education, health, social protection, financial inclusion and regional development as important components of inclusive growth.

4. Concept of Poverty and Inclusive Growth

Poverty traditionally refers to a situation in which individuals or households do not have sufficient income or consumption to meet minimum living requirements. However, modern approaches recognise that poverty has several dimensions.

Multidimensional poverty considers disadvantages in areas such as nutrition, child mortality, education, sanitation, drinking water, housing, electricity, cooking fuel and access to financial and other resources. This approach provides a broader understanding of deprivation.

Inclusive growth is broader than economic growth. A country may experience high GDP growth while sections of its population remain excluded from productive opportunities. Inclusive growth attempts to ensure that economic opportunities are widely distributed and that vulnerable populations participate in the development process.

Thus, poverty reduction and inclusive growth should be considered complementary objectives. Poverty programmes provide immediate support, while inclusive economic policies seek to create sustainable opportunities for people to improve their livelihoods.

5. Trends in Poverty Reduction in India

India has made significant progress in reducing poverty. According to the World Bank's 2025 Poverty and Equity Brief, poverty at the $4.20 lower-middle-income poverty line declined from 57.7 percent in 2011–12 to 23.9 percent in 2022–23. Rural poverty declined from 64.9 percent to 27.7 percent, while urban poverty declined from 39.7 percent to 14.3 percent. Extreme poverty at the $3-a-day line declined from 27.1 percent to 5.3 percent.

These figures demonstrate substantial improvement, although poverty remains an important policy concern. The World Bank also notes that the new poverty estimates incorporate the 2022–23 Household Consumption Expenditure Survey and updated 2021 purchasing-power-parity thresholds. The international poverty line for extreme poverty was updated to $3 per person per day, while the lower-middle-income line was updated to $4.20.

Multidimensional poverty indicators show a similar improvement. NITI Aayog reported that multidimensional poverty declined from 29.17 percent in 2013–14 to 11.28 percent in 2022–23. During this period, an estimated 24.82 crore people moved out of multidimensional poverty.

The decline reflects improvements across several dimensions of living standards, including access to sanitation, electricity, housing, cooking fuel, drinking water, financial services and other basic facilities.

6. Economic Growth and Poverty Reduction

Economic growth is an important instrument for poverty reduction. When national output expands, businesses invest, employment opportunities increase and government revenues improve. Higher government revenue can provide greater resources for education, healthcare, infrastructure and social protection.

India's long-term growth experience demonstrates the importance of economic expansion in reducing poverty. However, the nature of growth is equally important. Growth that generates employment and raises the productivity of low-income workers has a greater poverty-reducing impact than growth concentrated in capital-intensive activities.

The World Bank has emphasised the need for job-rich growth as India seeks to achieve higher income levels. Its 2025 assessment noted that India would need average growth of about 7.8 percent over the following two decades to reach high-income status by 2047 and highlighted the importance of creating better jobs, strengthening human capital and promoting structural transformation.

Therefore, India needs a growth strategy that combines investment and productivity with broad-based employment generation.

7. Employment Generation and Poverty Reduction

Employment is one of the most powerful instruments of poverty reduction. A regular and productive job provides households with income, economic security and opportunities for improving living standards.

India's labour market, however, is characterised by a large informal sector. Informal workers frequently face low wages, irregular employment and limited access to social security. Therefore, poverty reduction requires not only more employment but also better-quality employment.

The World Bank has highlighted the importance of expanding productive opportunities in sectors such as agro-processing, manufacturing, hospitality, transportation and care services. It has also emphasised the importance of increasing labour-force participation, improving skills and expanding access to finance.

Employment-intensive manufacturing, construction, modern agriculture, tourism, logistics, healthcare, education and digital services can play an important role in providing opportunities to workers from low-income households.

8. Rural Development and Poverty Reduction

Rural areas have traditionally contained a large proportion of India's poor population. Agricultural productivity, irrigation, rural infrastructure, access to markets and non-farm employment therefore have major implications for poverty reduction.

Rural development programmes can improve household incomes by generating employment and strengthening productive assets. Roads, electricity, digital connectivity, irrigation and storage facilities improve the ability of rural households to participate in markets.

Agricultural diversification is also important. Farmers can increase income by moving beyond traditional crops towards horticulture, dairy, fisheries, food processing and other higher-value activities.

Rural non-farm employment is equally important. Small enterprises, handicrafts, food processing, retail, transportation and rural services can provide alternative employment opportunities when agricultural employment is insufficient.

9. Role of Social Protection

Social protection plays a critical role in reducing poverty and protecting vulnerable households against economic shocks. Public employment programmes, food assistance, pensions, scholarships, insurance schemes and targeted transfers can help households maintain minimum consumption levels.

The importance of social protection became particularly visible during the COVID-19 pandemic. Economic disruptions can quickly push vulnerable households back into poverty. Strong social protection systems therefore act as a safety net during crises.

The World Bank's 2025 global social protection report emphasises that social protection and labour programmes can help households manage crises, escape poverty and access employment opportunities. It also stresses that effective systems need adequate coverage, sufficient benefits and mechanisms that respond to economic shocks.

For India, the challenge is to ensure that social protection reaches informal workers, migrants, women, elderly people, persons with disabilities and other vulnerable groups.

10. Financial Inclusion and Poverty Reduction

Financial inclusion is another important pillar of inclusive growth. Poor households often face difficulty accessing formal banking, credit, insurance and savings instruments. Without access to affordable financial services, they may depend on informal lenders and remain vulnerable to economic shocks.

Expansion of bank accounts, digital payments, mobile banking, microfinance and insurance can improve the economic security of low-income households. Access to formal credit also allows small entrepreneurs and farmers to invest in productive activities.

Digital financial services have reduced some barriers to financial access. However, digital inclusion must accompany financial inclusion. People need adequate digital literacy, reliable connectivity and awareness of financial products to benefit fully from digital services.

11. Education and Human Capital Development

Education is one of the most important long-term instruments for poverty reduction. It increases productivity, improves employability and enables individuals to participate in higher-value economic activities.

Investment in education also has intergenerational benefits. Educated parents are generally better positioned to invest in the nutrition, health and education of their children.

India therefore needs to focus not only on school enrolment but also on learning outcomes, vocational education, higher education and industry-oriented skills. Skill development should be closely connected with labour-market demand.

The development of human capital is especially important in the context of technological change. Artificial intelligence, automation and digitalisation are transforming the nature of work. Workers from disadvantaged backgrounds need access to training that enables them to participate in emerging sectors.

12. Health, Nutrition and Poverty

Health is closely linked to poverty. Poor health can reduce labour productivity, increase household expenditure and force families into debt. Malnutrition can also reduce the educational and productive potential of children.

Universal access to affordable healthcare is therefore an important component of inclusive growth. Investment in primary healthcare, maternal and child health, nutrition, sanitation and clean drinking water can reduce the non-income dimensions of poverty.

Improved sanitation and housing conditions also contribute to productivity by reducing disease and improving living conditions.

13. Women and Inclusive Growth

Women's economic participation is essential for inclusive growth. When women have access to education, employment, financial services, property, entrepreneurship and decision-making, household welfare generally improves.

However, women continue to face barriers relating to employment opportunities, wages, unpaid care work, mobility, access to assets and financial resources.

Policies supporting women's self-help groups, entrepreneurship, skill development, credit access, childcare and safe transportation can increase women's participation in the economy.

The World Bank's recent India development framework places particular emphasis on upskilling youth and women as part of a broader strategy for job-rich and inclusive growth.

14. Regional Disparities and Inclusive Development

India's economic development is characterised by significant regional disparities. Some states and urban regions have high levels of industrialisation, infrastructure and per capita income, while others continue to face deficits in employment, education, healthcare and connectivity.

Regional disparities can limit the effectiveness of national poverty-reduction strategies. Investment must therefore be directed towards less-developed regions through infrastructure, education, healthcare, industrialisation and rural development.

Balanced regional development can also reduce migration pressure on major cities and create employment opportunities closer to people's communities.

15. Major Challenges to Inclusive Growth

Despite significant progress, several challenges remain.

a) **Inequality:** Income and wealth are not distributed equally. Rapid growth can increase opportunities while simultaneously producing concentration of income and assets.
b) **Informal Employment:** A large informal workforce remains vulnerable to low wages, irregular employment and inadequate social security.
c) **Rural-Urban Differences:** Rural households may have weaker access to quality education, healthcare, infrastructure and high-productivity employment.
d) **Gender Inequality:** Women's participation in economic activity remains constrained by social, institutional and economic factors.
e) **Skill Mismatch:** The education and training system does not always provide the skills demanded by emerging industries.
f) **Regional Imbalances:** Economic opportunities are concentrated in particular states, cities and regions.
g) **Climate and Economic Shocks:** Climate change, extreme weather events, health emergencies and economic disruptions can disproportionately affect poor households.

16. Policy Suggestions

The following measures can strengthen poverty reduction and inclusive growth in India:

a) **Promote employment-intensive growth** by encouraging manufacturing, agro-processing, tourism, construction, logistics and care services.
b) **Strengthen agriculture** through irrigation, technology, diversification, storage, processing and improved market access.
c) **Expand social protection** to informal workers, migrants, women and other vulnerable groups.

d) **Improve the quality of education** by focusing on learning outcomes, vocational training and digital skills.
e) **Strengthen healthcare and nutrition** through accessible and affordable public services.
f) **Promote women's economic participation** through skill development, credit, entrepreneurship and supportive infrastructure.
g) **Expand financial inclusion** through banking, insurance, digital payments and affordable credit.
h) **Reduce regional disparities** by directing infrastructure and investment towards less-developed regions.
i) **Support MSMEs** because small enterprises can generate employment and entrepreneurial opportunities on a broad scale.
j) **Improve data systems** so that poverty and vulnerability can be identified more accurately and government programmes can be targeted effectively.
k) **Promote climate-resilient development** because poor households are particularly vulnerable to climate-related shocks.
l) **Combine welfare with productive opportunities** so that social assistance protects households while employment and entrepreneurship programmes help them achieve sustainable income growth.

17. Future Prospects

India's future poverty-reduction strategy must move beyond the traditional distinction between welfare and economic growth. Social protection and economic opportunity should be treated as complementary.

The country's aspiration to become a developed economy requires rapid and sustained economic growth, but such growth must create opportunities for a broad population. The World Bank's current India Country Partnership Framework for FY2026–31 emphasises job-rich private-sector-led growth, rural prosperity, urban transformation, human-capital development, women's and youth skills, infrastructure and climate resilience.

Digital technology provides new opportunities for financial inclusion, education, healthcare, entrepreneurship and government service delivery. At the same time, technological change can create new inequalities if disadvantaged populations lack skills and digital access.

The future therefore requires a balanced strategy based on employment, productivity, human capital, social protection and equal access to opportunities.

Conclusion

Poverty reduction and inclusive growth are closely interconnected dimensions of India's economic development. India has made substantial progress in reducing both monetary and multidimensional poverty. Recent World Bank estimates show a significant decline in poverty between 2011–12 and 2022–23, while NITI Aayog's multidimensional poverty estimates demonstrate substantial improvements in access to basic services and living conditions.

However, poverty reduction should not be considered complete merely because the proportion of people below a particular poverty threshold has declined. Sustainable development requires improvement in the quality of employment, education, healthcare, nutrition, housing, social security and economic opportunities.

Inclusive growth must therefore become an integral part of India's long-term development strategy. Economic growth should generate productive employment, particularly for rural populations, women, youth and economically disadvantaged communities. Investment in human capital should be accompanied by social protection and financial inclusion. Similarly, regional disparities must be addressed through infrastructure, industrial development and improved public services.

India has the potential to achieve substantial further reductions in poverty if it combines high economic growth with employment-intensive development and effective social policies. The ultimate objective should be to create an economy in which every individual has the opportunity to participate in productive economic activity, improve living standards and contribute to national development.

Thus, poverty reduction is not simply a matter of transferring resources to poor households. It is a broader process of expanding capabilities, creating opportunities, strengthening social protection and ensuring equitable participation in economic growth. A development model based on **economic growth, employment, human capital, social security, financial inclusion and regional balance** can provide the foundation for a more inclusive and sustainable Indian economy.

References

1. Government of India. *Economic Survey of India*. Ministry of Finance, Department of Economic Affairs.
2. Government of India. *Union Budget Documents*. Ministry of Finance.
3. NITI Aayog. *National Multidimensional Poverty Index: A Progress Review*. Government of India.
4. NITI Aayog. *Discussion Paper on Multidimensional Poverty in India since 2005–06*. Government of India.
5. Reserve Bank of India. *Handbook of Statistics on the Indian Economy*. Reserve Bank of India.
6. World Bank. *India – Trends in Poverty from 2011–12 to 2022–23: Methodology Note*. World Bank Group.
7. World Bank. *Poverty & Equity Brief: India*. October 2025.
8. World Bank. *June 2025 Update to Global Poverty Lines*. World Bank Group.
9. World Bank. *State of Social Protection Report 2025: The 2-Billion-Person Challenge*. World Bank Group.
10. World Bank. *India: Accelerated Reforms Needed to Speed up Growth and Achieve High-Income Status by 2047*. World Bank Group.
11. World Bank. *India Country Partnership Framework FY2026–31*. World Bank Group.
12. Planning Commission, Government of India. *Twelfth Five Year Plan: Faster, More Inclusive and Sustainable Growth*.
13. Sen, Amartya. *Development as Freedom*. Oxford University Press.
14. Dreze, Jean and Sen, Amartya. *An Uncertain Glory: India and Its Contradictions*. Princeton University Press.
15. Datt, Ruddar and Sundharam, K. P. M. *Indian Economy*. S. Chand Publishing.