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Are northern states ahead in poverty alleviation?

- The National Multidimensional Poverty Index report published by NITI Aayog in 2023 estimates that the number of people who escaped the grip of poverty in India between 2015-16 and 2019-21 is 13.55 crore, which is the highest ever.
- That is, the overall proportion of people living in poverty has decreased from 24.85% in 2015-16 to 14.96% in 2019-21. In rural areas it decreased from 32.59% to 19.28%.

Change in calculation method

- In 1971, economists V.M. Dandekar and N. Rath conducted the first poverty assessment in India.
- Until 2011-12, monthly per capita consumption expenditure was used to measure poverty.
- It was done using consumption expenditure data published by the National Sample Survey Organisation. From 1972-73 to 2011-12, poverty rates were estimated for all states, all India and rural-urban areas on a quinquennial basis separately.
- Niti Aayog has for the first time developed a new comprehensive methodology called the Multidimensional Poverty Index to measure poverty by including various development factors, understanding the shortcomings of measuring poverty based on household consumption expenditure alone.
- It uses 12 indices under the three main factors of health, education and quality of life for 28 States, Union Territories using data from the National Family Health Survey published in 2015-16 and 2019-21. Multidimensional poverty data is currently available for 707 districts.

Decrease in Poverty

- According to the new estimate, the rate of poverty has decreased very fastly
- The number of people living under poverty has declined by an average of 2.70 crore per year between 2015-16 to 2019-21.
- But in the seven years between 2004-05 and 2011-12 based on consumption expenditure, the estimated level of poverty reduction averaged only 1.96 crore per annum.
- That is an average of 74 lakh people are rescued from the poverty line every year as measured by the multidimensional estimate, rather than the poverty level assessed on the basis of consumption expenditure.

BIMARU

- It is true that the pace of poverty reduction has been slow over the years in states like Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh, abbreviated as BIMARU.
- But poverty levels in BIMARU states declined faster in terms of percentage point change than most developed states in the five years between 2015-16 and 2019-21.
- Out of the total 28 states, BIMARU states are ranked top five in terms of poverty reduction.
- Much higher, the percentage point change in poverty rate in Bihar has come down to 18.13%.
- It is followed by Madhya Pradesh (15.94) and Uttar Pradesh (14.75). Odisha (13.65) and Rajasthan (13.56) have seen the largest reduction in poverty.
- Although West Bengal has slightly higher growth indices compared to BIMARU states, it has managed to reduce poverty by only 9.41 percentage points.

- On the other hand, the comparatively developed states of Maharashtra (6.99), Gujarat (6.51) and Andhra Pradesh (5.71). Karnataka (5.20) etc. have reduced poverty at a slower pace compared to BIMARU states.
- Tamil Nadu and Kerala, which have been following the inclusive development policy for many years, have seen the least reduction in poverty in terms of percentage point change.

Population size

- In India, 13.55 crore people were lifted out of poverty in the five years from 2015-16 to 2019-21.
- Uttar Pradesh alone has lifted 3.43 crore people out of poverty.
- It is followed by other Bimaru states like Bihar (2.55 crore), Madhya Pradesh (1.36 crore), Rajasthan (1.08 crore) states have also reduced poverty to a large extent.
- The developed southern states of Andhra Pradesh (30.20 lakh), Karnataka (34.87 lakh), Telangana (27.61 lakh), Tamil Nadu (19.58 lakh) and Kerala (53,239) have lifted the least number of people out of poverty.
- In other words, Bimaru states, which have a population share of 38.05% in India, have lifted 8.12 crore people out of poverty.
- This is 59.92% of the total number of people lifted out of poverty at the All India level.
- But while the share of the developed southern states was 19.71% of India's population, the share of these states was only 8.33% (1.13 crore) in the number of people lifted out of poverty at the all-India level.
- Various development programs have been systematically implemented including education, nutrition, water, sanitation, cooking fuel. Electricity.
- The Multidimensional Poverty Index report released by Niti Aayog has said that the government has been able to reduce poverty to a large extent due to the government's focus on investing in key sectors like housing.

Alternative to the US dollar?

- Money issued by countries of the world through their central banks is valid in the home country and a few neighboring countries.
- However, the US dollar is the only international currency valid in most countries.
- Therefore, countries have to price their exports and imports in US dollars rather than in their own currency. At present, 88% of trade between countries is done in US dollars.

Queries

- Also, 54% of the total foreign exchange reserves held by many governments are treasury bonds of the Federal Reserve, the central bank of the United States.
- Although it is a big country. Economically, America is a country like 195 other countries.
- Why should that country's currency be valid in all countries? Why should many countries hoard it as their country's foreign exchange reserves?
- Why do we have to pay 83 Indian rupees for one US dollar? Questions like this keep being asked.

Main Instrument

- Like it or not, we must understand the world economy apart from the US dollar cannot be defined or changed.
- To such an extent that the US dollar has become the main instrument of the world economy for a few decades.

Why and how?

- Until the outbreak of World War II, for almost a hundred years, England was a rich country that dominated many countries.
- Its sterling pound was used as the world's reserve currency.
- During the six-year World War II, many major countries, including England, came under attack, and when the war ended, their economies were in dire straits.
- The United States was the only major economy that was largely unaffected.

Bretton Woods

- In 1944, a United Nations financial conference was held at Bretton Woods in New Hampshire.
- 730 representatives of 44 countries participated in it, took some decisions and signed the Bretton Woods agreement.
- Accordingly, it was decided that the United States dollar could be used as a neutral currency to give value to the currencies of other countries, and that the United States should keep a corresponding amount of gold reserves to print dollars.
- An ounce of gold was determined to be worth \$35 per initial calculation. Accordingly, if the US dollar is surrendered, the US Fed should provide gold equivalent to that value.
- Those that were started then, both the International Monetary Fund (IMF) and the World Bank are still in operation.
- A few years later, it was alleged that the US dollar was being printed without gold.

Richard Nixon

- Then, in 1971, US President Richard Nixon concluded the Bretton Woods Agreement. He said that we can no longer keep the gold equivalent to print the dollar.
- Anticipating that world countries might not use the American dollar for trade, Henry Kissinger signed an agreement with Saudi Arabia.

Saudi Agreement

- In that agreement America promised military protection to Saudi Arabia, the world's largest producer of crude oil.
- For which the Saudis have to sell crude oil only to those who pay US Dollars. The treaty was signed on 8th June 1974.
- So to buy crude oil, to get credit for it, to ship it, to get insurance for it, whatever, American companies, American money, the American swift financial system was used. The dollar, once again, continued to be the international currency.
- The petro-dollar deal, which continued for 50 years, will end in June 2024 and it is reported that a renewal is not possible.
- America benefits in many ways, since the US dollar is a currency required for trade by various countries, and a treasury bond that can be used as foreign exchange reserves, the US-dominated SWIFT Financial System (Society for Worldwide Interbank Financial Telecommunication (SWIFT)),
- Apart from all this, the US has been imposing trade embargoes and embargoes in the SWIFT system to freeze the economies of countries that oppose its dominance.

BRICS

- To get out of these problems, Brazil, Russia, India, China and South Africa joined together in 2009 to form BRICS.
- In 2024 January Iran, Egypt, Ethiopia, Saudi Arabia and UAE also joined.
- NATO member states have reported to join the grouping along with Turkey
- The BRICS organization has created a New Development Bank to replace the World Bank and the International Monetary Fund (IMF).
- Due to sanctions imposed by the US government, Russia has developed an alternative to SWIFT, the 'System for Transfer of Financial Messages' (SPFS).
- Similarly, China has developed an arrangement called 'Cross Border International Payment System' (CIPS). Efforts are underway to consolidate these.