

Poverty Alleviation through Social Welfare Schemes: Evidence from India

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Article Received 19-06-2025, Revised 25-07-2025, Accepted 22-08-2025
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Abstract

India's poverty reduction story over the last two decades is increasingly explained not only by growth, but also by the scale and design of social welfare schemes that address multiple deprivations—food insecurity, inadequate housing, low human capital, weak livelihoods, and vulnerability to shocks. This paper assesses poverty alleviation through major welfare interventions in India using (i) national multidimensional poverty evidence, and (ii) scheme output indicators from flagship programs such as the National Food Security Act (NFSA) framework (including large-scale food support), MGNREGA, PMAY-G, and DAY-NRLM. Evidence from India's National Multidimensional Poverty Index (MPI) shows a sharp decline in multidimensional poverty headcount ratio from 24.85% (2015–16) to 14.96% (2019–21), with projections suggesting 11.28% by 2022–23; an estimated 24.82 crore people exited multidimensional poverty between 2013–14 and 2022–23. The paper explains the economic pathways through which welfare schemes reduce poverty—consumption smoothing, risk protection, asset creation, and improved access to services—while identifying implementation challenges (targeting, portability, payment delays, and quality of assets). The study concludes that India's welfare architecture has played a material role in lowering multidimensional deprivation, but future gains depend on improved governance, convergence, and outcome-based monitoring.

Keywords: Poverty alleviation, social welfare schemes, India, multidimensional poverty, NFSA, MGNREGA, PMAY-G, DAY-NRLM, inclusive development.

1. Introduction

Poverty is multidimensional: households experience deprivation in food, health, education, housing, sanitation, energy, and livelihoods. Purely income-based approaches can underestimate vulnerability, especially when families face frequent shocks such as illness, drought, inflation, or job loss. In developing economies, welfare schemes are therefore justified not merely as transfers but as **developmental investments** that reduce deprivation and enhance productive capacities.

India's welfare system is among the world's largest by scale and coverage. The evidence base increasingly uses multidimensional measures. NITI Aayog's MPI discussion paper documents a steep decline in India's multidimensional poverty headcount ratio over time, providing a macro-level lens to evaluate whether broad policy and welfare expansion has coincided with reduced deprivation.

2. Objectives

1. To assess the role of major social welfare schemes in poverty alleviation in India using recent multidimensional poverty evidence.
2. To explain the economic channels through which schemes reduce poverty (food security, employment, housing assets, livelihoods/credit).

3. To present scheme-scale indicators and link them to poverty outcomes.
4. To identify implementation challenges and policy options to strengthen poverty-reduction impact.

3. Methodology and Data Sources

This is a **policy-empirical assessment** using secondary data from official sources:

- **Multidimensional poverty:** NITI Aayog MPI discussion paper providing national MPI headcount ratios across years (NFHS-based; some projected).
- **Food security coverage:** NFSA portal and official statements on statutory coverage. (nfsa.gov.in)
- **Employment guarantee:** official MGNREGA persondays generated reported in a PIB release. ([Press Information Bureau](https://pressinformationbureau.gov.in))
- **Rural housing:** official PMAY-G completion numbers from PIB releases. ([Press Information Bureau](https://pressinformationbureau.gov.in))
- **Livelihoods/credit:** DAY-NRLM SHG bank-linkage progress reported in official documents/PIB. ([Press Information Bureau](https://pressinformationbureau.gov.in))

4. Evidence on Poverty Reduction in India

4.1 Multidimensional Poverty Decline (MPI evidence)

NITI Aayog's MPI discussion paper shows the following **headcount ratio** (% of population multidimensionally poor):

- **2005–06:** 55.34%
- **2015–16:** 24.85%
- **2019–21:** 14.96%
- **2022–23 (projected):** 11.28%

The same official release notes an estimated **24.82 crore** people escaped multidimensional poverty between **2013–14** and **2022–23** (projected trajectory), with a decline in headcount ratio from **29.17% to 11.28%**. ([Press Information Bureau](#))

Interpretation: This evidence strongly suggests broad-based improvement across multiple deprivation indicators (education, health, living standards) rather than only income growth. ([Press Information Bureau](#))

5. How Social Welfare Schemes Reduce Poverty: Economic Channels and Scheme Evidence

5.1 Food Security and Consumption Stabilization (NFSA/TPDS and related food support)

Food insecurity is one of the most direct deprivations linked to poverty. Under the **National Food Security Act (NFSA), 2013**, the law entitles **up to 75% of rural** and **50% of urban** population to subsidized foodgrains—about two-thirds of India's population in coverage terms. (nfsa.gov.in)

Economic channel:

- By lowering the effective price of staples, food support increases **real income** for poor households (especially during inflation or income shocks).
- It improves nutrition stability, which can support productivity and reduce health-related poverty traps.

5.2 Employment Guarantee and “Risk Insurance” (MGNREGA)

MGNREGA acts as a rural safety net by providing wage employment and supporting local demand. Official reporting indicates:

- **309.01 crore persondays** generated in **FY 2023–24** (and 389.09 crore in FY2020–21). ([Press Information Bureau](#))

Economic channel:

- **Income smoothing** during lean agricultural seasons and crises.

- **Local multiplier effects:** wages spent in rural markets raise demand for essentials and services.
- **Asset creation** (water conservation, land works, rural infrastructure) can improve productivity over time.

5.3 Housing as a Productive Asset (PMAY-G)

Housing affects poverty through living conditions, safety, health, dignity, and potential home-based livelihoods. PIB reporting notes:

- Under PMAY-G, **2.81 crore houses were completed** as of **29.07.2025** (with cumulative targets and allocations described in the same release). ([Press Information Bureau](#))

Economic channel:

- Creates **durable household assets** that reduce vulnerability.
- Generates rural construction employment and local procurement demand.
- Improves health outcomes by reducing exposure-related illness (indirect poverty reduction).

5.4 Women-led Livelihoods and Credit (DAY-NRLM)

DAY-NRLM targets poverty reduction by organizing women into SHGs, enabling credit linkage, and supporting livelihoods. An official NRLM progress document reports:

- **86,99,391 SHGs** with outstanding bank loans; **₹2,31,187.02 crore** outstanding (as of early Dec 2023 in the cited document). ([Press Information Bureau](#))

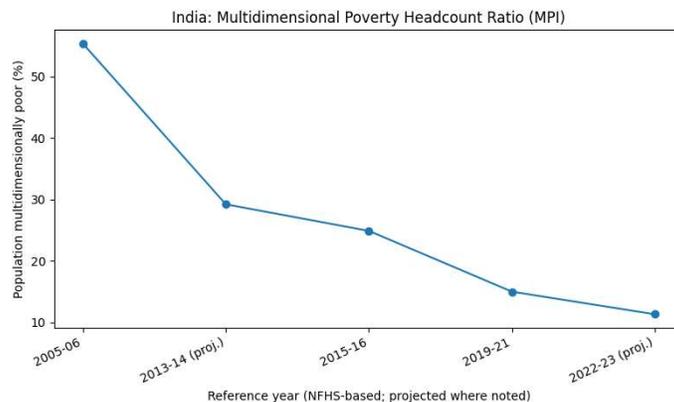
PIB also highlights institutional reforms such as dedicated portals and mechanisms to strengthen SHG–bank linkage. ([Press Information Bureau](#))

Economic channel:

- Overcomes rural credit market failures (high-cost informal borrowing).
- Supports micro-enterprises, diversification beyond casual wage work, and women's empowerment.

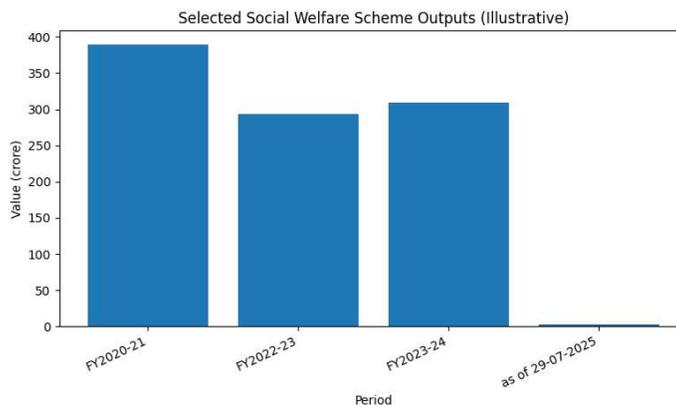
6. Figures and What They Suggest

- **Figure 1 (MPI trend)** shows a steep, long-term decline in multidimensional poverty headcount ratio, with accelerated reduction between 2015–16 and 2019–21 and a projected decline by 2022–23.



• **Figure 2 (scheme outputs)** illustrates the massive scale of scheme operations—MGNREGA employment generation and

PMAY-G housing completions—consistent with large welfare “inputs” that plausibly contribute to reduced deprivation



Caution: These figures demonstrate *co-movement and plausible pathways*, not strict causality. Establishing causal impact requires household-level microdata with quasi-experimental designs (DiD, RDD, IV), and controls for growth, prices, and state capacity.

7. Implementation Challenges

Even well-designed welfare programs can lose effectiveness due to:

1. **Targeting and exclusion errors** (eligible households missed; inclusion of non-eligible).
2. **Portability/last-mile delivery gaps** (migration, authentication issues, weak outreach).
3. **Payment delays and administrative frictions** (especially critical for wage-based schemes like MGNREGA).
4. **Quality and maintenance of assets** (roads/housing/works must remain durable to create long-run gains).
5. **State capacity heterogeneity** leading to uneven outcomes across districts.

8. Policy Recommendations

1. **Shift monitoring from outputs to outcomes:** track nutrition, school completion, asset durability, enterprise survival—not only “persondays” or “houses built.”
2. **Convergence approach:** align MGNREGA works with watershed/climate resilience; integrate housing with WASH and energy access to maximize multidimensional gains.
3. **Strengthen grievance redressal and transparency:** expand social audits and real-time dashboards for payments and asset quality.
4. **Improve SHG livelihood market linkages:** beyond credit, ensure procurement/value chain support to sustain income improvements.
5. **Update and rationalize targeting periodically:** reduce exclusion errors while maintaining fiscal sustainability.

9. Conclusion

Evidence from India’s official multidimensional poverty estimates indicates a substantial reduction in deprivation over time, including a steep fall from 24.85% (2015–16) to 14.96% (2019–21) and a

projected 11.28% by 2022–23, with an estimated 24.82 crore people exiting multidimensional poverty between 2013–14 and 2022–23. The scale of welfare schemes—statutory food security coverage under NFSA, large employment generation under MGNREGA, mass housing delivery under PMAY-G, and SHG-credit expansion under DAY-NRLM—provides credible economic pathways for poverty alleviation via consumption support, risk protection, and asset formation. (nfsa.gov.in) Future poverty reduction will depend on governance quality, payment timeliness, convergence, and outcome-based measurement rather than output expansion alone.

References

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- NFSA portal (legal coverage up to 75% rural and 50% urban). (nfsa.gov.in)
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