

Poverty and Crime: Impact of socioeconomic factors on crime in India

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Abstract

Economic analysis of crime and criminal law addresses the question of individual welfare (utility) maximization through optimal allocation of resources and time in accordance to their relative returns. India is chosen as the case study because it has to carefully channel its funds and resources towards economic growth, poverty alleviation and crime deterrence concomitantly. The results indicate a positive and statistically significant impact of poverty, inequitable income growth and low quality of the legal system on incidence of total property-related crimes. Moreover, the elasticity figures suggest that poverty has the highest impact on robberies. Most convincing result comes from the figures of elasticity of education with crime.

Introduction

Crime undoubtedly is prevalent everywhere in all countries in multifarious forms. Suggesting that there exists a connection between poor and criminals is to draw sharp criticisms and accusations on ethical and moral grounds. This could have connotations that poor people are innately criminal. In this research work, I attempt to delve deeper in to this controversial topic¹. Economic analysis of crime and criminal law addresses the question of individual welfare (utility) maximization through optimal allocation of resources and time in accordance to their relative returns. Becker (1968) suggested various determinants of crime and a lot of theoretical and empirical investigation has gone through this topic since then. However, there is a lacuna in the literature with respect to developing countries. Numerous works focussed on the developed world, United States in particular. Like all models in economics, the economic model of crime involves rational utility maximising agents. The parties involved are the criminals, non criminals and the State. The first ones determine the supply while the other two determine the demand of crime. The State is the only actor that can determine both these mechanisms. The purpose of this study is not to delve into these mechanisms but to inspect what role poverty plays in criminal activities. I will try to answer the question- To what extent is poverty and social backwardness responsible for crime becoming a dominant fact of Indian urban life and also a growing blight on its countryside?

On one hand, there are crime theories with roots in sociological studies and methodology. In particular, strain, ecology and opportunity theories try to establish linkages between socio economic factors of an individual/ society with criminal behaviour/ tendencies. On the other hand, social control and learning theories link these factors to society' s failure to control criminal tendencies and how individual get involved in (learns) criminal activities (Allen, 1996; Hughes and Carter, 1981; Bernard, 1987; Brown, Esbensen and Geis, 1991). Such assortment of theoretical findings offers us diverse (and at times confusing) relationships between socio economic conditions and crime. This paper attempts to investigate the relative impact of poverty along with certain deterrence and socio-economic variables on crime rates in Indian States.

High crime rate plagues several countries and has detrimental multi dimensional effects. Most importantly, it tends to hamper standard of living and the overall quality of life. Also, there is a potential vicious cycle between crime, unemployment and poverty. Prevalent criminal activities erode employment opportunities and are exacerbated by high unemployment rates. This further leads to increase in poverty rates through lack of accumulation of assets. On another dimension, crime can increase the cost of doing business thereby affecting entrepreneurial activities and overall business climate of a country. In worst circumstances, it might even ' drive out foreign as well as domestic investments and decrease availability of productive labour and skilled manpower' (Dutta and Husain, 2009). Due to an absence of safety nets and lack of resources for poor in developing countries, crime also has additional costs for these people. Consequently, the poor are unable to mitigate the resulting loss of productivity which further affects their livelihood options (UN, 2005). World Bank (2006) estimated that a 10 percent reduction in the homicide rate may raise per capita income of Brazil by 0.2 - 0.8 per cent over the next five years. Thus, crime might undermine development goals and strategies of developing countries.

Therefore, from a macro perspective, crime has negative effects on the aggregate socio economic fabric of a country and especially affects developing countries (such as India) whose macroeconomic sectors (such as tourism) and the critical foreign outsourcing dependent business activities that are highly sensitive to high crime rates. It is well understood that developing countries are resource scarce and need to efficiently allocate them for their best utilization. A country like India, which has to battle high crime and widespread poverty, has to carefully channel its funds and resources towards poverty alleviation, crime deterrence among other issues. In this regard, any intervention can be effective only if it is based on a good understanding of crime and its determinants. Needless to mention, research that identifies these

determinants and further explores crime-poverty linkages (among other socio economic factors) has substantial policy relevance.

It is important at this juncture to throw some light on the endogeneity problem that arises due to possibility of joint causality between poverty and crime. This has been addressed by researchers in numerous studies mainly focussing on crime deterrence variables such as expenditure on police force or number of police officers. Activities by poor people could be more likely criminalized because they lack power to influence criminal law compared to the wealthy people who can lobby to avoid their acts to be criminalized. In this scenario, inevitably there will be a high correlation between poverty and crime. If the criminal justice system is subject to such manipulation (which could be a result of rampant corruption and red-tape) then poor will more likely get convicted than the wealthy for the same underlying act. In this study, however, this problem is not relevant because criminal law is taken as exogenous in the model. Quality of legal system is taken into account to control for any association between crime and poverty due to poor and inefficient criminal justice system. Moreover, it was found that the pair-wise correlation coefficients between poverty, inequality and crime were small and rather insignificant. To consider any association between crime and poverty arising due to gap between rich and poor, income inequality is included in the model. Nevertheless, this relationship might be more complex than anticipated and such issues which lie in the purview of the political economy of criminal law (which could itself provide an explanation for this) are outside the domain of this paper.

Poverty and Crime in India

In India, the Criminal Procedure Code divides crimes into two heads: cognizable and non-cognizable. In the former, police is responsible to take quick action on basis of a complaint received or on receipt of credible information. Some cognizable crimes fall under the category of Indian Penal Code (IPC) while others come under the Special and Local Laws (SLL). Non-cognizable crimes, on the other hand, are supposed to be handled, pursued and managed in the Court by the affected parties. This study deals only with IPC crimes related to property. There are two reasons why SLL crimes are not part of this study. First, the goal of this study is to undertake the inter linkages between poverty and those crimes which are economic goal oriented. SLL crimes such as illegal possession of arms or copyright violation are typically not associated with people who live under poverty line. Second, SLL crimes and IPC crimes differ a lot in terms of motivation and enforcement mechanism (Dutta and Husain, 2009).

There are three reasons why Indian case was chosen to carry out this research. Firstly, large scale poverty which, even more than 50 years after independence from almost two

centuries of British rule, remains the most shameful blot on the face of India. India, the world's largest democracy, accounts for almost a sixth of world's population, out of which more than 450 million people are poor-almost one third of world's poor and the largest in a single country. Almost, three fourth of the total population resides in rural areas while close to 40 per cent are illiterates. To juxtapose more to these statistics, more than 1.8 million total cognizable crimes were committed alone in the year 2006. It might be the case, as I hypothesise in this work, is that some poor (not chronically poor), who are vulnerable to fall under the poverty line, indulge in criminal activities as a consumption smoothing strategy.

Second, aggregate crime rate has been increasing overtime in India. According to a UN Study, India ranks 10th in the world in terms of total crimes committed. In 2007, a total of 860,247 criminal cases were reported out of which the share of property-related crimes is the maximum at 376,262 cases in the same year. This is little more than 20 per cent of total IPC (Indian Penal Code) crimes and it reported an increase of 1.8-3.2 per cent over the last eight years. Apart from the economic motivation related to property crimes, the fact that the rate of such crimes is more than 33 per cent while the conviction rate is merely 39.4 per cent is also the reason why property-related crimes were chosen for this study. Violent crimes are generally driven by psychological and social factors rather than driven by economic considerations. According to the National Crime Records Bureau (NCRB) of India, a governmental agency responsible for collecting and analysing crime data, in every 19 minutes in India one person is murdered while one woman is raped in every 29 minutes; one kidnapping takes place in every 23 minutes and finally one property crime takes place every five minutes.

Lastly, it is one of the fastest emerging economics and is, at the same time, battling with the problem of widespread poverty, inequality and crime. It serves as one of the best examples of a developing country opening itself to the globalized world while using its limited resources to fight against these ill effects.

Table 1: Top 13 countries by different crime heads

Total Crimes		Total Convicted		Murders		Burglaries		
Rank	Figures	Country	Figures	Country	Figures	Country	Figures	Country
1	11,877,218	US	3,576,010	Egypt	37,170	India	2,151,875	US
2	6,523,706	UK	1,436,552	UK	28,904	Russia	1,055,812	Germany
3	6,507,394	Germany	1,183,630	Russia	26,539	Colombia	951,418	UK

4	3,771,850	France	1,069,550	France	21,553	South Africa	436,865	Australia
5	2,952,370	Russia	972,124	Turkey	16,204	United States	393,959	South Africa
6	2,853,739	Japan	923,769	Japan	13,144	Mexico	370,993	France
7	2,683,849	South Africa	667,061	Poland	8,022	Venezuela	304,625	Poland
8	2,516,918	Canada	604,547	India	6,553	Philippine S	296,486	Japan
9	2,231,550	Italy	522,916	Germany	5,140	Thailand	274,894	Canada
10	1,764,630	India	468,984	Thailand	4,418	Ukraine	169,430	Italy
11	1,543,220	Korea, South	329,784	Canada	3,453	Argentina	139,679	Mexico

Source: The 8th United Nations Survey on Crime Trends and the operations of Criminal Justice Systems (2002), UN Office on Drugs & Crime, Centre for International Crime Prevention

Table 1 shows countries that have the highest number of crimes (including murders and burglaries) and convictions. It is confirmed that India has one of the highest crime rates in the world. The point to note here is that most of the countries in the table are rich and developed nations and India is overburdened by not only high poverty rates but also excess crime. In my understanding, the closest any research linking crime and poverty in India was done by Dreze and Khare in 2000. Their study revealed that violent crimes (murder rates) in India have no relation with poverty or urbanization. This is a study of determining how poverty affects property crime across individual states in India.

Conclusion and way ahead

In direct contrast to some views that fighting poverty, inequality and social disorganization is not helpful for reducing crime, the findings indicate that property crime increases with incidence of absolute poverty and that income distribution and social structure apparently have impact on property crime activity when controlled for other socioeconomic factors. In addition, the alternative (political) view of fighting crime with effective poverty alleviation programmes along with strong criminal justice actions is consistently supported. These findings also indicate that macroeconomic stability (especially high growth and employment) policies, *per se*, cannot reduce property crimes. These policies only if combined

with pulling poor people above poverty line, raising their standard of living and social progress can abate crime. From a policy perspective these results imply that enhancing human capital accumulation can reduce crime. This can be carried out through strengthening education system and making education institutions robust and efficient can upgrade labour market productivity and expected incomes of individuals. This combined with suitable deterrence measures and good quality reliable judiciary are likely to be most critical ingredients in reducing crime.

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