Chapter 5: Poverty GSEB Class 12 Economics — Complete Board Exam Notes

Chapter Index

INTRODUCTION

Poverty is such a situation existing in the economy under which one class of economy is unable to fulfill the minimum basic needs. In most of the developing economies, where the per capita income is very low and there exists high level of income inequality, a large portion of poor population cannot enjoy a healthy life because of unavailability of minimum basic requirements such as nutritive food, clothes, proper housing.

On the other hand, rich and resourceful class enjoys high income and high standard of living. Due to existing economic inequality in the country, the society faces dissatisfaction, restlessness, hatred and class conflict.

According to HDR 1997: **'Economic Development is a resource and Human Development is the goal.'** So, it is expected that economic development should result in reduction in poverty. Unless there is reduction in income inequality and poverty, economic development cannot be said to be the Development in true sense.

Poverty eradication was one of the main goals of some of the five year plans in this context. Especially in the fifth five year plan and following plans, poverty eradication and alleviation special programmes and schemes were started but poverty could not be reduced to the targeted level.

5.1 MEANING OF POVERTY

A situation where a major portion of population cannot even satisfy their minimum requirements are said to be poor. If a larger population is living below the minimum required standard of living, there exists wide-spread poverty.

Poverty being a **relative concept**, its meaning changes with change in time, place and society. In most of the interpretations of poverty, an average standard of living is considered as base and existing inequalities in society are shown.

In this context, poverty can be divided into two parts:

- **(1) Traditional meaning of poverty** or income poverty
- **(2) Modern meaning of poverty** or non-income poverty

According to income definition of poverty:

> ***"A certain normative minimum level of per capita consumption expenditure required to ascertain minimum basic needs and services is called poverty line."***

All people who have less than required income or spend less than required minimum expenditure are said to be poor. According to this interpretation, **Poverty is a state of scarcity**.

In India, poverty line is defined in reference to consuming minimum required calories or minimum consumption expenditure required to get minimum calories. But the limitation of this method is that it only shows the situation of non-availability of food or starvation. Poverty is NOT only a situation of starvation.

In the concept of minimum required standard of living, apart from food, other necessities such as clothing, housing, education, health, cleanliness, pure drinking water are also included — and then only the **non-income poverty** has become a popular modern concept of poverty.

According to modern economists, income poverty is only one of the important elements of poverty but it only reflects a single aspect of human life. Freedom of choice in occupation which is available to rich is never available to poor. To get a broader meaning of poverty, income should not be the sole measuring rod of deprivation but other important elements of human development such as **knowledge, long and healthy life, good standard of living, individual freedom, availability of opportunities and a life with choices and self-respect** should also be considered.

UNDP, while preparing a development report through HDI (Human Development Index) and HPI (Human Poverty Index), included three important parameters namely **Knowledge, Health and Standard of living**. Under which: knowledge - literacy rate and enrollment ratio; for health - life expectancy; and for standard of living - per capita total house production is considered.

5.2 NATURE OF POVERTY

According to its nature, economists have divided poverty in two parts: (1) Absolute Poverty (2) Relative Poverty

5.2.1 ABSOLUTE POVERTY

The minimum expenditure or income required to satisfy the minimum basic needs and services is known as **Poverty line**. The population having income or expenditure below this poverty line are said to be **Absolutely poor**. Absolute poverty is also known as **complete poverty**. The concept of Absolute poverty helps us to categorize people living below poverty line and to reduce poverty among these, target-oriented policies can be framed.

5.2.1.1 Poverty Line

To understand the level of absolute poverty, the minimum consumption expenditure required to fulfill the minimum physical amount of cereal, pulses, milk, butter, etc. should be studied.

Committee / Year	Poverty Line Decided	Basis / Prices
ICMR (Indian Council of Medical Research)	Rural: 2400 cal/day Urban: 2100 cal/day	Minimum calorie requirement per person per day
Planning Commission, 1969	■20 per capita per month	1960-61 prices as base year
Dandekar and Rath	Rural: ■15/capita/month Urban: ■22.50/capita/month	1960-61 prices
Prof. D.T. Lakdawala Committee	Rural: ■49/capita/month Urban: ■57/capita/month	1973-74 prices (poverty for 1993)
Prof. Suresh Tendulkar Committee (2009)	Rural: ■816/month Urban: ■1000/month	2011-12; included education and health expenditure too
International Poverty Line (PPP)	$1.25/day (2005) → $1.90/day (2015)	Purchasing Power Parity; allows uniform comparison across nations

Table: Evolution of Poverty Line in India

■ Limitation of poverty line: It only takes calorie consumption into account. But poverty is an economic situation and hunger is a physical situation. So poverty line becomes 'starvation line'. To make it more progressive, the Tendulkar Committee (2009) also included expenditure on education

and health.

Measurement of Absolute Poverty in India: In the 68th round of NSSO (National Sample Survey Organisation) (2011-12) using per joint family expenditure data, Tendulkar committee estimated that in India, in the year 2004-05, the measurement of absolute poverty was 37.2% which reduced to 21.9% in the year 2011-12.

Poverty	2004-05 (%)	2011-12 (%)
Rural	41.8	25.7
Urban	25.7	13.7
Total	37.2	21.9

Table 5.1: Measurement of Poverty in India (%) — Source: Economic Survey 2015-16

Interpretation: In rural India, poverty reduced from 41.8% (2004-05) to 25.7% (2011-12). In urban areas from 25.7% to 13.7%. Total poverty reduced from 37.2% to 21.9% — a significant reduction but still high.

Poverty % Below Poverty Line	States (2011-12)
Below 10%	Goa, Kerala, Himachal Pradesh, Sikkim, Punjab, Andhra Pradesh
10 to 20%	Jammu & Kashmir, Haryana, Tamil Nadu, Gujarat, Rajasthan, Maharashtra, Tripura, Nagaland, Meghalaya
20 to 30%	West Bengal, Mizoram, Karnataka, Uttar Pradesh
30 to 40%	Madhya Pradesh, Assam, Odisha, Bihar, Arunachal Pradesh, Manipur, Jharkhand, Chhattisgarh

Table 5.2: State-wise Magnitude of Poverty in India (2011-12) — Source: Economic Survey 2015-16

Interpretation: Goa has the lowest poverty at 5.09% and Chhattisgarh has the highest at 39.93% (Annual Report 2013). States like Bihar, Odisha, Jharkhand, Chhattisgarh have the highest poverty.

5.2.2 RELATIVE POVERTY

In the concept of absolute poverty, the minimum consumption expenditure required for satisfying minimum needs is taken into consideration. But in the concept of **relative poverty, income inequality existing in different groups of people living in society is considered**. Commonly in every economy, income disparity is seen — in that case lower income class is considered relatively poor than the higher income class.

To study Relative Poverty, society is divided into different income groups and unequal distribution of income is studied. Relative poverty exhibits the level of income inequality among different class of people.

Group	Income Group (In ■)
Group 1	0 – 30,000
Group 2	30,000 – 1 Lakh
Group 3	1 Lakh – 3 Lakh
Group 4	3 Lakh – 10 Lakh
Group 5	10 Lakh and above

Table 5.3: Income Groups for Studying Relative Poverty (Hypothetical Example)

People in group 1 are relatively poorer than group 2. People in group 2 are relatively poorer than groups 3, 4 and 5. To measure relative poverty or income inequality, generally **formation of income groups, Lorenz curve**

and Gini co-efficient are useful.

It is argued in context of India that as a rapidly developing economy, instead of studying the concept of poverty and poverty line, **relative poverty or unequal distribution of income** should be considered.

5.3 INDICATORS OF POVERTY

The level of poverty and their components are called its indicators. In our country various factors showing poverty are known as its indicators. Indicators are useful to know poverty and levels of poverty. The 11 Indicators of Poverty are as follows:

5.3.1 Per Capita Household Consumption Expenditure

Per Capita household expenditure is the amount of income a family spends on an average on consumption of goods and services. It is calculated at the market prices of durable goods like cars, washing machines, computers and so on. The nation's total spending on such goods is divided by the total population to calculate this. The per capita consumption expenditure for developing countries is much lower than that of the developed countries — in this sense, developing countries are poor.

Countries	Per Capita Consumption Expenditure (Fixed price of 2005 in US$, Year 2014)
US	31,469
UK	25,828
Japan	22,149
Pakistan	603
China	1,420
India	725

Table 5.4 — Source: www.worldbank.org

Interpretation: India's per capita household consumption expenditure (■725 in 2014) is very less compared to US ($31,469) and UK ($25,828). India is poorer than even China ($1,420) but better than Pakistan ($603).

5.3.2 Level of Malnutrition

Malnutrition is such a situation in which the food taken by individual lacks calories proteins, carbohydrates, vitamins and minerals. In India, inspite of an increase in agricultural production, people with low income are unable to get nutritive food because of low per capita income and unequal distribution of income.

Year	Total Malnourished People (in %)
1990-92	23.7
2000-02	17.5
2005-07	20.5
2010-12	15.6
2014-16	15.2

Table 5.5 — Source: Economic Survey, 2015-16

Interpretation: Malnourishment has generally decreased from 23.7% (1990-92) to 15.2% (2014-16). But note the rise in 2005-07 (20.5%). According to FAO 2015 report, India ranked 2nd in the world in measurement of malnourishment — indicating high poverty.

5.3.3 Life Expectancy and Infant Mortality Rate

Life expectancy means how long a new born baby is expected to live on an average. The average life expectancy of people in a country is based on nutritive food, cleanliness, pure drinking water and health services. Poor people are deprived of such facilities so they have low life expectancy.

Infant mortality means number of death taking place per thousand children born before reaching the age of one year. The rate of infant mortality depends on availability of health services, mother's education, vaccination among children and nutrition of food. Infant mortality is also an indicator of poverty in respect to poor health services.

Countries	Life Expectancy (in years, 2014)	Infant Mortality (per 1000, 2014)
Norway	81.6	02
USA	79.1	06
Sri Lanka	74.9	09
China	75.8	10
India	68.0	39

Table 5.6 — Source: HDR-2015, Economic Survey (2015-16)

Interpretation: India's life expectancy (68.0 years) is even lower than China (75.8) and Sri Lanka (74.9). India's infant mortality rate (39 per 1000) is very high compared to Norway (2), USA (6). This shows the high level of poverty and poor health services in India.

5.3.4 Medical Facilities

In health sector, doctors, nurses, compounders etc. are included and their scarcity adversely affects health services. India, as compared to other countries, lacks medical services and doctors.

- In developing economies: every **6,000 population, one doctor** is available.
- In developed economies: every **350 people, service of one doctor** is available.
- In developing countries, every year **1.7 crore people die from diarrhoea, Malaria and T.B.**
- In the whole world, **2.3 crore people are suffering from AIDS. Out of this, 90% belong to developing economies**.

5.3.5 Drinking Water

Health of population is very much connected to drinking water and facilities of cleanliness. According to the **Census Report 2011**:

- **63.3%** families get pure drinking water through treated source.
- **8.67%** families get untreated tap water.
- **26%** people get water from other sources such as well, handpump, tubewell, spring, river, canal, pond.

In the absence of pure drinking water, polluted water (contaminated) increases the chances of having water borne diseases and hence makes the problem of poverty more severe.

5.3.6 Provision of Toilets

According to the census report 2011 in India, **70% of total population lives in villages**. They are more prone to water borne and contagious diseases. Cleanliness is very important and toilet facilities are a must.

Total Families	Toilet facility within house	Houses without toilet facility
100%	66%	34%

Table 5.7: Classification of Slum Families with Toilet Facilities

In India, 66% houses have toilet facility within house whereas remaining **34% families use common toilets**. Lack of cleanliness, pollution and physical weakness, keeps the production and productivity at low level, which is one of the factors of rise in poverty.

5.3.7 Housing

One of the indicator of poverty is also housing facilities and its nature. Developing countries lack housing facilities. People live in dirty hutments and slums. This is called measurement of existing poverty. Housing is a primary need for human beings.

- Types of housing facilities decides the level of poverty — construction of house, varandah, members in the house, tap in the house, drainage, electricity facilities, etc.
- India lacks houses with full facilities. In India, **60 crore people have dwellings which are dangerous for their health and risky for their lives**.
- Most of the houses in India comprise of **one room facility** which is one of the major measuring rods of poverty.

5.3.8 Electricity Consumption

One of the major factors in the development of any country is electric facility. To increase the production of country and quality of life of people, electricity is imperative. India is a main producer and consumer of electricity. Then also, because of high population and low per capita income, **per person electricity consumption is very less**.

5.3.9 Education

According to the World Bank, people in the age group of **15 years and above who can read and write are literate**, and the rest are illiterate and they are mostly poor. Lack of education and training gives rise to incapable and less productive labourers in the country. As a result, labourers get limited work opportunities and choices. Hence less wages and low income increases poverty.

- Brazil literacy rate (2011): **91%**
- India literacy rate (2011): **74.04%**
- Nepal: **60% |** Pakistan: **55%**

This shows that in developing countries, the literacy rate is comparatively very less. Low education among poor makes them conservative and less acceptable to changes. High rate of ignorance is a strong indicator of poverty.

■ **Only level of per capita income cannot give the right estimate of poverty in the world. A country with high per capita income can have high number of people below the poverty line — this is why education is a crucial indicator.**

5.3.10 Unequal Distribution of Income and Property

After 1991 economic reforms, economic growth and per capita income have increased sharply in India but due to unequal distribution of income, larger reduction in poverty is not noticed. With increase in income inequality, on one hand we see rich class of people with high standard of living enjoying good facilities and on the other hand, we find low income people living in slums and deprived of basic necessities like food, education and health.

Country	Share of Top 1% Rich Class — Year 1998 (%)	Share of Top 1% Rich Class — Year 2012 (%)
US	15.2	18.9
UK	12.5	12.7
India	9.0	12.6

Table 5.8: Share of Actual National Income to Top 1% Rich Class — Source: Economic Survey 2015-16

Interpretation: In comparison to 1998, in the year 2012, the top 1% rich class's share in actual real income has increased in all three countries. In India, the share of top 1% rich class increased from 9.0% to 12.6%. For India, it can be said that the advantage from economic reforms was more in favour of the rich. So, the disparity of income inequality is also one of the indicators of existing poverty.

5.3.11 High Rate of Unemployment

When people with working capacity and willingness to work at existing wage rate do not find work, they are said to be unemployed. Low economic development and jobless growth after 1991 resulted in less development of employment opportunities in comparison to increase in supply of labour — this is the main reason of increase in unemployment. In situation of unemployment, due to lack of income, a person cannot fulfill basic needs of his family. As a result, level of poverty remains high.

- In India, till 2011, the rate of unemployment remained around **9%**.
- According to the Labour Commission in the year 2013-14, the rate of unemployment among people 15 years and above is **4.9%**.
- In rural areas, this rate was **4.7%** and in urban areas it was **5.5%**.

5.4 CAUSES OF POVERTY

To solve any problem, it is better to know its causes and then find the solutions. To eradicate the problem of poverty, it is necessary to understand its reasons. In India, the causes of poverty are as follows:

5.4.1 Historical Reasons

Historians say that in the 17th century, India was comparitively more urbanised and most commercialized nation. In business, India had major share in exports of cotton textile and with that silk, spices, paddy was also exported.

But after the entry of **English, French and Dutch people** and due to their policy of **colonial exploitation**, India's agriculture and industrial situation deteriorated.

- During the British rule, Indian agriculture suffered due to rain-dependent farming, no British investment in irrigation projects, repeated drought, zamindari system, and tenancy system. Farmers were under pressure of debt and interest from zamindars, money lenders and big businessmen. Cultivators started losing land.
- In business and trade, Britishers followed trade policy, tax policy and industrial policy which benefited them. Indian exports were prohibited in Europe whereas goods produced in England were given tax concessions and freedom to sell in Indian markets.
- Indian railway was extensively used to supply goods from England to every corner of India.
- Britishers gained surplus from production and sale in India, which they invested in Britain to speed up industrialization. Indian trade and business lost competitive power. **Small and cottage industries of India were ruined**. As a result, unemployment and poverty started increasing.

5.4.2 Causes of Rural Poverty

5.4.2.1 Natural Causes:

India has been an agricultural country from the beginning and today also a major portion of population lives in villages and is dependent on agriculture. In India, production in agriculture sector is based on natural factors like rain, weather conditions etc. **Repeated drought, uncertainty of monsoon and floods results in low production** and less and uncertain income of the agriculturist. Hence, poverty is more.

5.4.2.2 Demographic Factors:

After independence and during planning period in India, due to economic development and rapid improvement in health services: death rate declined fast but at the same time birth rate did not reduce. As a result, **high population growth rate** was noticed.

High increase in population did not allow per capita income to increase. Low per capita income and big size of families resulted in poor quality of life. There was rapid increase in labour supply because of high population but low pace of development of employment opportunities resulted in reduction in wage rate — so unemployment increased and so was poverty.

5.4.3 Economic Factors

5.4.3.1 Low Agricultural Productivity Per Labour:

One of the important reasons of high poverty in rural India is **low agricultural productivity per labourer**. Because of poor irrigation facilities, insufficient technology, lack of education and training, low rate of investment, heavy load of population — result in low agricultural productivity. So income of farmers remains low and poverty increases.

5.4.3.2 Unequal Distribution of Land and Property:

Land is very important for cultivation. From British period in India, because of system like **Zamindari**, land ownership was with the handful of zamindars. This class was not directly associated with land cultivation and had no interest to invest in agricultural sector. On the other hand, the tenants were working on other's land and were not the owners, so they also had no interest in investments. Due to low agriculture production and productivity, poverty increased day by day.

5.4.3.3 Minimal Development of Small and Cottage Industry:

In India from the second five year plan onwards, as a strategy for economic development, heavy and basic industries were given importance. But in rural areas, small and cottage industries which have great contribution in employment, production and income were neglected. Moreover agricultural and allied activities like **Animal Husbandry, Dairy farming, Fisheries** etc. were growing slowly and this increased seasonal unemployment. As a result, poverty remained high.

5.4.3.4 Rapid Increase in Prices:

Price-rise seriously affects Poverty. Because of war, drought, low national production, rapid increase in demand, increase in production cost, price of goods and services as well as edible goods rise rapidly. This **reduces purchasing power of low income group**. It reduces standard of living. It increases poverty. On the other hand, increasing prices benefit businessman, traders and big farmers. This increases unequal distribution of income in the society.

5.4.3.5 High Rate of Unemployment:

In India, major part of rural India is dependent on agriculture. But agriculture is dependent on monsoon, hence only one crop in a year is cultivated, so there exists **seasonal unemployment**. High increase in population and joint family system also increases the burden on agriculture and results in **disguised unemployment**. In rural India, lack of development of allied industries are responsible for high illiteracy, low mobility of labour, high rate of unemployment and poverty.

5.4.4 Social Reasons

5.4.4.1 Low Level of Education:

One of the major reasons of poverty in India is scarcity of education, training and skills. Low level of education, specially in rural areas, prevents them from gaining from the use of new technologies in agriculture, new agriculture system, research and benefit of market for sale of the product. As a result, both per hectare productivity and per labour productivity in agriculture remains low. This is the reason of low income of farmers. Apart from this, because of low level of education, they get less opportunities in alternative employment. Wage level remains low and poverty increases.

5.4.4.2 Gender Inequality:

India has gender inequality from the beginning. Society cares less about health of females. As a result, women face higher level of malnourishment, low weight and weakness. This causes high maternal mortality during childbirth and health problems among new born children. Work allocation is such that it is believed as compulsory for women to work at home, resulting in low level of education and less economic opportunities to work. Apart from this, at workplace, **females are paid less than males**. Out of the total population, less than half are women. Amongst them, low health level and less opportunities to work in economic field keeps family income low and this increases the level of poverty.

5.4.5 Other Reasons

5.4.5.1 War:

After independence, India fought two wars with neighbouring countries, Pakistan and China. During the war, the limited resources of country are spent on production and import of required arms and ammunition. This **reduces production of basic goods and services**. During the war, to avoid scarcity of certain goods in future, people store foodgrains, clothes, fuel etc. As a result, prices increase rapidly. Because of war, the process of economic development slows down. Due to several wars in India, developmental expenditure is reduced. Economic development remains low and problem of price rise takes place. Hence poverty increases.

5.4.5.2 Increase in Defence Expenditure:

Several wars made the issue of security very serious. To make the security system stronger, expenses on modern missiles, fighter planes, tanks and submarines have increased rapidly. In the present era, to fight against terrorism, a lot of special facilities have increased expenditure on defence. The **expenditure on security is non-developmental** in nature and any increase in such expenditure reduces expenditure on economic development. Economic development slows down and level of poverty increases.

5.4.5.3 Defective Policies:

For rapid economic development in India, the 2nd five year plan onwards, basic and heavy industries were given priority and through rapid industrialisation, high economic growth was to be achieved and thus policy of removal of poverty and unemployment was adopted. But this policy **neglected the vast population dependent on agriculture**. Agriculture and small and cottage industries which give the employment and income to majority of population, developed slowly and so was the income of poor people.

Apart from this, various schemes were introduced during planning period to reduce poverty and unemployment but due to **frequent changes in the ruling government** many times, they lacked continuity and co-ordination. As a result, the targeted poverty reduction could not be achieved through these schemes.

5.5 MEASURES TO REDUCE POVERTY

India has taken the following steps to reduce poverty during planning period:

5.5.1 To Increase Agricultural Productivity

In India, one of the basic reasons of poverty is low productivity in agriculture. With increase in agricultural productivity and income of agriculture labourer, poverty can be reduced. Regarding this, through public programmes, farmers are informed about upgraded technology, available resources at reasonable rates, improved infrastructural facilities, maximum price and regulated market for their produce. Development of agriculture will increase productivity per labour. Also employment opportunities and prices of foodgrains will decrease. This will be more advantageous to the poor and poverty can be reduced.

5.5.2 Development of Small Scale Industries

In India, small and cottage industries have made immense contribution in the Gross National Income and employment. So, if small and cottage industries can be developed and encouraged, then poverty can be reduced on a larger scale.

5.5.3 Development of Unorganised Sector

Unorganised sector includes vegetable vendors, masons in construction sector, agricultural labourers, vendors etc. To improve the conditions of these workers, National Commission has recommended to decide the working conditions, Life Insurance, health, old age pension and other social security measures. Moreover, for small and marginal farmers, it is recommended to provide them with irrigation facilities and loan facility.

5.5.4 Use of Appropriate Tax Policy

Government uses tax policy to reduce inequality of income and poverty by redistributing income. To fulfill this objective, the government makes such a policy wherein **more tax is imposed on rich class** which can afford that tax and **less tax is imposed on poor class** and given tax concession. This way the government collects a fund by imposing taxes on rich people and makes expenses on welfare oriented programmes for the poor people. As a result, socio-economic conditions of the poor improve and reduction in income inequality and poverty is seen.

5.5.5 Rise in Human Capital Investment

Developed nations, where large scale investment is made on education, skill development have very low level of unemployment. As a result, poverty is less. High level of education satisfies the requirement of various employment opportunities and choices among workers. Skill development increases the productivity of workers and that reflects in high wages. For that, at workplace, continuous investment is required for training and research.

5.5.6 Goods and Services at Reasonable Rates

To provide nutritive food and food security to poor people it should be made available at reasonable rates which will also directly reduce poverty. Under **public distribution system** in India, we have **ration shops** where rural and urban poor are given basic utility goods at reasonable prices. During drought and scarcity, the responsibility of public distribution system is more to satisfy the basic needs of the poor.

5.5.7 Employment Programmes

Employment generation and poverty eradication are inter-related. Some important employment programmes for poverty eradication are:

5.5.7.1 Self Employment Programmes:

During the 6th five year plan, various agencies started different programmes for rural poor. All these programmes were merged in **IRDP (Integrated Rural Development Programme)** on 2nd October, 1980. The main objective of IRDP is to encourage poor families for self employment so that they can get more income to rise above the poverty line.

This programme focused on few special groups which include small and marginal farmers, agricultural labourers and rural artisans. This way IRDP programme is known as **anti-poverty programme**.

Following programmes were included in self employment programme:

- **IRDP** — Integrated Rural Development Programme
- **TRYSEM** — Training of Rural Youth and for Self Employment
- **DWCRA** — Development of Women and Child in Rural Areas

- **MWS** — Million Wells Scheme
- **SITRA** — Supplying Improved Tool Kit to Rural Artisans
- **Ganga Welfare Scheme**

On **1st April, 1999** IRDP and other programmes integrated with it were merged and named as **Suvarna Jayanti Gram Swarojgar Yojana**. Under this scheme, in rural areas, apart from development of small trade, self help groups were also provided infrastructural facilities, technology, loan, facility, market for final goods to rural poors.

5.5.7.2 Wage Employment Schemes:

These programmes are part of strategy of poverty eradication and have multiple objectives. In wage employment scheme, focus was on those poor who do not have any other source of income than physical labour. These schemes do not only provide self employment in the slack season but also provide employment during floods, draught, scarcity and other natural calamities. Under these schemes, infrastructural services were developed in rural areas. Wage employment scheme included:

- **(1) Jawahar Rojgar Yojana (JRY)**
- **(2) Employment Assistance Scheme (EAS)**

5.5.7.3 Prime Minister Rojgar Yojana (PMRY):

In the decade of 90's employment generation in organised sector was stagnant and in public sector, negative growth was noticed. On the other hand, unemployment rate was rising fast. On this situation, **Prime Minister Rojgar Yojana** was started for self employment with the objective of starting ventures to provide employment to **educated unemployed**.

5.5.7.4 National Rural Employment Guarantee Act, 2005 (NREGA):

In the year 2005, **National Employment Guarantee Act was accepted** with the objective of creating assets through public construction activities and to provide employment to **one person per family of minimum 100 days** to rural and urban poor as well as lower middle class families. In **2009, NREGA was reformed as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**.

5.5.8 Housing Schemes

In India, still a majority of poor people dwell in semi-stable or temporary houses. With an objective to provide proper dwelling to poor:

- In the year **1985-86**, **Indira Awas Yojana (IAY)** was started for families below poverty line and schedule caste, schedule tribes.
- In **2013-14**, **Rajiv Gandhi Yojana** was implemented to improve the housing of those who reside in huts.
- In urban areas also, poor people reside in slums where they are deprived of basic facilities of drinking water, toilets and electricity. From **25 June, 2015**, for urban poor, **Prime Minister Awas Yojana (PMAY)** was started.

Housing schemes are important for dwelling purpose but simultaneously they also create employment.

5.5.9 Social Security Schemes

As a strategy to reduce poverty in India, various social security schemes were started:

- For workers of unorganised sector, from **9th May, 2015**, **Atal Pension Scheme** was started in which monthly pension is paid to people above 60 years.
- Under the **Prime Minister Security Scheme**, for people in the age of **18 to 70 years**, accident insurance of **■2 lac** was opened with minimum premium of **■12**.
- **Jivan Jyoti scheme** was started with ■2 lakhs life insurance policy at ■330 yearly premium.
- To safeguard farmers from crop failure, **Prime Minister Fasal Bima Yojana (PMFBY)** was started.

5.5.10 Jan Dhan Yojana

Through financial inclusion, to hit the root of poverty, an ambitious scheme **Pradhanmantri Jan Dhan Yojana** was introduced. This scheme began on **28th August, 2014** and on the very first day of this scheme, **1.5 crore accounts were opened**. Till 8th January, the number increased to **12.58 crores** where investment of **■10,590 crore** was generated.

Features and Importance of Jan Dhan Yojana: With the objective of increasing banking facilities per capita and reduction in regional inequalities, this yojana was started. The main purpose was that the subsidy given to poor families by government should directly go to their bank accounts.

- The main feature of this scheme is that the **bank account is opened with zero balance**.
- After 5 months of opening account, an **overdraft of ■5000** is available.
- Under this scheme, those who opened account before **26 January 2015**, have also benefitted with a life insurance policy.

Prime Minister Jan Dhan Yojana is prominently a scheme for overall financial inclusion. On the other hand, it hits directly on poverty by providing micro finance and banking facilities.

EXERCISE — QUESTIONS AND ANSWERS

Section 1 — MCQs

(1) How many minimum daily calories per person per day is decided by Indian Council of Medical Research for rural area?

Options: (a) 2400 (b) 2300 (c) 2200 (d) 2100

✓ **Answer: (a) 2400 calories per person per day for Rural areas. (Urban = 2100)**

(2) What amount of rupees are decided by Tendulkar Committee in the year 2011-12 for deciding poverty line in urban areas?

Options: (a) 816 (b) 916 (c) 1000 (d) 2000

✓ **Answer: (c) ■1000 per capita per month for Urban areas. (Rural = ■816)**

(3) Which state has the lowest poverty in the year 2013 in India?

Options: (a) Gujarat (b) Rajasthan (c) Goa (d) Bihar

✓ **Answer: (c) Goa — with lowest poverty of 5.09%**

(4) According to all estimate for the year 2011-12, which of the following state falls in the category of 30-40% poverty?

Options: (a) Punjab (b) J&K; (c) Karnataka (d) Odisha

✓ **Answer: (d) Odisha — falls in 30-40% poverty category**

(5) What is the percentage of malnourished people in India in 2014-16?

Options: (a) 23.7 (b) 15.2 (c) 11.2 (d) 20.5

✓ **Answer: (b) 15.2%**

Section 2 — One Line Answers

(1) What is Poverty line?

A certain normative minimum level of per capita consumption expenditure required to ascertain minimum basic needs and services is called poverty line.

(2) Explain the concept of Relative Poverty.

Relative poverty refers to income inequality existing in different groups of people living in society. It considers the lower income class as relatively poor than the higher income class. It exhibits the level of income inequality among different classes of people.

(3) Which kind of expenditure is included by Tendulkar Committee for poverty line?

Apart from consumption expenditure for minimum calorie, Tendulkar Committee also included expenditure on education and health for poverty line (2011-12: Rural ■816, Urban ■1000 per month).

(4) Which method is used to measure relative poverty?

To measure relative poverty or income inequality, formation of income groups, Lorenz curve and Gini co-efficient are useful.

Key Detailed Q&A; (Sections 4 & 5)

Explain the economic causes of poverty:

• Low Agricultural Productivity Per Labour: Poor irrigation, insufficient technology, lack of education and training, low investment, heavy population load → low farm productivity → low farmer income → poverty.

• Unequal Distribution of Land and Property: Zamindari system → land with few zamindars who had no interest in cultivation → low agricultural output → poverty.

• Minimal Development of Small and Cottage Industry: From 2nd FYP onwards, heavy industries prioritized; small/cottage industries neglected; allied activities (dairy, fisheries) grew slowly → seasonal unemployment

→ poverty.

• Rapid Increase in Prices: War, drought, low production, high demand → rapid price rise → reduces purchasing power of poor → poverty rises.

• High Rate of Unemployment: Agriculture dependent on monsoon → seasonal unemployment; high population + joint family → disguised unemployment → low wages → poverty.

Explain the employment-oriented programmes for poverty eradication:

• Self Employment Programmes: IRDP (merged 2nd Oct 1980, 6th FYP) — anti-poverty programme for rural poor. Included TRYSEM, DWCRA, MWS, SITRA, Ganga Welfare Scheme. Merged into Suvarna Jayanti Gram Swarojgar Yojana on 1st April 1999.

• Wage Employment Schemes: For those with no income other than physical labour. Includes JRY (Jawahar Rojgar Yojana) and EAS (Employment Assistance Scheme). Provides employment during slack season and natural calamities.

• PMRY (Prime Minister Rojgar Yojana): Started in 90s for educated unemployed youth. Objective: start ventures to generate self-employment.

• NREGA 2005: National Rural Employment Guarantee Act — minimum 100 days employment per family per year. Renamed MGNREGA in 2009 (Mahatma Gandhi National Rural Employment Guarantee Act).

Discuss the measures to reduce poverty in India:

• 5.5.1 Increase Agricultural Productivity: Technology, irrigation, regulated markets, improved seeds → more income to farmers.

• 5.5.2 Development of Small Scale Industries: Encouragement to cottage and small industries → more employment and income.

• 5.5.3 Development of Unorganised Sector: Working conditions, life insurance, health, old age pension for vegetable vendors, masons, agricultural labourers.

• 5.5.4 Appropriate Tax Policy: Progressive taxation (more on rich, less on poor) + welfare expenditure for poor.

• 5.5.5 Rise in Human Capital Investment: Education, skill training → higher productivity → higher wages → less poverty.

• 5.5.6 Goods at Reasonable Rates: Public Distribution System (PDS) + ration shops for basic goods at subsidized prices.

• 5.5.7 Employment Programmes: IRDP/SGSY, JRY, EAS, PMRY, NREGA/MGNREGA.

• 5.5.8 Housing Schemes: Indira Awas Yojana (1985-86), Rajiv Gandhi Yojana (2013-14), PMAY (25 June 2015 for urban poor).

• 5.5.9 Social Security Schemes: Atal Pension Scheme (May 2015), PM Security Scheme (■2 lac, ■12 premium), Jivan Jyoti (■2 lac life insurance, ■330/year), PMFBY for farmers.

• 5.5.10 Jan Dhan Yojana (28 Aug 2014): Zero balance account, ■5000 overdraft, 12.58 crore accounts, ■10,590 crore investment. Financial inclusion to hit root of poverty.

GLOSSARY (From Textbook)

Lorenz Curve	In economics, Lorenz curve is a graphical presentation of distribution of income and property. In 1905, Max. O. Lorenz explained the inequality of property through Lorenz Curve.

Gini Co-efficient	Gini (Co-efficient) is numerical measurement of distribution of income and property based on Lorenz curve. It lies between 0 to 1. If the value of Gini (co-efficient) is 0 then it shows equal distribution of income. If value Gini (co-efficient) is 1 then it shows that whole property belongs to one person. More the value of Gini (co-efficient), more unequal is the distribution of property.
Per Capita Consumption Expenditure	Total market value of all the goods and services bought by families during a year divided by the total population of the same year.
Per Labour Productivity	During a particular period of time the amount of goods and services produced by one labour is per labour productivity.
Literacy Rate	According to 1991 census the percentage of total population who are above seven years and able to read and write any one language. The total percentage is literacy rate.
FAO	Food and Agricultural organisation is a special agency which tries to reduce starvation at international level.

■ BOARD EXAM QUICK REVISION — CHAPTER 5: POVERTY

1. Poverty = situation where a major portion of population cannot satisfy their minimum requirements.

2. TWO TYPES OF POVERTY: (1) Absolute Poverty (complete poverty; people below poverty line) (2) Relative Poverty (income inequality among groups).

3. POVERTY LINE = minimum per capita consumption expenditure to ascertain minimum basic needs.

4. ICMR: Rural = 2400 cal/day | Urban = 2100 cal/day (per person per day minimum calorie requirement).

5. Planning Commission 1969: ■20/capita/month (1960-61 prices).

6. Dandekar & Rath: Rural ■15 | Urban ■22.50 (1960-61 prices).

7. Prof. D.T. Lakdawala: Rural ■49 | Urban ■57 (1973-74 prices, for 1993).

8. Prof. Suresh Tendulkar (2009): Rural ■816 | Urban ■1000 per month (2011-12). Also included education and health expenditure.

9. International Poverty Line: $1.25/day (2005 PPP) → $1.90/day (2015 PPP).

10. POVERTY IN INDIA (2011-12): Rural 25.7% | Urban 13.7% | Total 21.9% (reduced from 41.8%, 25.7%, 37.2% in 2004-05).

11. Lowest poverty state: GOA (5.09%) | Highest poverty: CHHATTISGARH (39.93%) — Annual Report 2013.

12. Relative Poverty measured using: Lorenz Curve and Gini Co-efficient (Gini 0 = equal distribution; Gini 1 = entire wealth with one person).

13. 11 INDICATORS OF POVERTY: Per Capita Consumption Expenditure | Malnutrition | Life Expectancy & IMR | Medical Facilities | Drinking Water | Toilets | Housing | Electricity | Education | Income Distribution | Unemployment.

14. India Per Capita Consumption (2014): $725 vs US $31,469 (India very poor comparatively).

15. Malnourishment (2014-16): 15.2% | India ranked 2nd in malnourishment globally (FAO 2015).

16. India IMR (2014): 39 per 1000 births (vs Norway: 2, USA: 6). India Life Expectancy: 68 years.

17. Medical: Developing countries: 1 doctor per 6000 | Developed: 1 per 350. 1.7 crore die yearly from diarrhea/Malaria/TB. 90% of 2.3 crore AIDS cases in developing world.

18. India literacy (2011): 74.04% | Brazil 91% | Pakistan 55%.

19. CAUSES: Historical (British colonialism, Zamindari) | Rural (monsoon, drought, demographic) | Economic (low farm productivity, land inequality, small industry neglect, price rise, unemployment) | Social (education, gender inequality) | Other (war, defence expenditure, defective policies).

20. NREGA 2005 = 100 days minimum employment per family. Renamed MGNREGA in 2009.

21. IRDP merged on 2nd October 1980 (6th FYP). Programmes: TRYSEM, DWCRA, MWS, SITRA, Ganga Welfare. Merged into Suvarna Jayanti Gram Swarojgar Yojana on 1st April 1999.

22. PMRY = Prime Minister Rojgar Yojana — for educated unemployed in 1990s.

23. Jan Dhan Yojana: 28 Aug 2014 | Zero balance account | ■5000 overdraft | 12.58 crore accounts | ■10,590 crore investment.

24. Social Security: Atal Pension Scheme (9 May 2015) | PM Security Scheme (■2 lac, ■12 premium, age 18-70) | Jivan Jyoti (■2 lac, ■330/yr) | PMFBY for farmers.

25. Housing: IAY (1985-86) | Rajiv Gandhi Yojana (2013-14) | PMAY from 25 June 2015 (urban poor).

MCQ ANSWER KEY

Rural calories → 2400 | Urban calories → 2100 | Tendulkar Rural → ■816 | Tendulkar Urban → ■1000 | Lowest poverty → Goa (5.09%) | Highest → Chhattisgarh (39.93%)

30-40% poverty state → Odisha, Bihar, MP etc | Malnourished 2014-16 → 15.2% | India poverty 2011-12 → 21.9% | India IMR → 39 | Life Expectancy India → 68 yrs

Jan Dhan Yojana → 28 Aug 2014 | NREGA → 2005 | MGNREGA → 2009 | IRDP merged → 2 Oct 1980 | Suvarna Jayanti → 1 April 1999

Notes prepared from GSEB Class 12 Economics Textbook, Chapter 5 — Complete Board Exam Coverage.