# ECONOMICS

## Chapter 3: Poverty as a Challenge

# Poverty as a Challenge

## Dimensions of Poverty's

India has the largest single concentration of poor in the world. In India, nearly 260 million people live in poverty. Poverty means lack of food, shelter, education, clean water, sanitation facilities and a regular job for livelihood.

**Two Typical Cases of Poverty**

The following two cases show the many dimensions of poverty, including lack of proper food, shelter, healthcare, education as well as clean water and sanitation. They also show lack of a regular means of livelihood.

**(i) Urban Case**

Ram Saran is a daily wage laborer in a flour mill near Ranchi in Jharkhand. He earns around Rs. 1500 per month when employed. He supports his family of 6 persons, besides sending some money to his elderly parents. His wife and son also work, but none of his 4 children can attend school. The family lives in a one-room rented house on the outer areas of the city; The children are undernourished, have very few clothes or footwear and no access to healthcare.

**(ii) Rural Case**

Lakha Singh is a landless labourer in a small village near Meerut in Uttar Pradesh. By doing odd jobs for farmers, he earns Rs. 50 per day. Sometimes, he gets some foodgrain or other items instead of cash. He is not literate, and his family of 8 people lives in a kuccha hut near the edge of the village. They have no access to healthcare, cannot afford new clothes or even soap or oil.

**Poverty as Seen in Social Science**

Poverty is analyzed through social indicators such as illiteracy level, lack of general resistance because of malnutrition, lack of access to healthcare and lack of job opportunities. Recently, the analysis of poverty is based on social exclusion and vulnerability.

Social exclusion can be both a cause and a consequence of poverty. It is the trend where individuals or groups are excluded from the privilege of benefits and opportunities which others enjoy.

The vulnerability of the poor is a measure which states the probability of particular communities or individuals of becoming poor in the future. It is identified through the options available to different communities for finding an alternative living style in terms of assets, education, health and job opportunities.

**Poverty Line in India**

The poverty line is drawn with the levels of income or consumption of a person. If a person's income or consumption is not sufficient to meet basic requirements, then they are considered poor. Therefore, the poverty line varies with person, place and time.

- The minimum level of food requirement, clothing, footwear, fuel and light, and educational and medical assistance are determined to measure the poverty line. These physical quantities are multiplied by their price in rupees.

- While measuring the poverty line, the food requirement is based on the desired calorie intake. In India, the average calorie intake per person per day is 2,400 calories in rural areas and 2,100 calories in urban areas.

- In 2000, the poverty line for a person was fixed at Rs 328 per month in rural areas and Rs 454 per month in urban areas.

- In rural areas, a family of five members earning less than Rs 1,640 per month will remain below the poverty line. In urban areas, a minimum of Rs 2,270 per month would be needed

to meet basic requirements.

- The poverty line is estimated periodically by conducting sample surveys. Surveys are conducted by the National Sample Survey Organization.

## Poverty Estimates

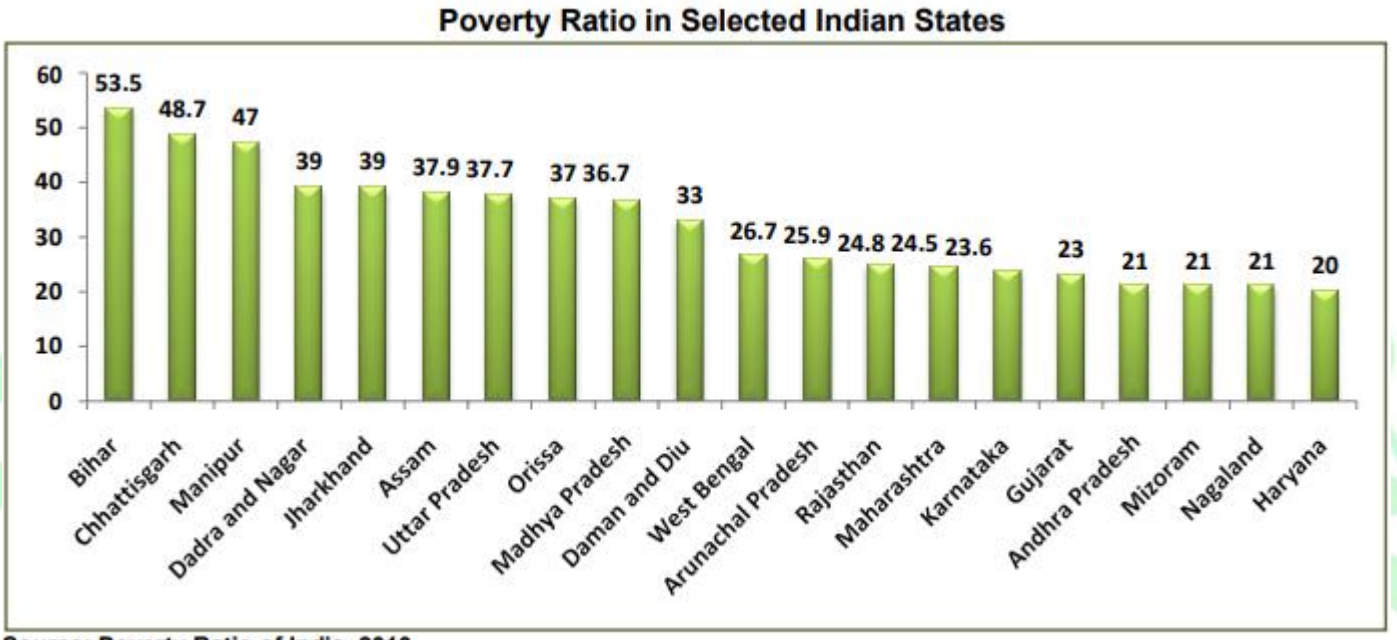
For over two decades, the proportion of people living below the poverty line has declined substantially, but the number of poor remained stable at about 320 million for a long period. In 2000, an estimate indicates a significant reduction in the number of poor people at 260 million.

### Vulnerable Groups

In India, the people living below the poverty line are not the same for all social groups and economic categories. Social groups are the scheduled caste and schedule tribe households which are the most vulnerable section. The double disadvantage of being a landless casual wage labour household in the socially disadvantaged social groups of the scheduled caste or the scheduled tribe population highlights the seriousness of the problem. Gradually, in the 1990s, the poverty line declined for scheduled castes, rural agricultural labourers and urban casual labour except the scheduled tribe.

### Interstate Disparities

The proportion of poor people varies from state to state. Estimates show that the poverty ratio in states and union territories are less than the national average. **Poverty Ratio in Selected Indian States**



Source: Poverty Ratio of India, 2010

**Global Poverty Scenario**

In developing countries, the proportion of people living in extreme economic poverty has fallen from 28% in 1990 to 21% in 2001. Although global poverty has reduced, regional differences do exist.

- Because of rapid economic growth, poverty has declined in China and South Asian countries.
- The number of poor in China has reduced from 606 million in 1981 to 212 million in 2001.
- Poverty has increased from 41% in 1981 to 46% in 2000 in Sub-Saharan Africa.
- In Latin America, the poverty ratio remained the same.
- The United Nations, through its Millennium Development Goals, has called for reducing the proportion of people living on less than $1 a day to half the 1990 level by 2015.

## Causes of Poverty

During the British colonial administration, there was a low level of economic development. British policies ruined the traditional method of making handicrafts and discouraged industrial development. This resulted in the failure of economic growth, population control and lack of job opportunities.

The Green Revolution with the spread of irrigation created many job opportunities in the

agricultural sector. However, the benefit does not reach all parts of the country. Inadequate jobs and wage earners could not afford to run their family. Income inequality and many other socio-cultural and economic factors are responsible for poverty in India.

**Anti-Poverty Measures**

The anti-poverty strategy of the Government is based on the promotion of economic growth and targeted anti-poverty programmers.

- National Rural Employment Guarantee Act (NREGA), September 2005
  - 100 days assured employment every year to every household in 200 districts; will extend to 600 districts later.
  - One-third of jobs reserved for women.
  - The Central Government will establish National Employment Guarantee Funds.
- National Food for Work Programme (NFWP), 2004
  - Launched in 150 most backward districts.
  - Open to all rural poor who are in need of wage employment and manual skilled labour.
  - 100% centrally sponsored scheme and food grains free of cost.
- Pradhan Mantri Gramodaya Yojana (PMGY), 2000
  - Additional central assistance to states for basic services.
- Swarna Jayanti Gram Swarozgar Yojana (SGSY), 1999
  - To assist poor families above the poverty line by organizing them into self-help groups through a mix of bank credit and government subsidy.
- Rural Employment Generation Programme (REGP), 1995
  - To create self-employment opportunities in rural areas and small towns.
  - To crate 25 lakh jobs for the programme under the Tenth Five-Year Plan.
- Prime Minister Rozgar Yojana (PMRY), 1993

- To create self-employment opportunities for educated unemployed youth in rural areas and small towns.
- To help set up small businesses and industries.

**Challenges Ahead**

Although poverty has declined in India, there is a disparity between rural and urban areas and among different states. Great challenges include making better progress in reducing the poverty level in the next ten to fifteen years, providing minimum necessary health care, education, and job security for all and achieving gender equality in society.

**The Challenges to Poverty Reduction**

Poverty reduction is still a major challenge in India, due to the wide differences between regions as well as rural and urban areas. Further, poverty should include not only the matter of the adequate amount of food but other factors like education, healthcare, shelter, job security, gender, equality, dignity and so on.

These give us the concept of human poverty. Poverty reduction is expected to be lower in the next 10-15 years.

In addition to anti-poverty measures, the government should focus on the following to reduce poverty.

- Higher economic growth.
- Universal free elementary education.
- The decrease in population growth.
- Empowerment of women and weaker sections.

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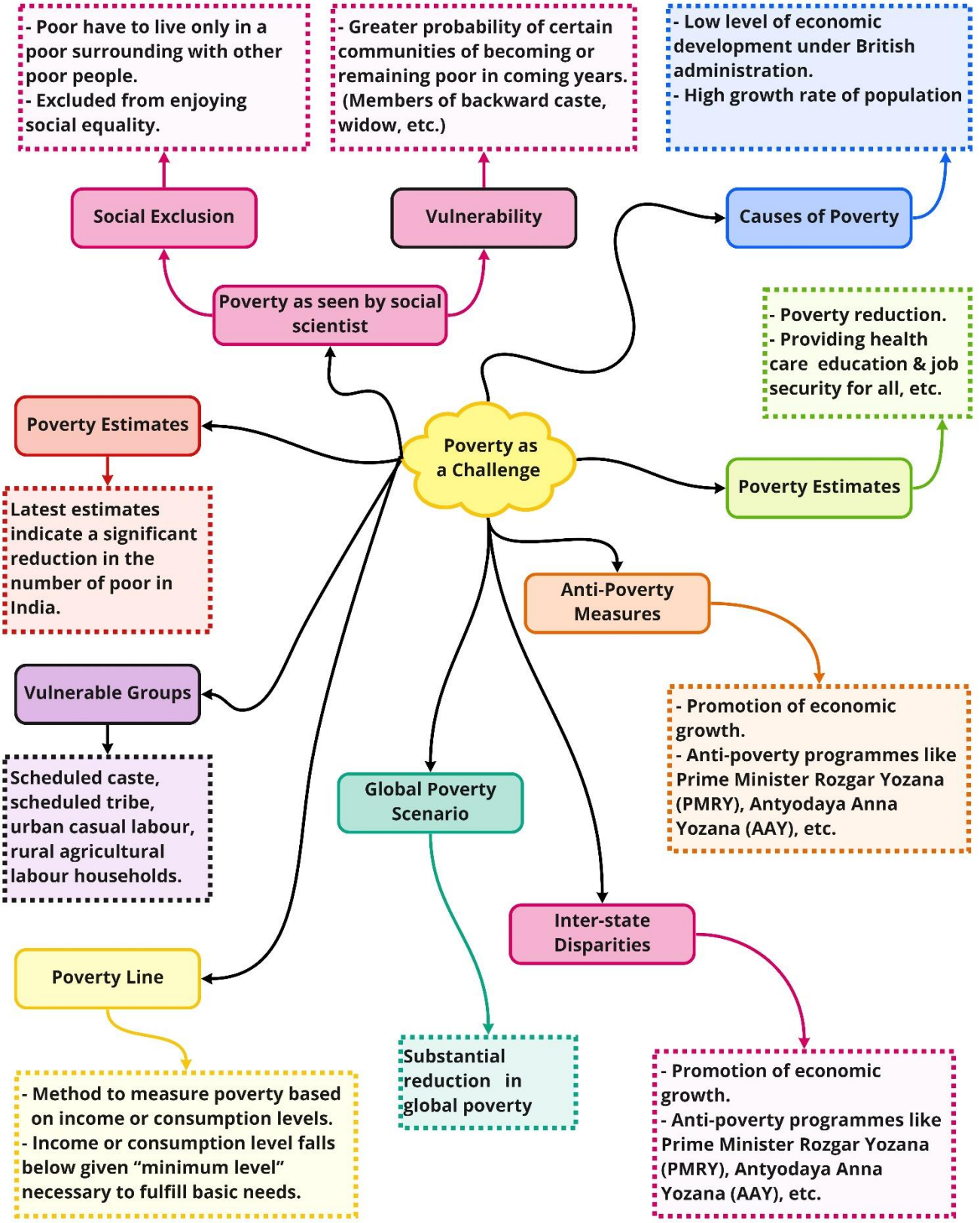

# Important Questions

## Multiple Choice questions-

Question 1. Number of poors in China has come down for ..... million in 1989 to ..... million in 2001.

(a) 606 – 312

(b) 506 – 212

(c) 606 – 212

(d) 706 – 312

Question 2. Prime Minister Rozgar Yozana was started in:

(a) 1973

(b) 1983

(c) 1993

(d) 2003

Question 3. The Swarnajayanti Gram Swarozgar Yojana was launched in:

(a) 1979

(b) 1989

(c) 1999

(d) 2009

Question 4. In Latin America the ratio of poverty:

(a) declined

(b) increased

(c) remained the same

(d) none of the above

Question 5. According to World Development Report, 2001, the % of population in Nigeria below $1 a day was:

(a) 70.8

(b) 80.8

(c) 90.8

(d) 60.8

Question 6. About ..... million people in India live in poverty.

(a) 260 million

(b) 270 million

(c) 280 million

(d) 290 million

Question 7. A person is considered poor if his or her income level falls below a given:

(a) 'maximum level' necessary to fulfill basic needs

(b) 'minimum level' necessary to fulfill basic needs

(c) could be (a) and (b) both

(d) none of the above

Question 8. For the year 2000, the poverty line for a person was fixed at:

(a) Rs. 328 per month for rural areas and Rs. 554 for urban areas

(b) Rs. 428 per month for rural areas and Rs. 454 for urban areas

(c) Rs. 328 per month for rural areas and Rs. 454 for urban areas

(d) none of the above

Question 9. Social groups which are most vulnerable to poverty are:

(a) scheduled castes only

(b) scheduled tribes only

(c) both scheduled castes and scheduled tribes

(d) none of the above

Question 10. Women, children (girl child) and old people are:

(a) much richer than others

(b) poorest of the poor

(c) dependent on these

(d) none of the above

## Very Short Questions-

Question 1. What is the average number of calories required per person per day in rural areas of India?

Question 2. When was the National Rural Employment Guarantee Act (NREGA) passed?

Question 3. Which state out of Bihar, Odisha, Punjab and Assam has the highest poverty ratio?

Question 4. Which state out of West Bengal Maharashtra, Assam and Uttar Pradesh has a poverty ratio below the national average?

Question 5. In what part of the world has poverty remained the same between 1981 to 2001?

Question 6. Which section of the population is the target for REGP and AAY anti-poverty programmes?

Question 7. Which section of the population is the target for SGSY and NREGA programmes?

Question 8. Is it correct that India has the largest concentration of poor in the world?

Question 9. Can social exclusion cause poverty in rural areas?

Question 10. What do we mean by the term 'vulnerability to poverty?

## Short Questions-

Question 1. How is regular growth of population one of the major causes of poverty?

Question 2. Why is the calorie requirement of people higher in rural areas compared to urban areas?

Question 3. What are the major reasons for ineffectiveness of anti-poverty measures in India?

Question 4. What kind of people in India are considered poor?

Question 5. What are the dimensions of poverty?

Question 6. What is one of the biggest challenges of independent India?

Question 7. What are the social indicators of poverty as seen by social scientists?

Question 8. What is the concept of social reclusion?

Question 9. How does a country measure its poverty?

Question 10. What is the historical cause of poverty in India?

## Long Questions-

Questions 1. What is the status of poverty in scheduled caste, or scheduled tribe?

Questions 2. How is the poverty line determined? Or Describe how the poverty line is estimated in India.

Questions 3. Which groups are most vulnerable to poverty? Or Identify social and economic groups are most vulnerable to poverty in India.

Questions 4. What is the global poverty scenario?

Questions 5. What are the main causes of poverty? Or Describe the major reasons for poverty in India.

Questions 6. What is the current anti-poverty strategy of the government for the promotion of economic growth?

Questions 7. Mention some anti-poverty programmes undertaken by the government.

## MCQ Answers-

1. Answer: (c) 606 – 212
2. Answer: (c) 1993
3. Answer: (c) 1999
4. Answer: (c) remained the same
5. Answer: (a) 70.8
6. Answer: (a) 260 million
7. Answer: (b) 'minimum level' necessary to fulfill basic needs
8. Answer: (c) Rs. 328 per month for rural areas and Rs. 454 for urban areas
9. Answer: (c) both scheduled castes and scheduled tribes
10. Answer: (b) poorest of the poor

## Very Short Answers-

1. **Answer:** The average number of calories required per person per day in rural areas of India is 2400.
2. **Answer:** The National Rural Employment Guarantee Act (NREGA) was passed in September 2005.
3. **Answer:** Odisha has the highest poverty ratio of 47.2%, as per Economic Survey of 2001-02.
4. **Answer:** The national average poverty ratio was 26.1%. Only Maharashtra, out of the given four states, with a poverty ratio of 25%, was better.
5. **Answer:** Poverty has remained the same between 1981 to 2001 in Latin America and the Caribbean Nations.
6. **Answer:** The target group for REGP is unemployed rural youth and the target group for AAY is the rural and urban poor families.
7. **Answer:** The target for SGSY is rural poor households and the target for NREGA is rural households.
8. **Answer:** Yes, India has about 260 million people who live in poverty, as per an estimate made in the year 1999-2000.
9. **Answer:** Yes, social exclusion of the Scheduled Castes (SCs) in rural areas is a major cause of their poverty.
10. **Answer:** 'Vulnerability to poverty' means the chances of some communities or persons to become poor or remain poor in the future.

## Short Answers-

1. **Answer:** High population growth rate increases the rate of depletion of resources. Due to this, pressure on resources increases. More people will be able to avail of a smaller share of resources, thus bringing more people below the poverty line.
2. **Answer:** The calorie requirement of people in rural areas is higher because the rural people are engaged in more physical labour than people in urban areas. Physical labour is more energy consuming than mental work.
3. **Answer:** The major reasons for ineffectiveness of anti-poverty measures in India are lack of proper implementation of the programmers, overlapping of schemes and lack of right targeting of people.
4. **Answer:** They could be landless labourers in villages or people living in overcrowded jhuggis in cities. They could be daily wage earners at construction sites or child workers in dhabas. They could also be beggars with children in tatters.
5. **Answer:** Poverty means hunger and lack of shelter. Poverty means lack of clean water and sanitation facilities. It also means lack of a regular job at a minimum decent level. Above all, it means living with a sense of helplessness.
6. **Answer:** One of the biggest challenges of independent India has been to bring millions of its people out of abject poverty. Mahatma Gandhi always insisted that India would be truly independent only when the poorest of its people become free of human suffering.
7. **Answer:** Prevalent factors like illiteracy levels, lack of general resistance due to malnutrition, lack of access to health care, lack of job opportunities, lack of access to safe drinking water, sanitation, etc., are the social indicators of poverty as seen by social scientists.
8. **Answer:** According to this concept, poverty must be seen in terms of the poor having to live only in a poor surroundings with other poor people, excluded from enjoying the company of better off people in better surroundings.
9. **Answer:** Each country uses an imaginary line that is considered appropriate for its existing level of development and its accepted minimum social norms. For example, a person not having a car in the United States may be considered poor. In India, owning of a car is still considered a luxury.
10. **Answer:** It is the low level of economic development under the British Colonial administration. The policies of the colonial government ruined traditional handicrafts and discouraged development of industries like textiles. This resulted in less job opportunities and low growth rate of incomes. This was accompanied by a high growth rate of population.

## Long Answers-

1. **Answer:**

   i. 50 per cent of casual workers in urban areas are below poverty line. About 50 per cent of landless agricultural workers and 43 per cent of scheduled caste are also poor.

ii. The double disadvantage of being a landless casual wage labour household in the socially disadvantaged social groups of the scheduled caste or the scheduled tribe population highlights the seriousness of the problem.

iii. Some recent studies have shown that except for scheduled tribe households all the other three groups that is, scheduled caste, rural agricultural labour and the urban casual labour have seen a decline in poverty.

2. **Answer:**

i. In India, a minimum level of food requirement, clothing, footwear, fuel and light, educational and medical requirement, etc., are determined for subsistence.

ii. These things are multiplied by their prices in rupees.

iii. The desired calorie requirements are seen depending on age, sex and the type of work that a person does.

iv. The accepted average calorie requirement in India is 2,400 calories per person per day in rural areas and 2,100 calories per person per year in urban areas.

v. Since people living in rural areas are considered to be higher than urban areas.

vi. The monetary expenditure per capita needed for buying these calorie requirements is revised time to time, keeping in mind the rise in prices.

vii. On the basis of these calculations, for the year 2000, the poverty line for a person was fixed at ` 328 per month for the rural areas and ` 454 for the urban areas.

3. **Answer:**

i. The social groups which are most vulnerable to poverty are those belonging to the Scheduled Castes and Scheduled Tribes.

ii. Among the economic groups, the most vulnerable groups are the rural agricultural labour households and the urban casual labourers.

iii. About 51 out of 100 people belonging to the Scheduled Tribes are not able to meet their basic needs.

iv. Similarly, 50 per cent of the casual workers in urban areas are below the poverty line.

4. **Answer:** Although there has been a substantial reduction in global poverty, it is marked with great regional differences:

i. Poverty declined substantially in China and south-east Asian colonies as a result of rapid economic growth and massive investment in human resource development.

ii. In the south Asian countries, the decline has not been as rapid. Despite decline in the percentage of poor, the number of poor has declined from 475 million in 1981 to 428 million in 2001.

iii. In Sub-Saharan Africa, poverty in fact rose from 41 per cent in 1981 to 46 per cent in 2001.

iv. In Latin America, the ratio of poverty remained the same.

v. Poverty has also resurfaced in some of the former socialist countries like Russia.

5. **Answer:** The main causes of widespread poverty are:

i. The low level of economic development under the British colonial administration was one of the main causes of poverty. The policies of the colonial government ruined traditional handicrafts and discouraged the development of industries like textiles.

ii. High growth rate of population also contributed towards rise in poverty levels. It made the growth rate of per capita income very low.

iii. With the growth in irrigation and the Green Revolution, many job opportunities were created in the agricultural sector. But the effects were limited to some parts of India.

iv. Unable to find proper jobs in cities, many people started working as rickshaw pullers, vendors, construction workers, domestic servants, etc., with irregular and small income. These people lived in slums on the outskirts of the cities.

6. **Answer:**

i. Over a period of thirty years lasting up to the early eighties, there was little per capita income growth and not much reduction in poverty.

ii. Since the eighties, India's economic growth has been one of the fastest in the world.

iii. The growth rate jumped from an average of about 3.5 per cent a year in the 1970s to about 6 per cent.

iv. Higher growth rates have helped significantly in the reduction of poverty. So, there is a strong link between economic growth and poverty reduction. However, the poor may not be able to take direct advantage from the opportunities created by economic growth.

7. **Answer:**

i. The Mahatma Gandhi National Rural Employment Guarantee Act was passed in September 2005. The act provides 100 days assured employment every year, to every rural household, in 200 districts.

ii. The central government will also establish National Employment Guarantee Funds. Similarly, state governments will establish State Employment Guarantee Funds for implementation of the scheme.

iii. Under the programme, if an applicant is not provided employment within 15 days he or she will be entitled to a daily unemployment allowance.

iv. Another scheme is the National Food for Work Programme (NFWP) which was launched in 2004, in 150 most backward districts of the country. The programme is open to all rural

people who are in need of wage employment and desire to do manual unskilled work. Under this scheme, food grains are provided free of cost to the state.