

# Chapter 13: Poverty

## Learning Objectives

- Introduction
- Meaning of Poverty
- Who are poor?
  - Poor in Urban & Rural Areas.
  - Common characteristics of poor people.
- Measures of poverty: relative & Absolute
  - Relative poverty
  - Absolute poverty
- Concept of poverty line.
- Magnitude of poverty.
- Causes of poverty.
- Measures to remove poverty.
- Government approach to remove poverty.
- Poverty alleviation programs (PAP) in India.
- Critical evaluation of poverty Alleviation programs (PAP)

### 1 Mark questions

1. Define poverty?

Ans. poverty refers to a state in which an individual is unable to fulfill even the basic necessities of life.

2. Name two measures to determine the extent of poverty?

Ans. The two measures to determine the extent of poverty are:

- I. Relative poverty
- II. Absolute poverty

3. What is the minimum calorie intake estimated for rural & urban areas?

Ans. The minimum calorie intake estimated in rural areas is 2400 & in urban areas 2100 calorie.

4. Why has higher calorie intake fixed for rural areas?

Ans. Higher calorie intake has been fixed for rural areas because the rural worker has to do greater physical work as compared to urban worker

5. How can creation of income earning assets address the problem of poverty?

Ans. If poor people are provided with high income earning assets, then they will be assured of minimum income. It would help them in coming above the poverty line.

6. What is meant by absolute poverty?

Ans. Absolute poverty refers to the total number of people living below poverty line.

7. The poverty has shifted from overall to urban areas. Why?

Ans. The poverty has shifted from overall to urban areas because of the migration of the rural people to urban areas in search of alternative employment & livelihood.

8. Name the program initiated by government to help the elderly people & poor & destitute women?

Ans. National social assistance program (NSAP)

9. What is meant by head count ratio?

Ans. When the number of poor is estimated as the proportion of people below the poverty line, it is known as "Head Count Ratio"

10. What is the amount of consumption expenditure to determine poverty line in India?

Ans. Rs. 328 per month in rural areas & Rs. 454 per month in urban areas at 1990-00 prices.

11. Which Organization collects data on poverty in India?

Ans. National Sample Survey Organization (NSSO)

12. Distinguish between absolute and relative poverty.

Ans. Absolute poverty refers to the total number of people living below poverty line, whereas relative poverty refers to poverty of people in comparison to other people, regions or nations.

13. Where do you think the incidence of poverty is greater? Rural areas or urban areas?

Ans. Rural areas.

14. What percentage of population was below the poverty line in the year 2004-05?

Ans. 21.8 per cent.

### Meaning of poverty

Poverty refers to a state in which an individual is unable to fulfill even the basic necessities of life. The minimum requirement includes food, clothing, shelter & health facilities.

### 3 & 4 Marks questions

15. What are the characters of poor people?

- i. Hunger, starvation & malnutrition:- Hunger & starvation are the basic problems of the poorest households. Malnutrition is alarming high among the poor.
- ii. Poor health:- they are generally physically weak due to ill health disability or serious illness. Their children are less likely to survive or be born healthy.
- iii. Limited economic opportunities:- they have very Limited economic opportunities due to lack of literacy and skills.
- iv. Debt trap:- they borrow from money landless who charge high rate of interest.
- v. Lack of facilities of electricity & water:- most poor household do not have access to electricity. Their primary cooking fuel is fire wood & cow dung cake.
- vi. Bigger families:- the poor families are bigger in size, which make their economic condition worse.

16. Explain the measures of poverty – relative & absolute.

- a. Relative poverty:- when we compare the incomes of different people, & we find that some people are poorer than other, it is called relative poverty.
  - Relative poverty does not consider, how poor the poor persons are or whether he is deprived of the basis minimum requirement of life or not.
  - It compares the inequality of income & assets ownership. It helps in understanding the relative position of different segment of the populations.
  - The defect in the relative measure of poverty is that it only reflect the relative position of different segment of the population in the income hierarchy.
- b. Absolute poverty:-It refers to the total number of people living below poverty line. In poverty line a standard is fixed in terms of minimum level of consumption.
  - Absolute poverty refers to a situation when a person fails to reach this minimum consumption.

How to measure absolute poverty?

- Poverty line is used as a measure.
- The people below poverty line are absolutely poor.

17. Explain the concept of poverty line?

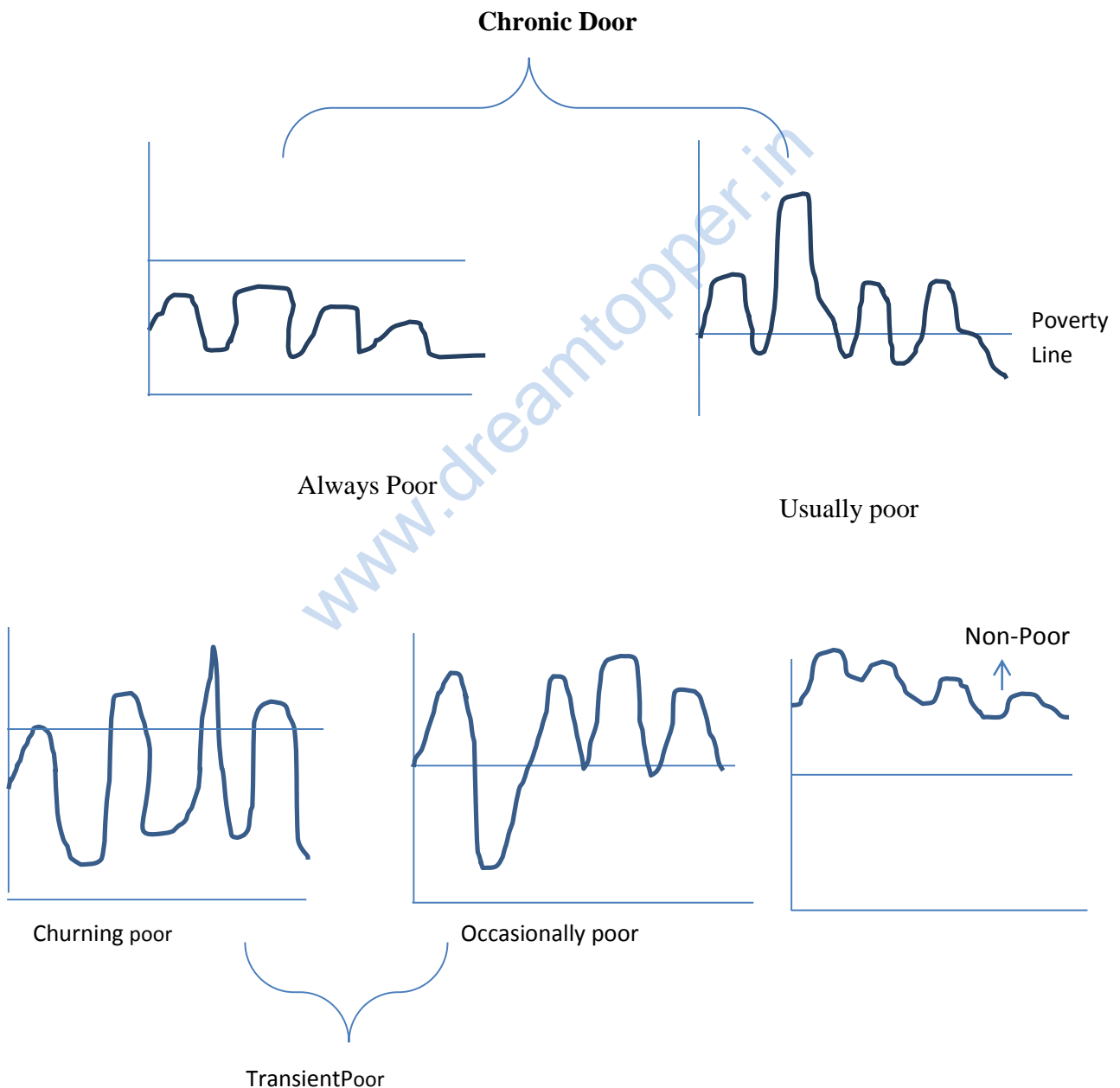
- Poverty line is a cutoff point on the line of distribution, which usually divides the population of the country as poor & non poor.
- People having income below the poverty line are called poor & people with income above poverty line are called non poor.

- The planning commission has defined poverty line on the basis of recommended nutritional requirement of 2400 calories per person in rural areas and 2100 for a person in urban areas.
- While fixing the poverty line, consumption of food is considered as the most important criteria.
- The consumption worth of Rs. 328 per person a month in rural area and for urban area it was Rs. 454 also considered for poverty line.

### Categorizing poverty

Chronic poor's:- transient poor may be classified as churning poor (who regularly move in & out of poverty, like small farmer) & occasionally poor (who are rich most of the time & poor sometimes)

Non-poor:- they are never poor



### **Criticism of the poverty line.**

- This method does not differentiate between the very poor and the other poor.
- There are many factors, other than income & assets, which are associated with poverty, like accessibility to basic education, health care drinking water etc which have been ignored.
- This method does not consider social factors that generate & are responsible for poverty, like illiteracy, ill health, lack of access to resources discrimination or lack of resources discrimination or lack of civil & political freedom.

18. How to measure number of poor? (tools to measure poverty)

Ans. The simplest method to determine number of poor is the head count ratio (HCR). Head count ratio is calculated by dividing the number of people below the poverty line by the total population.

- Amartyasen a Noble Laureate developed Sen Index to measure poverty.
- Other tools to measure poverty are Gap Index and squared poverty gap.
- Official data of poverty is collected by NSSO.

### **Causes of poverty**

Underdevelopment of the Indian economy:- the root cause of poverty is the under development of the Indian economy. The underdevelopment is manifested by the relative backwardness of agriculture & industrial sector. Widespread infrastructural bottle necks are presented & as a result of slow pace of development nearly 20% of the population is still living below the poverty line.

**Population explosion**:-Rapid growth of population, particularly among the poor, is responsible for the problem of poverty in the country.

**High level of un-employment**:- poverty is caused by unemployment or unemployment coupled with a low rates of wages. More than six decades economic planning has failed to generate adequate employment opportunities in the industrial & service sector & employment is stagnant sector. Employment & unemployment have resulted in low levels of income & a large share of population lies below the minimum subsistence levels.

**Inequalities of income**:- (an important cause of poverty in India is the existence of large inequalities in distribution of national income & concentration of economic power, both in rural & urban sectors of the economics) efforts to reduce inequalities have been ineffective. The benefits of growth have been appropriated by the rich section & have not reached the poorest of the poor. So the rich become richer as their income rise & assets expanded.

**Social factors**:- Joint family system, laws of inheritance, strong belief in destiny & fate are some social factors that have presented individuals from taking initiative & risk.

In short narrow & pessimist attitude is responsible for inertia, lack of imitative & dynamism. People believe that their present state is due to their destiny & it keeps the individual in a vicious circle of poverty.

**Political factors**:-Before Independence, India was exploited under the British rule. After Independence other political factors have adversely affected economic progress. Economic

policies are formulated to promote the interest of the richer section of the society & poor people are suffers in the process.

**Inflation**:- The steep & continuous rise in price, particularly of essential commodities has added to the miseries of the poor.

**High illiteracy rate**:-lower education result in lower income as there is a positive correlation between the two.

**Poor state of agriculture**:-Labour & land productivity continue to be low in India. Consequently, most of the farmers live in a state of poverty.

**Underutilization of resource**:-Due to the un exploitation natural resources of the country, poverty spreads throughout the country.

19. How to remove poverty?

- **Acceleration of economic growth**:- the first & foremost measure needed to remove poverty is accelerating the rate of economic growth.
- **Reducing inequalities of income**:-if the high growth rate is accompanied with increased inequalities of income, then fruits of economic development will accrue only to rich section, whereas the poor will grow in numbers. Thus in equalities must be reduced if development is to benefit the poor.
- **Population control**:-High growth rate of population especially among the poor is one of the causes. So (in order to remove poverty, it is very essential that population growth rate be checked) poverty can be removed to a greater extent, if we intensify family planning campaign & reduce the increasing population among the poor.
- **Agricultural development**:- eradication of mass poverty in rural areas is possible only when due emphasis is given for agricultural development. so (there is a serious need to enhance the agriculture production & productivity) government should take steps to make provision for financial assistance to small & marginal farmers, high yielding varieties of seeds, irrigation facilities, fertilizers etc.
- **More employment opportunities**:-poverty can be eliminated by providing more employment opportunities. So that people are able to meet their basic needs.
- **Land reforms**:-by the imposition of ceilings on land holdings & their effective implementation a good amount of land can be acquired to be distributed among the landless laborer. On obtaining land, the landless laborers will be able to employ themselves & will produce subsistence for them.

### **Three Dimensional Approach to remove Poverty**

**Growth oriented approach**:-this approach is based on an expectation that effects of economic growth (rapid increase in GDP & per capital income) would speed to all sections of the society & will trickle down to the poor section also) it was felt that rapid industrial development & transformation of agriculture through green revolution in selected regions & more backward sections of the community.

**Poverty alleviation programmer**:- This is the second approach has been initiated from the third five year plan & progressively enlarged since then(the government has introduced a variety of programmers for education of poverty)

## **Poverty alleviation programmers (PAP) in India:-**

1. **Prime minister's Rozgar Yojana (PMRY) :-** This program aims at creating self-employment opportunities in rural areas & small towns. Under this program, educated unemployed from low-income families in rural & urban areas can get financial assistance in the form of bank loans, to set up any kind of enterprise that generates employment. It attempted to generate employment by setting up seven lakh micro-enterprises during the eighth plan [1992-97]. By 2003-04, 3 million people got employment under the scheme of PMRY.
2. **Swarna Jayanthi Shahri Rozgar Yojana (SJSRY):-** (Urban self-employment program & the urban wage employment programs are two special schemes of SJSRY, initiated in December 1997) which replaced various programmers operated earlier, for urban poverty alleviation. SJRY mainly aims at creating employment opportunities for both self-employment & wage-employment in urban areas.
3. **Swarna Jayanthi Gram Swarozgar Yojana (SGSY):-** SGSY is a self-employment program, launched with effect from April 1 199 as a result of restructuring & combining the earlier poverty eradication programmes like Integrated rural development programme (IRDP), development of women & children in rural areas (DWCRA), etc. It aims at promoting micro enterprises & to bring the assisted poor families (Swarozagaris) above the poverty line, by organizing them into Self-Help Groups (SHGs). Under this programme, people who wish to benefit from this scheme are encouraged to form self-help groups (SHG). Initially they are encouraged to save some money & land among themselves as small loans. Later, through banks, the govt. provides partial financial assistance to SHGs which then decide whom the loan is to be given for self-employment activities.
4. **Sampoorna Grameen Rozgar Yojana (SGRY):-** The scheme was launched with effect from September 2001. The schemes of Jawahar Gram Samridhi Yojana (JGSY) & employment assurance scheme (EAS) has been fully integrated with SGRY. The scheme aims at providing wage employment in rural areas & food security, along with the creation of durable community social & economic assets. The centre & the state on the cost sharing ratio of 87.5 : 12.5 [Including food grains components].
5. **National Rural Employment Guarantee Act 2005:-** The act was passed in 2005 & the scheme, i.e. National rural employment guarantee schemes or NREGS was launched in February 2006. The aim of the act is to provide guaranteed wages employment to every households. Under this programme, volunteer adults will be provided unskilled manual work for a minimum of 100 days in a year. Those cannot be employed employers under this scheme were given wages for those 100 days.
6. **Pradhan Mantri Gramodaya Yojana (PMGY):-** This programme was introduced in 2000-01, with the objective of focusing on village level development in five critical areas:-
  - i. Health
  - ii. Primary Education
  - iii. Drinking water
  - iv. Housing & rural roads
  - v. Improving quality of life of people in rural areas.

PMGY includes these projects:-

- a. Pradhan Mantri Gram Sadak (PMGSY)
- b. Pradhan Mantri gramodya yojna [Gramin awas]
- c. Pradhan Mantri gramodya yojna- Rural drinking water project.

7. **National Social Assistance Programme (NSAP):-** NSAP was introduced on 15<sup>th</sup> August 1995 for social assistance benefit to poor house hold affected by old age, death, primary bread earner & maternity care. The programme has three components
- i. National old age pension scheme (NOAPS)
  - ii. National family benefits scheme (NFBS)
  - iii. National benefit scheme (NMBS).

**Minimum Needs programmers:-** The third approach is to provide minimum basic amenities to the people. India was among the pioneers that it would visualize that through public expenditures on social consumption needs. (Food grains at subsidized rates, education, health, water supply & sanitation) people's living standard could be improved. Programmers under this approach are expected to supplement the consumption of the poor. Create employments in health & education. 3 major programs that aims at improving the food & nutritional status of poor are:-

- i. Public distribution system
- ii. integrated child development scheme