12th Standard- Economics

CHAPTER 4

POVERTY

- **Poverty** is the inability to fulfil the minimum requirements of life such as food, clothing, housing, education and health facilities.

- **Relative poverty** refers to the poverty in relation to different regions, classes or countries. For example, Ram is relatively poor than Shyam.

- Absolute poverty is expressed in terms of income needed to afford the minimal requirements (basic necessities) of life such as, food, clothing and shelter. Those who are not able to earn this minimum amount of income are known as absolute poor. For example, Ram is poor.

- In India, the concept of poverty line is used as a measure of **absolute** poverty.

- **Poverty line** refers to the cut off point in terms of per capita expenditure incurred by the people to satisfy basic needs.

- **Calorie Norms for the Rural and Urban households-** The average calorie requirement is determined to be 2435 calories and 2045 calories respectively for the rural and urban households. It is higher for rural households as the **people in rural areas are** found to be **engaged in more physical work** as compared to the urban households.

- **Categories of poverty**
    - **Chronic poor**- Those who are always poor such as, landless workers and casual workers, etc.
    - **Transient poor-** Those who keep on moving above and below the poverty line, such as, seasonal workers, etc..
    - **Never poor**- Those who are non-poor such as, doctors, engineers etc.

- **Head Count Ratio-** It measures poverty in terms of absolute number of persons below poverty line.

- **Urban poverty is a spill over rural poverty-** This is because rural poor tend to migrate from rural to urban areas in search of better employment opportunities. Failing to be employed by the urban industries, these migrants form informal sector such as, barbers, grocer, cobbler, etc. They are devoid of any social security benefits and have low bargaining power, consequently are more vulnerable than their rural counterparts.

- **Two Main Causes of Poverty**
    - Due to the underdeveloped nature of Indian economy
        - **Net National Product is comparatively low** that leads to low per capita income.
        - **Low growth rate** of per capita income has resulted in sustaining the problem of poverty.
        - **Rising population** adds to the burden of the economy, thereby increasing poverty overtime.
        - The persistent rise in prices **(inflation**) due to low rate of production and high population growth.
    - Due to unequal distribution of income (inequality in the distribution of income).

❖ Approaches to Combat Poverty

- **By speeding up the pace of economic growth:** Poverty can only be solved by accelerating the pace of economic growth.
- **By reducing the inequality of income** through fiscal and legislative measures.
- **By legislative measures** such as, Minimum Wage Act to safeguard the economic interests and purchasing power of the casual workers.
- **By fiscal measures** (such as, taxation policy)- A high rate of income tax should imposed on the rich whereas poor should be exempted from taxes. Taxes act as a means to transfer the purchasing power from rich to the poor people via government.
- **By controlling population**
- **By creation of income-earning assets** such as land, capital and labour that helps the poor households to earn income consistently.

❖ Three Dimensional Attack on Poverty By the Government

- **Trickle-down Approach-** Eventually, the positive effects of economic growth will be trickled down or benefit all sections of the society and also the poor people.
- **Poverty Alleviation Programmes**-Aimed at the creation of income-earning assets and employment generation opportunities.
- **Providing Basic Amenities**-Aimed at providing basic amenities like proper medical and health care facilities, better education, proper sanitation etc. to the poor people.

❖ Poverty Alleviation Programmes

- **Swaranjayanti Gram Swarozgar Yojna (SGSY) -** Under this programme a large number of enterprises are to be established in the rural areas.
- **Sampoorna Gramin Rozgar Yojana (SGRY) -** This programme focussed on providing wage employment to the urban unemployed and underemployed.
- **Swaran Jayanti Shahri Rozgar Yojana (SJSRY) -** The objective of this yojana is to provide self employment or wage employment to the urban unemployed and underemployed.
- **Prime Minister's Rojgar Yojana (PMRY) -** This emphasised on providing employment to the literate unemployed.
- **Food for Work (FFW)** (2000-01) **-** This programme aimed to generate ample employment opportunities for unskilled labourers concentrated in the drought-affected states of Chhattisgarh, Gujarat, Himachal Pradesh, M.P, Orissa, Rajasthan, Maharashtra and Uttaranchal. The programme provides food in exchange of the work done by the labourers such as watershed development works, water harvesting and construction of metal roads connecting rural and urban areas.

❖ Relationship between Poverty Alleviation Programmes and Employment Generation Schemes

- Direct relationship between employment and poverty alleviation
- Higher standard of living
- Reduce rural-urban migration
- Creation of durable assets
- Self-sufficiency and self-reliant areas
- Impart and enhance skills
- Reduce underemployment and disguised unemployment

- **National Social Assistance Programme** (initiated by the central government) targets elderly people, widows and the poor and destitute women who are alone and have no one to take care of them. These targeted people are given pension to sustain their livelihood.

- **Failure of Poverty Alleviation Programmes**
  - These programmes **required complex procedures**; consequently the administration and staff engaged could not work efficiently.
  - These programmes **did not favour the needy poor population** rather they were inclined towards the interest of the elites, leading to inefficient and misallocation of resources.
  - The population living in the **interiors of the villages were neglected** due to the lack of easy accessibility.
  - The institutions involved **failed to provide sufficient facilities** such as, marketing and credit facilities to the needful.
  - These programmes **lacked mass participation** as these were largely government sponsored programmes.