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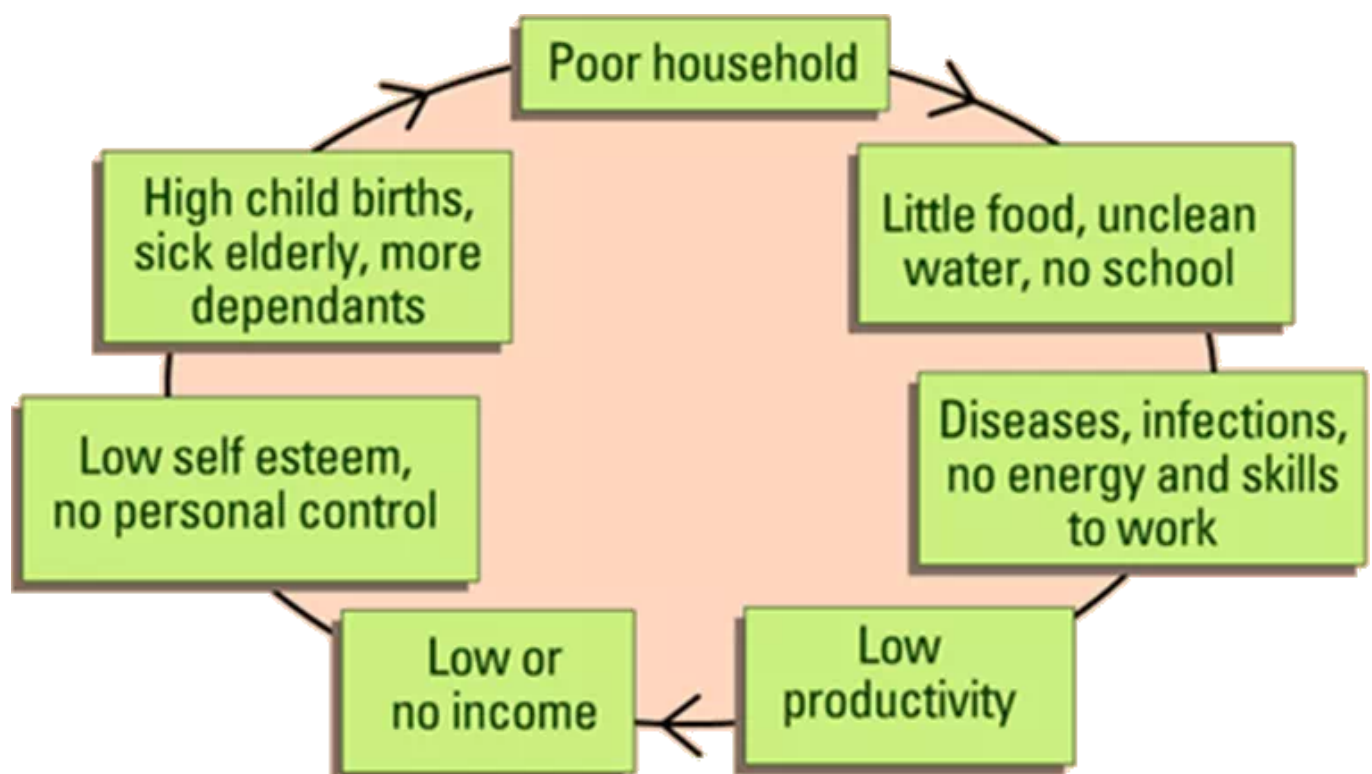
## NCERT Class 11 Economics Chapter 4: Poverty YouTube Lecture Handouts

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- Key Challenges – poverty, infrastructure and development
- India – highest human capital for investment in health and education – aim to create employment
- Aim – provide basic needs and reduce poverty
- Antyodaya (uplift poorest of poor) – integrate poor to mainstream and minimum standard of living for all
- 1/5<sup>th</sup> of poor live in India alone
- JL Nehru – end poverty, ignorance, disease and inequality



*Image of Poor HouseHold*

## **Who is Poor?**

- Kucha house
- Intake of calories
- Starvation
- Hunger
- Lack of literacy
- Limited economic opportunities
- Unstable employment
- Ill health & disability
- Malnutrition
- Borrow money at high rate of interest – indebtedness
- No access to electricity
- Cooking fuel is firewood
- No safe drinking water
- Gender inequality
- Less care for motherhood
- Landless laborers and cultivators with small landholdings
- Self-employed on roadsides
- Fear of future, powerlessness, lack of representation and freedom

## **Key Aspects**

- Low capital formation
- Lack of infrastructure
- Lack of demand
- Pressure of population
- Lack of social/welfare nets

## **Identifying Poor**

- Dadabhai Naoroji

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- 1<sup>st</sup> discussed poverty line – menu of prisoners and prevailing prices to arrive at as “jail cost of living”
- Children don’t stay in jails so he adjusted –  $\frac{1}{3}$ <sup>rd</sup> as child and half of them consumed very little -  $(\frac{1}{6})(Nil) + (\frac{1}{6})(Half) + (\frac{2}{3})(Full) = (\frac{3}{4})(Full)$
- Gave average poverty line as  $\frac{3}{4}$ <sup>th</sup> of adult jail cost of living
- 1962 – Planning Commission Study Group
- 1979 – ‘Task Force on Projections of Minimum Needs and Effective Consumption Demand’
- 1989 and 2005 - ‘Expert Groups’

## Categorizing Poverty

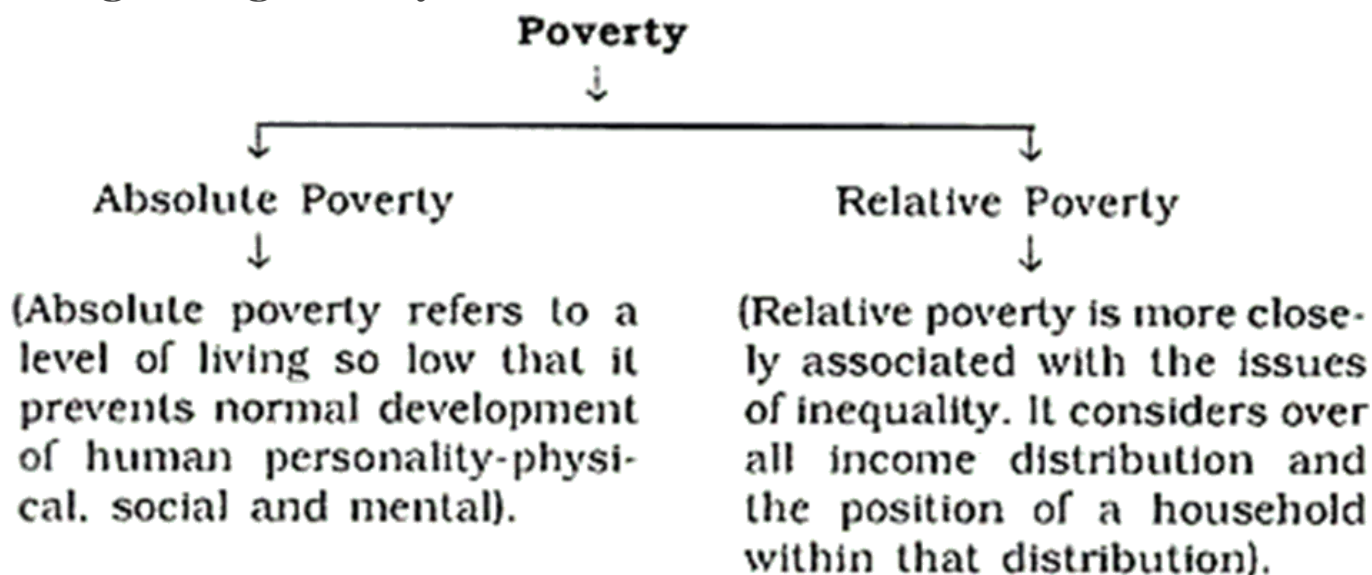


Image of Absolute Poverty and Relative Poverty



Image of Poor and Non - Poor

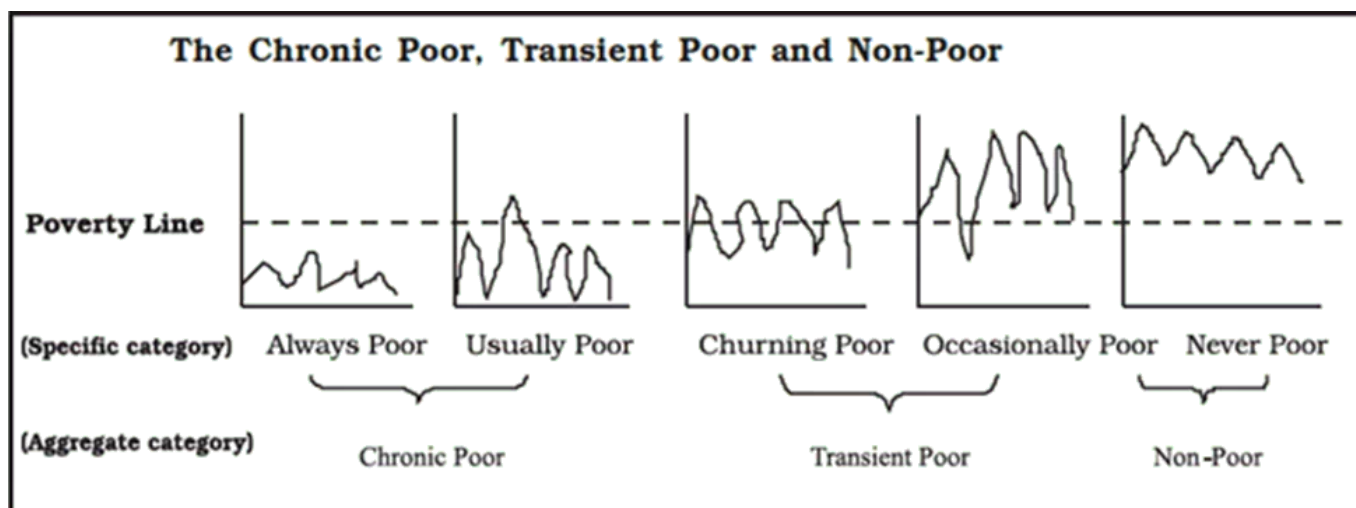


Image of Chronic Poor, Transient Poor and Non - Poor

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- Churning poor – move in and out (small farmers and seasonal workers)
- Occasionally Poor: Rich most of the time but sometimes have a bad luck

## Poverty Line

- By Monetary value (per capita expenditure) of minimum calorie intake was 2,400 calories for rural and 2,100 for urban (for 2009-10 it was Rs. 673 for rural and Rs. 860 for urban)
- Factors other than income associated with poverty – education, health, water and sanitation to determine poverty line
- Development aims to remove illiteracy, ill health, lack of resources and lack of political freedom
- Economic reforms of 1990s led to decline in poverty levels

## Tools

- Amartya Sen, noted Nobel Laureate developed Sen Index
- Poverty Gap Index
- Squared Poverty Gap



Image of Poverty Trap

## Number of Poor

- Head Count Ratio: Number of poor estimated as proportion of people BPL. Does not reflect severity.

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- **Poverty Gap Ratio:** Gap by which mean consumption of the poor BPL falls short of the poverty line. Reflects severity of poverty.
- In terms of ratio and percentages
- Official data on poverty made public by Planning Commission – based on basis of consumption expenditure data collected by NSSO
- 1973-74: 320 million BPL (55% was BPL – 80% in rural)
- 2011-12: 270 million BPL (20% was BPL – 80% in rural)
- 1973-74 - Tamil Nadu, Uttar Pradesh, Bihar, Madhya Pradesh, West Bengal and Orissa contained a large section of poor
- During 1973 to 2012 – Odisha, MP, Bihar and UP are far above national poverty level

## Causes of Poverty

- Institutional and social factors
- Social, economic and political inequality
- Social exclusion
- Unemployment
- Indebtedness
- Unequal distribution of wealth
- Colonial Past
- Limited Resources
- Weak Institutions
- Corruption
- Population Explosion

Aggregate poverty is sum of individual poverty

- British rule – had negative impact on economy and standard of living; deindustrialization, rise of taxes, export of foodgrains, 26 million people died of famines b/w 1875 and 1900, create market for British goods in India & Indians as manpower for British armies
- Today – agriculture is important, ownership of land is very important – redistribution of land after 1947
- Rural India – small farmers, less fertile, rain dependent, subsistence crop and livestock, inability to pay back loans & fragmentation of land, ST/SC unable to participate in

employment

- Urban India – overflow of rural poor who migrate to urban areas, casual laborers (most vulnerable), indebtedness & rise of price of goods
- 2 distinct groups: those who possess means of production and earn good incomes and those who have only their labor to trade for survival.

## **Policies & Programs**

- First Five Year Plan (1951-56) - urge to bring economic and social change under present conditions comes from the fact of poverty and inequalities in income, wealth and opportunity
- Second Five Year Plan (1956-61) - benefits of economic development must accrue more and more to the relatively less privileged classes of society – poverty alleviation

## **Approach to Poverty Reduction**

**1<sup>st</sup> Approach - Growth oriented approach:** Based on the expectation that the effects of economic growth – rapid increase in GDP & PCI would spread to all sections of society and will trickle down to the poor sections – main focus in 1950s and early 1960s.

Benefit by rapid industrial development and transformation of agriculture through green revolution (it increased disparities)

**2<sup>nd</sup> Approach - 3<sup>rd</sup> 5 Year Plan:** Create additional assets and means of work generation by poverty alleviation program – expand self-employment and wage employment - are Rural Employment Generation Program (REGP), Prime Minister's Rozgar Yojana (PMRY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

- SJSRY restructured as National Rural Livelihoods Mission (NRLM). A similar program National Urban Livelihoods Mission has also been in place for urban poor.
- In August 2005, new Act passed to provide guaranteed wage employment to every rural household whose adult volunteer is to do unskilled manual work for a minimum of 100 days in a year.
- This Act is known as Mahatma Gandhi National Rural Employment Guarantee Act.
- Officials are ill motivated, inadequately trained, corruption prone and vulnerable to pressure from variety of local elites, the resources are inefficiently used and wasted. There is also non-participation of local level institutions in program implementation.

**3<sup>rd</sup> Approach: Minimum Basic Amenities to Poor** – subsidized education, health, water and sanitation – create employment opportunity

- Improve food and nutritional status – PDS, Integrated Child Development Scheme and Midday Meal Scheme

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- Infrastructure & Housing - PM Gram Sadak Yojana, PM Gramodaya Yojana, Valmiki Ambedkar Awas Yojana
- Social Security – National Social Assistance Program – pension for destitute and widows
- Financial Inclusion – Jan Dan Yojana - Each bank account holder is entitled to Rs. 1 lakh accident insurance and Rs. 30,000 life insurance cover.
- Health – Ayushman Bharat

## Case Studies

- Tribals constitute 55% majority in Surguja, one of India's poorest districts & Pahadi or Hill Korwas listed as a primitive tribe by the government, fall in the bottom 5%.
- Cotton Farmers: India has largest area 8,300 hectares in 2002–03 under cotton cultivation in the world. Low yield of 300 kg per hectare.
- It stands at third position in production. Distress to farmers due to high production costs, low and unstable yields, decline in world prices, global glut in production due to subsidies by U.S.A., and opening up of the domestic market due to globalization mainly in Andhra Pradesh and Maharashtra. Causes of farmer suicides:
  - Shift from traditional to HYV crops without technical support
  - Decline in public investment in agriculture
  - Low rate of germination of seeds by large global firms
  - Crop failure, pest attack and drought
  - Debt at high interest rate of 36% to 120% from private moneylenders
  - Cheap import lead to decline in pricing
  - Lack of access to water for crops – forced them to borrow money

## Committees on Estimate of Poverty

- Suresh Tendulkar Committee based upon the calorie intake. In which it was aimed to reduce the poverty by half given in MDG. The report says the poverty has been reduced to 1.5% point per year after 2004-2005 to 2009-2010.
- Dr.N.C Saxena committee conducted BPL census in rural areas. It has automatic exclusion of some privileged sections and automatic inclusion of certain deprived and vulnerable section of the society. It also estimated more than 50% of the population living below poverty line.
- SR Hasim Committee suggested identifying the urban poor. If a section has items like refrigerator, two wheeler, landline telephone or washing machine should not be treated as poor. It also reported the urban poverty has been reduced in recent decade.



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- C. Rangarajan Committee - person having 32 rupees in Rural and 47 Rupees in Urban doesn't come under the Poor category. His estimate is based upon Purchasing Power Parity (PPP). His report shows a decline of poverty from 39.6% to 30.9% in urban areas and 35.1% to 20.4%.

-Manishika