

# ECONOMICS

( Indian Economic Development )



## Important Questions

### Multiple Choice questions-

Q1. Which organization collects data on poverty in India?

- (a) Planning Commission
- (b) NSSO
- (c) CSO
- (d) Election Commission

Q2. Which of the following statements about absolute poverty is not correct?

- (a) It focuses on biological needs.
- (b) Levels of absolute poverty are very low in developed countries.
- (c) Government policies can help in the elevation of absolute poverty.
- (d) It compares the living standard of people.

Q3. Which of the following people are classified as churning poor?

- (a) Who are always below the poverty line
- (b) Who regularly move in and out of poverty
- (c) Who generally remain above the poverty line but sometimes below it
- (d) None of the above

Q4. When was the Task Force on Projections of Minimum Needs and Effective Consumption Demand was formed?

- (a) 1969
- (b) 1979
- (c) 1989
- (d) 1999

Q5. Those who regularly move in and out of poverty are called

- (a) Chronically poor
- (b) Churning poor
- (c) Occasionally poor
- (d) Transient poor

Q6. Poverty is a state in which a person is : –

- (a) Poor

- (b) Does not has proper home
- (c) Inability to fulfil basic requirements
- (d) None of these

Q7. Which of the following is an action adopted under the provision of minimum basic amenities to the people?

- (a) Prime Minister's RozgarYojna
- (b) Swarna Jayanti Shahari RozgarYojna
- (c) Pradhan Mantri Gramodaya Yojna
- (d) National Rural Livelihood Mission

Q8. In 2011-12, which state had the highest poverty rate in India?

- (a) Odisha
- (b) Bihar
- (c) Madhya Pradesh
- (d) West Bengal

Q9. NFWP was launched in:

- (a) November 2004
- (b) December 2003
- (c) November 2002
- (d) December 2005

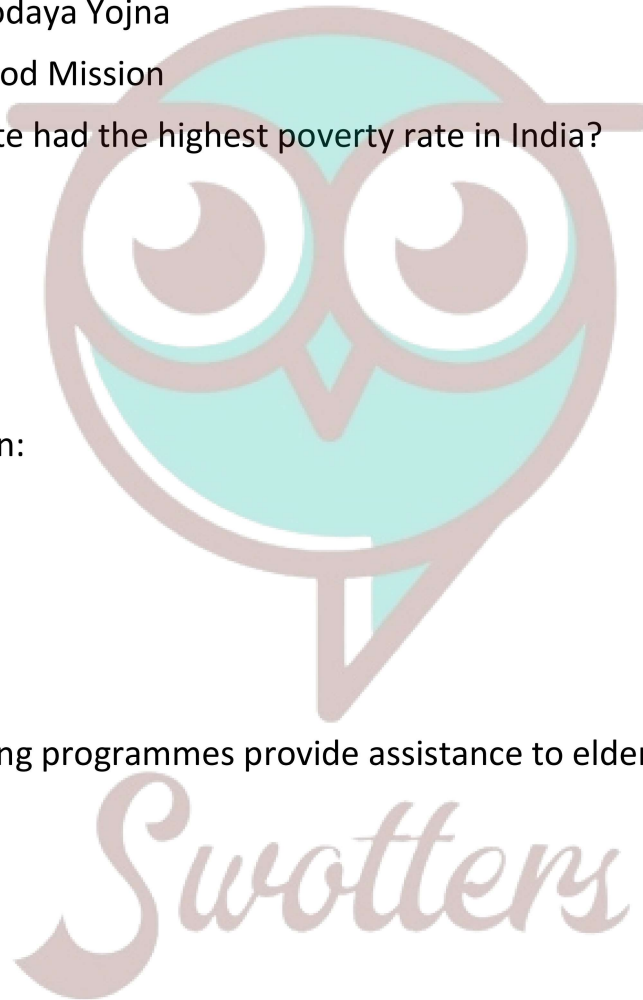
Q10. Which of the following programmes provide assistance to elderly people are given under?

- (a) VAMBAY
- (b) NSAP
- (c) PMGY
- (d) PMRY

Q11. People who are always below poverty line are termed as

- (a) Chronic poor
- (b) Seasonal poor
- (c) Always Poor
- (d) None of these

Q12. Which category of poor includes both 'Always' and 'Usually' poor.



- (a) Churning poor
- (b) Transient poor
- (c) Seasonal poor
- (d) Chronically poor

Q13. Which category of poor people keep moving up and down the poverty line: –

- (a) Occasionally poor
- (b) Transient poor
- (c) Churning poor
- (d) Always poor

Q14. The poverty across other people, regions or countries is known as

- (a) Urban poverty
- (b) Rural poverty
- (c) Relative poverty
- (d) Absolute poverty

Q15. What is the cause of poverty?

- (a) Low Rate of Growth
- (b) Increasing Population
- (c) Underemployment
- (d) All of these

### Very Short:

1. What do you mean by poverty?
2. What proportion of the world's poor live in India?
3. How many children under the age of five die annually in India according to UNICEF?
4. Name the two key features of poorest households.
5. What are the factors responsible alarming malnutrition among the poor?
6. Define poverty line.
7. What was the percentage of population below poverty line in 2011-12 in India?
8. Name the two types of poverty.
9. Define absolute poverty.
10. What is relative poverty?



## Short Questions:

1. Who are the poor?
2. What are the problems faced by the poor?
3. List the initiatives undertaken in post-independent India to work out a mechanism to identify the number of poor.
4. Why is the calorie requirements in rural areas are considered to be higher than urban areas?
5. Write a short note on the changes in the trends of poverty ratio and the number of poor during 1973-2012.
6. Give a brief description of inter-state disparity in terms of poverty in India.
7. What impact did the British rule had on the Indian economy?
8. What makes farmers commit suicide?

## Long Questions:

1. Discuss per capita expenditure method of determining poverty line? What are its limitations?
2. What are the causes of poverty in India?
3. Suggest measures to remove poverty in India.
4. Explain the self-employment and wage generation approach of the government for poverty alleviation.
5. Explain the self-employment and wage generation approach of the government for poverty alleviation.

## Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -

The poverty lines refer to a cut-off point that divides people of a region as poor and non-poor. Poverty line cutoff may be determined in the terms of income or in terms of consumption. The percentage of the population below the poverty line is called the headcount ratio. the poverty incidence ratio is the same as the headcount ratio. Headcount ratio refers to the measurement of poverty in the term of number of person below the poverty line, where the poverty line means some cutoff point with respect to the individual consumption expenditure per month. The poverty line usually measured in terms of per capita expenditure.

Consumption reflects the actual use of goods and service by an individual as well as the type of goods used while income only shows the capacity to purchase.

### Questions:

1. A cut off point dividing people as poor and non-poor indicates the number of those who are:
  - (a) absolute poverty
  - (b) below poverty line
  - (c) both a and b
  - (d) none of the above
2. The absolute poverty in India is measured with reference to \_\_\_\_\_.
3. Poverty line cut off can be determined in terms of \_\_\_\_\_ (investment/consumption)
4. Poverty line is measured normally in terms of \_\_\_\_\_ (per capita expenditure/per capita income)

2. Read the following hypothetical text and answer the given questions: -

This paragraph talks about economic inequalities in India that have been driven by the employment pattern and changes in labour market, which in turn have been affected by the macroeconomic policies and process as well as forms of social discrimination and exclusion. While many Asian economies have shown indications of rising inequalities in recent decades, the Indian experience is particularly remarkable in the way inequalities have intertwined with economic growth process. structural change and the persistence of the low productivity employment in India are strongly related to following wage shares of national income and growing wage inequality and the close relationship between formal and informal sectors is the sharpest exemplar of this. patterns of social discrimination along with gender and caste line have reinforced tendency to create segmented labour market that offer little incentives for the employers to focus on productivity improvement.

**Questions:**

1. Why did the government shift its strategy from long term to short term programs to remove unemployment?
  - (a) Short term policies are more effective
  - (b) Long term policy do not give appropriate response
  - (c) It is easy to check the progress
  - (d) All the above
2. Increase in the proportion of casual worker as the proportion of the total work force is known as \_\_\_\_\_ (informalization/casualization)
3. \_\_\_\_\_ is used to measure the concept of relative poverty.
4. Women participation in rural areas is found to be higher in rural areas as compared

with area in India due to which the following reason.

- (a) Widespread poverty
- (b) Male member do not earn sufficient income
- (c) Wages level are low in rural areas
- (d) all the above.

### Assertion Reason Type Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- a. Both assertion (A) and Reason (R) are true and reason (R) is the correct explanation of assertion (A).
- b. Both assertion (a) and reason (R) are true and Reason (R) is not the correct explanation of assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but reason (R) is true.

**Assertion:** The Average per capita daily requirement of 2400 calories in rural areas and 2100 calories in urban areas.

**Reason:** Because rural areas people do more labor in comparison to urban areas. that's why more calories is required in rural areas.

2. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- a. both assertion (A) and Reason (R) are true and reason (R) is the correct explanation of assertion (A).
- b. Both assertion (a) and reason (R) are true, and Reason (R) is not the correct explanation of assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but reason (R) is true.

**Assertion:** absolute poverty is prevalent in developed economics.

**Reason:** most developed economics are industrialized economy.

### Answers key

#### MCQ answers:

- 1. (b) NSSO
- 2. (d) It compares the living standard of people.

3. (b) Who regularly move in and out of poverty
4. (b) 1979
5. (b) Churning poor
6. (c) Inability to fulfil basic requirements
7. (d) Pradhan Mantri Gramodaya Yojna
8. (a) Odisha
9. (a) November 2004
10. (b) NSAP
11. (c) Always Poor
12. (d) Chronically poor
13. (c) Churning poor
14. (c) Relative poverty
15. (d) All of these

### Very Short Answers:

1. Answer: Poverty is the inability to secure the minimum consumption requirements for life, health and efficiency.
2. Answer: One-fifth of the world's poor live in India.
3. Answer: About 2.3 million children under the age of five die India per annum according to UNICEF.
4. Answer: The two key features of poorest households are hunger and starvation.
5. Answer: Ill health, disability and serious illness are the factors responsible for alarmingly high malnutrition among the poor.
6. Answer: Poverty line estimates the minimum level of income that is considered appropriate to secure basic necessities of life.
7. Answer: 22 percent of India's population lived below poverty line in 2011 -12.
8. Answer: The two types are absolute poverty and relative poverty.
9. Answer: Absolute poverty determines the minimum physical quantities of requirement for a subsistence level, with the help of poverty line.
10. Answer: Relative poverty refers to lack of resources in relation to different classes regions and countries.

### Short Answers:

1. Answer: We can see poor residing in our localities both in rural and urban areas. Some of



the most vulnerable groups are urban casual labourers, rural agricultural labourers, scheduled castes and scheduled tribes. These people possess very few assets and live in very miserable conditions. They live in kutcha houses made of baked mud and root grass.

They neither have any land to cultivate nor can they afford even two meals a day. Hence, they are malnourished and physically weak. Moreover, they are deprived of decent economic opportunities, which could raise their standard of living and lifestyle. They are illiterate, jobless as well as voiceless and powerless. Better-off people often exploit them.

2. Answer: Following are the problems faced by the poor:

- They suffer from chronic indebtedness borrow from money lenders who charge high rates of interest, which leads them into poverty.
- They are not able to negotiate with employers for legal wages and are exploited.
- They do not have access to electricity and safe drinking water.
- The primary cooking fuel is firewood and cow dung cake.
- There exists extreme gender inequality in the participation of employment, education and decision-making within the family.
- Women in poor households receive less care on their way to motherhood and hence, their children are less likely to survive or be born healthy.

3. Answer: The initiatives undertaken in post-independent India to work out a mechanism to identify the number of poor are:

(i) A Study Group was formed by the Planning Commission in 1962.

(ii) Task Force on Projections of Minimum Needs and Effective Consumption Demand was formed in 1979.

(iii) 'Expert Groups' were also constituted for the same purpose in the years 1989 and 2005.

4. Answer: The consumption levels in the rural and urban areas are quite different. The calorie intake differs depending upon the age group, eating habits, type of work, climate and consumption level.

The accepted average calorie requirement in India is 2400 calories per person per day in rural areas and 2100 calories per person per day in urban areas. The calorie requirements in rural areas are considered to be higher than urban areas because people living in rural areas engage themselves in more physical work.

5. Answer: During 1973 -74 and 2011 -12, the poverty ratio has declined continuously for both urban and rural areas. There has also been a decline in the absolute number of poor. However, the ratio is declining much slower than the absolute number of poor in the country. While the gap between the absolute number of poor in rural and urban areas got reduced, the gap between rural and urban poverty ratio has remained the same until

1999-2000. The gap between ratios has in fact widened in 2004- 10.

6. Answer: The proportion of poor people is not the same in every state. The state level poverty has witnessed a significant decline compared to the levels of early seventies. However, the rate of success of reducing poverty varies from state to state. According to recent estimates, many states and union territories have poverty ratio less than the national average. On the other hand, poverty is still a serious issue in Odisha, Bihar, Madhya, Pradesh and Uttar Pradesh.
7. Answer: The British rule had a substantial negative impact on the Indian economy and standard of living of the people.
- There was a sharp increase rural tax, which made merchants and moneylenders exploit the borrowers.
  - India began to export food grains under the British, which lead to death of 26 million people in famines between 1875 and 1900.
  - The British rule impoverished millions of people in India.
8. Answer: Landless farmers are poor and they do not have sufficient money to buy modern equipment for producing crops. In order to adopt developed techniques of production in agriculture, they take loans from moneylenders, who charge them very high rate of interest.

However, if the crop fails due to drought or other natural calamities, it causes distress among the farmers. They commit suicide due to their inability to repay the loans that they have taken for cultivation.

### Long Answers:

1. Answer: Per capita expenditure method determines poverty by the monetary value of the minimum calorie intake. The minimum calorie intake was estimated at 2,400 calories for a rural person and 2,100 for a person in the urban area.

On the basis of this, the poverty line was defined worth ₹ 816 as consumption per person a month for rural areas and ₹ 1,000 for urban areas for the year 201 1-12. Limitations of Per Capita Expenditure Method of Determining Poverty Line

(i) It groups all the poor together, without differentiating between the very poor and the other types of poor.

(ii) It takes into account only expenditure on food and a few select items. With this mechanism, it becomes difficult to identify who among the poor need the most help.

(iii) Various factors such as accessibility to basic education, health care, drinking water and sanitation are ignored while developing poverty line.

(iv) Social factors such as illiteracy, ill health, lack of access to resources, discrimination or lack of civil and political freedoms trigger and perpetuate poverty. These are also not



taken into consideration while determining poverty line.

2. Answer: The main causes of poverty in India are the following:

**Underdeveloped Nature of the Economy:** Indian economy is an underdeveloped economy. Its per capita income is low. Thus, its underdeveloped nature is closely associated with poverty, **Rapid Growth of Population;** Rapid growth of population in already overpopulated countries like India is one of the main causes of poverty. With the increase in population, the national income increases, however, the per capita income remains more or less the same.

**Unstable and Casual Nature of Employment'** The poor people lack basic literacy and skills. : As a result, they have very limited economic opportunities and face unstable employment.

A large number of rural poor migrate to urban areas in search of employment and livelihood. The industries in cities, however, are not able to absorb all these people. The urban poor are either unemployed or intermittently employed as casual labourers.

(iv) **Predominance of Agriculture:** Agriculture is the principal means of livelihood and land is the primary assets of rural people. Productivity of land is an important determinant of material well being. But the productivity of land in India is very low and thus, people remain struck in poverty.

(v) **Failure of Land Reforms:** Since independence, the government attempted to take lands from those who are having large amounts of land and allot to those who do not have any land but work on lands as wage labourers. This policy of land reforms was successful only to a limited extent.

This has left the large section of agricultural workers, scheduled castes and scheduled tribes as wage labourers. As a result, this group of population remained unable to possess assets or skill and remained struck in poverty.

(vi) **indebtedness of the Farmers:** Due to the adoption of developed techniques of production in agriculture, farmers had taken loans. In recent times, many farmers committed suicide due to their inability to pay back the loans. This indebtedness makes the people unable to raise their income and thus, remain struck in poverty.

(vii) **Increase in Prices:** The continuous and steep price rise adds to the miseries of poor. Although, it benefits a few people in the society (businessmen), the persons in lower income group find it difficult to meet even their minimum needs.

(viii) **Unequal Distribution of Income and Wealth:** Unequal distribution of income and wealth has also led to persistence of poverty in India. This has generated two distinct groups of 'have and have not' in society. One group comprises those who possess the means of production and earn their income while the other group consists of those who rely on their labour power for subsistence. The gap between these groups has widened over the years thereby worsening the position of the poor.

3. Answer: The problem of poverty is a big danger to the unity of India. Although the government has adopted many programmes, covering different aspects together, following measures can also be undertaken to remove poverty:

(i) Population Control: Growing population is a major cause of poverty in India. Hence, it is necessary to control it. Family planning programme should be implemented effectively.

(ii) Creation of More Employment Opportunities: Though it has been stated in our Constitution that the government would provide employment opportunities to all, but unemployment is still a big problem in India. It is also responsible for poverty. Hence, it is essential to promote employment through intensive skill development technology.

(iii) Increase in Production: Industrial and agricultural production should be increased to remove poverty. Present capacity should be utilised fully and new techniques should be adopted. Proper coordination should be there between large scale and small scale industries. Superior seeds, manures, fertilisers and modern methods of production should be adopted for agricultural development. Necessary irrigation facilities should be made.

(iv) Check on Price Rise: Price rise is also responsible for poverty in India. It decidedly goes against the interests of the poor. Thus, price rise must be checked through proper fiscal and monetary policies and other measures.

(v) More Emphasis on Small, Rural and Cottage Industries: Small scale and cottage industries have not developed fully in India, The government should adopt effective methods to expand small and cottage industries, which will increase the self-employment opportunities for the poor.

(vi) Stepping-up Capital Formation: Low rate of capital formation is a major hindrance in the way of fast economic development. Capital formation rate, therefore, must be increased. As it basically depends on the saving rate, every possible effort should be made to increase savings and their mobilisation.

(vii) Equal Distribution of Income and Wealth: One cause of inequitable distribution of income and wealth is that economic and employment opportunities are not equal for all. This inequality should be reduced. The poor should be given priority in employment opportunities. Tax system should be developed in such a way that income and wealth does not get concentrated in a few hands.

(viii) Effective Implementation of Programmes Designed to Attack Poverty: Undoubtedly, the government has implemented many programmes to attack poverty. It is unfortunate that these programmes have not been proved helpful to the poor because of ineffective implementation. Many social and political factors are responsible for it. Therefore, effective implementation of these programmes is necessary if poverty is to be reduced.

4. Answer: Government's approach of self-employment and wage generation was initiated from Third Five Year Plan (1961 -66) and has been enlarged successfully since then. The following programmes have been initiated by the government from time to time under

this approach:

(i) Food for work Programme (FWP): FWP was launched in the 1970s for the upliftment of the poor. Under this programme, foodgrains are distributed against the wage work.

(ii) Prime Minister's RozgarYojana (PMRY): This programme has been implemented by the Khadi and Village Industries Commission, which aims at creating self-employment opportunities in rural areas and small towns. One can get financial assistance with bank loans to set up small enterprises under this programme.

Under PMRY, the educated unemployed from low-income families in both rural and urban areas can get financial help to set up any type of industry which generates employment.

(iii) Swarna Jayanti Shahari RozgarYojana (SJSRY): It aims at creating employment opportunities, both self-employment and wage employment in urban areas. Individuals were given financial assistance under self-employment programmes.

(iv) Swarnajayanthi Gram SwarozgarYojana: Swarnajayanthi Gram Swarozgar Yojana was launched in April 1999 and is the only self-employment programme currently being implemented. It aims at promoting micro enterprises and to bring the assisted poor families (Swarozgaris) above the poverty line by organising them into Self-Help Groups through the process of social mobilisation, training and capacity building and provision of income generating assets through a mix of Bank Credit and Government subsidy.

(v) Sampoorna Grameen RozgarYojana (SGRY): SGRY was launched in September 2001. The schemes of Jawahar Gram Samridhi Yojana and Employment Assurance Scheme have been fully integrated with SGRY.

The objective of the scheme is to provide additional wage employment along with food security, creation of durable community, social and economic assets and infrastructure development in the rural areas. The scheme envisages generation of 100 man days of employment in a year.

(vi) National Food for Work Programme (NFWP): National Food for Work Programme was launched on November 14, 2004 in 150 most backward districts of the India. It is implemented as a 100 per cent centrally sponsored scheme and the foodgrains are provided to States free of cost. The objective of the programme was to intensify the generation of supplementary wage employment.

5. Answer: Programmes under minimum basic needs providing approach are expected to supplement the consumption of the poor, improve health and education and create employment opportunities. Government has adopted the following programmes under this approach:

(i) Pradhan Mantri Gram SadakYojana (PMGSY): This programme aims at building all-weather roads by 2007 in all villages having population of 500 persons.

(ii) Pradhan Mantri GramodayaYojana (PMGY): PMGY was launched in 2000-01 in all the

states and union territories in order to achieve the objective of sustainable human development at the village level. The PMGY envisages allocation of Additional Central Assistance to the States and Union Territories for selected basic minimum services in order to focus on certain priority areas of the government.

Initially, PMGY had five components viz. primary health, primary education, rural shelter, rural drinking water and nutrition. Rural electrification has been added as an additional component from 2001 -02.

(iii) Valmiki Ambedkar AwasYojana (Vambay): This programme was launched in December 2001 to facilitate the construction and up-gradation of dwelling units for the slum dwellers. It also aims to provide a healthy and enabling urban environment through community toilets under 'Nirmal Bharat Abhiyan' a component of the scheme.

(iv) National Social Assistance Programme (Nsap): The government initiated National Social Assistance Programme under which, homeless elderly people are given pension to sustain themselves. The programme also covers poor and destitute women.

### Case Study Answer-

1. Answer:

1. a) absolute poverty
2. Poverty line
3. Consumption
4. per capita expenditure

2. Answer:

1. d) All of the above
2. Casualization
3. Gini Coefficient
4. d) all the above

### Assertion Reason Answer-

1. a) both assertion (A) and Reason (R) ARE true and reason (R) is the correct explanation of assertion (A).
2. b) Both assertion (a) and reason (R) are true, and Reason (R) is not the correct explanation of assertion (A).