

B.Com. Hons. Semester-VI
DSE: Indian Economy

Unit 2: Social Issues in Indian Economy

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Problem of Poverty:

What is Poverty?

Poverty refers to that social condition in which a part of the society is unable to fulfill its basic requirements. When a big portion of the population is deprived of the minimum living standard and survives only on the survival level, then it is said that poverty is widely spread in the population.

What are the Causes of poverty?

1. Lower Growth Rate

The growth rate of the Indian economy is very low. During the 55 years of the planning period the average growth rate has been 3.5% which has deepened the roots of poverty.

2. Unemployment

The increasing rate of unemployment in the country has spread more problem. Due to increasing unemployment, poverty has taken a more serious form.

3. Political Causes

The long bondage of the country has slowed the pace of the economy. The foreign invaders took no interest in the development of basic industries. The Zami-dari system started in the country which exploited the farmers completely. Their agricultural policies gave birth to landless farmers and their exploitation. Poverty also increased their exploitation.

4. Traditional Production Techniques

In the fields of agriculture and manufacture, the production techniques are traditional which have lowered the production level due to which poverty has increased.

5. Inflation

In India inflation has taken an alarming shape. Due to this, people are unable to fulfill the basic requirements of their families.

6. Dependency on Agriculture

Most of the population in India depends on agriculture for their living. Each family has a small amount of land. Everyone live together and live with difficulty on a small land and due to the dependency only on agriculture, the person remains poor.

7. Belief in Fate

Most of the population in India give importance to conservative attitude and analyse each aspect on the basis of fate. People become inactive on the thought that it is their fate that is making things happen and live lifelong in the lap of poverty.

8. Adverse Environment and Climate

On the peaks of Himalayas there is always a snowfall, Rajasthan is also under the same climate in another form. Due to the desert, farming etc. is not possible there and poverty has

increased. Thus, the adversity of the environment and the climate has a deep impact on growth of the nation.

9. Lack of Natural Resources

The places where the land is infertile, there is absence of resources for the production. Due to geographical reasons there are several places in India whose 100% of the population is poor. Like, the land of the hilly areas is not at all fit for agriculture.

10. Social Evils

There are several social evils in India, like dowry, child marriage, etc. which have several bad effects and help in raising poverty.

11. Lack of Industries

The industry could not develop properly in India. Due to the lack of industries, poverty can be seen on each side in India.

12. Caste System & Traditions

Due to caste system people have to carry on their traditional work, even if, they are unprofitable. Everything is related with religion in India. For the sake of their own customs and traditions, the illiterate people spend thousands of rupees, and take loans for their traditions and stay strangled in poverty.

13. Unbalanced Growth of Industries

The opportunity of industrial development came after independence but due to the policies of the British rule the cottage industries could not get protection. This gave rise to unemployment and poverty.

14. Natural Calamities

Indian agriculture is dependent on rains, even today. Sometimes, due to less rainfall drought occurs and sometimes due to heavy rainfall crops of rupees of crop is destroyed. These natural calamities have also been responsible for poverty in India.

15. Gender inequality

The weak status attached with women, deep-rooted social marginalization and long embedded perceptions of domesticity renders about 50% of the country's population unable to work. As a result the women of the family add to the number of dependents that need to be fed instead of being able to contribute considerably in the family income which might assuage the poverty situation of the family.

16. Corruption

Despite considerable efforts from the government in the forms of various schemes to mollify the poverty situation, allegedly only 30-35% actually reaches the beneficiaries due to widespread practices of corruption in the country. Wealthy people with privileged connection are able to acquire more wealth simply by bribing government officials to maximize their profits from such schemes while the poor remain in a state of neglect for not being able to assert such connections.

Briefly discuss the effects of poverty on Society

Poverty exerts some gravely concerning effects over the overall societal health as well. These may be discussed along the following lines:-

1. Violence and crime rate

Incidence of violence and crime have been found to be geographically coincident. In a backdrop of unemployment and marginalization, the poor resort to criminal activities to earn money. Coupled with lack of education and properly formed moral conscience, a poverty ridden society is more susceptible to violence by its people against its own people from a sense of deep-seated discontent and rage.

2. Homelessness

Apart from a definite drop in the esthetic representation of the country, homelessness affects child health, women safety and overall increase in criminal tendencies.

3. Stress

Lack of money is a major cause of stress among the middle-class and the poor and leads to decline in productivity of individuals.

4. Child labour

One of the hallmarks of a poverty-ridden society is the widespread practices of exploitation and the worst of it comes in the form of child labour. Large families fail to meet the monetary needs of the members and children as young as 5 years are made to start earning in order to contribute to the family income.

5. Terrorism

Proclivity of youth towards terrorism stems from a combination of extreme poverty and lack of education making them susceptible to brainwashing. Terrorist organizations offer poverty-ridden families money in exchange for a member's participation in their activities which induces a sense of accomplishment among the youth.

6. Effect on Economy

Poverty is a direct index indicating success of the economy of the country. The number of people living under the poverty threshold indicates whether the economy is powerful enough to generate adequate jobs and amenities for its people. Schemes providing subsidies for the poor of the country again impose a drain on the economy.

Discuss the measures to reduce Poverty in India / Poverty alleviation measures:

The measures that should be taken to fight the demon of poverty in India are outlined below:-

(i) Population Control: Population in India has been increasing rapidly. Growth rate of population is 1.8%. For removal of poverty the growth rate of population should be lowered.

(ii) Increase in Employment: Special measures should be taken to solve the problems of unemployment and disguised unemployment. Agriculture should be developed. Small scale and cottage industries should be developed in rural areas to generate employment.

(iii) Equal distribution of Income: Mere increase in production and control on population growth will not remove poverty in India. It is necessary that inequality in the distribution of income should be reduced.

(iv) Regional poverty: In States like Orissa, Nagaland, U.P and Bihar etc. the percentage of the poor to the total population is high. Govt. should give special concession for investment in these regions. More PSU's should be established in these states.

(v) Problem of Distribution: The public distribution system (PDS) should be strengthened to remove poverty. Poor section should get food grains at subsidized rates and in ample quantity.

(vi) Fulfillment of minimum needs of the Poor: Govt. should take suitable steps to meet minimum needs of the poor e.g., supply of drinking water and provision of primary health centres and primary education.

(vii) Increase in the productivity of the Poor: To remove poverty, it is necessary to increase productivity of the poor. The poor should be given more employment. More investment should be made in public and private sectors to generate employment.

(viii) Changes in techniques of Production: India should adopt labour intensive techniques of production. We should have technical development in our economy in such a way that labour resources could be fully employed.

(ix) Stability in Price Level: Stability in prices helps to remove poverty. If prices continue to rise, the poor will become more poor. So Govt. should do its best to keep the prices under control.

(x) Development of Agriculture: The agriculture should be developed to remove poverty. Rapid rate of growth of agriculture production will help to remove urban as well as rural poverty. Agriculture should be mechanized and modernized. Marginal farmers should be given financial assistance.

(xi) Increase in the rate of growth: Slow rate of growth is the main cause of poverty. So growth rate must be accelerated. In 2003-04 the growth rate has been 6.5% despite that 26% of population remains below poverty line.

What are Steps taken by the Govt. to Fight Against Poverty in India?

India has taken up various programmes and schemes and to provide employment to the poor so they can earn a daily wage since 1980s. However, recent schemes in the past decade to reduce poverty include:

1. National Rural Livelihood Mission: Aajeevika (2011): The Ministry of rural Development launched this scheme in 2011. Its object is to provide employment which will make able rural poor for good regular income on a monthly basis. To do so, self-help groups are formed in the villages to help those in need.
2. The Fight Hunger First Initiative (FHFI) Program (2011): The Fight Hunger First initiative was taken up by the government in 2011 to improve access of communities to the entitlements and rights accrued to them by the government schemes like employment, nutrition of child, basic education and food supplies.
3. Food Security Bill (2013): The Food Security Bill was tabled in the Parliament in 2011 and became an act on 12 September 2013 making it one of the largest food security schemes across the world.
4. Pradhan Mantri Kaushal Vikas Yojna (2015): This scheme was launched by the Cabinet in March 2015 to provide skill training youth. This is done in partnership with the Ministry of Skill Development and Entrepreneurship via the National Skill Development Corporation. It focuses on helping newcomers into the labour market catering to X and XII dropouts.
5. Farm Loan Waiver (2016-2018): Just before the State elections 2018 in Madhya Pradesh, Rajasthan and Chhattisgarh, the government waived farmers' loans thus freeing them of the debt they were facing.
6. 10% Quota to Economically Weaker Sections (2019): The Government of India announced 10% reservation for the economically weaker groups in general category on 7 January 2019. The Union Minister said that those who earn less than Rs 8 lakh a year and have less than 5 acres land ownership will be eligible to avail the quota.

Problems of Unemployment & Policy Measures:

What is Unemployment?

Unemployment may be defined as a situation in which the person is capable of working both physically and mentally at the existing wage rate, but does not get a job to work. Economists define an unemployed person as one who is unable to get work for even one hour during half a day.

What are different types of Unemployment in India?

1. **Open Unemployment:** Open unemployment is a situation where in a large section of the labour force does not get a job that may yield them regular income.
2. **Disguised Unemployment:** It is a situation in which more people are doing work than actually required. In other words it refers to a situation of employment with surplus manpower in which some workers have zero marginal productivity.
3. **Seasonal Unemployment:** It is unemployment that occurs during certain seasons of the year. In some industries and occupations like agriculture, holiday resorts, ice factories etc., production activities take place only in some seasons. So they offer employment for only a certain period of time in a year.
4. **Cyclical Unemployment:** It is caused by trade cycles at regular intervals. Cyclical unemployment is normally a short-run phenomenon.
5. **Educated Unemployment:** Among the educated people, apart from open unemployment, many are underemployed because their qualification does not match the job. Educated unemployment may be either open or underemployment.
6. **Technological Unemployment:** It is the result of certain changes in the techniques of production which may not warrant much labour. Modern technology being capital intensive requires less labourers and contributes to this kind of unemployment.
7. **Structural Unemployment:** This type of unemployment arises due to drastic changes in the economic structure of a country. These changes may affect either the supply of a factor or demand for a factor of production.
8. **Underemployment:** It is a situation in which people employed contribute less than their capacity to production. In this type of unemployment people are not gainfully employed.
9. **Casual Unemployment:** When a person is employed on a day-to-day basis, casual unemployment may occur due to short-term contracts, shortage of raw materials, fall in demand, change of ownership etc.
10. **Chronic Unemployment:** If unemployment continues to be a long term feature of a country, it is called chronic unemployment.
11. **Frictional Unemployment:** Frictional unemployment is caused due to improper adjustment between supply of labour and demand for labour. This type of unemployment is due to immobility of labour, lack of correct and timely information, seasonal nature of work. etc.

Discuss the Causes of Unemployment.

Unemployment is a reason for alarming concern in India today. The root of the problem can be traced to a host of reasons that contribute collectively towards this problem.

1. Economic Growth without adequate employment opportunities:

In a survey conducted among a sample of 1072 companies across the nation and across various sectors, during the financial year of 2014-2015 only 12,760 jobs were created compared to 188,371 jobs in the year 2013-2014. In the year 2016, India's rural unemployment rate stands at 7.15% whereas unemployment rate in urban areas stand at 9.62%.

2. Education:

Although literacy rates have risen in the last few decades, there still remains a fundamental flaw in the education system in India. The curriculum is mostly theory-oriented and fails to provide vocational training required to match up with current economic environment.

3. Population growth:

Rapid growth of population has often been labelled as the major reason for increasing unemployment in the country. Current survey data revealed that at the all-India level, 77% of families do not have a regular salaried person.

4. Faulty Employment planning:

The five-year plans implemented by the government have not contributed proportionately towards generation of employment.

5. Drawback of Agriculture Infrastructure:

According to current statistics, agriculture remains the biggest employer in the country contributing to 51% employment. But ironically the sector contributes 12-13% to the country's GDP. The problem of disguised unemployment has turned out to be the biggest contributor behind this deficit.

6. Alternative opportunities:

There has been a definite push towards providing the people employment by the agriculture-based industries with alternate methods of employment during the lull seasons. Skill-based trainings for their employment in other sectors are lacking till date.

7. Slow Industrialization:

The industrial scenario in India is still slow to flourish. Agriculture still remains as the biggest employer in the country. People are not yet keen towards self-employment, especially in the rural sector, depending on existing employment opportunities.

8. Neglect of cottage industries:

For landless people in rural areas of India, one of the major means of livelihood is the cottage industries like fabric and handicrafts. But these small-scale industries are adversely affected by larger more mechanized industries which out-compete them in productivity. As a consequence, it is becoming more and more difficult to sustain the cottage industries inciting loss of employment for many.

9. Lack of Investment: Inadequacy of capital investment persists heavily in India and that has been a key contributor in not generating enough industry that in turn provides employment to the labour force.

10. Immobility of Labour: One more factor that leads to unemployment is people not being interested to move for jobs. Responsibility and attachment to family, language barrier, religion and lack of transport are key contributing factors in this regard.

What are the solutions to Reduce Unemployment Rate?

Collective efforts directed by the Government as well as citizens towards the following points might help alleviate the problem of unemployment in the country.

1. Increased Industrialization:

One of the most sure-shot remedies of the unemployment situation in India is rapid industrialization. Increased number of industries translates effectively into increased number of employment opportunities.

2. Emphasis on Vocational and Technical Training:

The curriculum pursued in universities should be altered to focus more on practical aspects of learning. More institutions need to be established that offer vocational courses that will translate directly into relevant jobs.

3. Encouraging Self-employment:

Self-employment should be encouraged more with introduction of liability free loans and government assistance for funding. Incubation centres need to be promoted to cultivate original business ideas that will be financially viable.

4. Improved Infrastructure in Agriculture:

Better irrigation facilities, better farming equipment, dissemination of knowledge regarding multiple crop rotation and crop management should be focused on. This will lead to year round increased production of crops, generating employment throughout the year.

5. Inviting Larger Capital Investments: Government as well as leading business houses of the country should seek to invite more foreign collaboration and capital investment in every sector.

6. Focused Policy Implementation: Subsequent policies have focused on the issues like poverty and unemployment, but the implementation leaves a lot to be desired. Schemes like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and Rajiv Gandhi Swavlamban Rozgar Yojna are examples of the initiatives that the government has undertaken to address the unemployment problem. The recent Make in India initiative is another such step that has heart in the right place. The government should seek to streamline its implementation strategies so that the benefit from such schemes may be maximized.

What are the government initiatives/policies/schemes that involve in the promotion of employment?

1 Integrated Rural Development Programme (IRDP)

The Government of India introduced IRDP in 1978-79, intending to create full employment opportunities in the rural areas. This program included agriculture, forests, fisheries, animal husbandry, cottage industries, construction of canals, roads, and so on. To provide employment, a sum of INR 312 crores was also spent in the Seventh plan, which benefited 182 families.

2. Training for Self-Employment:

The program was launched on August 15th, 1979, and is called the National Scheme of Training of Rural Youth for Self Employment (TRYSEM). Its main objective is to reduce unemployment among the youth. Under this, during the seventh plan, around 11.6 lakh youth given training, which gave young men financial assistance from banks, which varies from INR 3000 to INR 5000 to start any work. Composite Rural Training and Technical Centres were set up to give training to 2.8 lakh rural youth during 1995-96.

3. Jawahar Rozgar Yojana:

This started on April 28th, 1989, intending to employ one member of every rural family. The job is provided for around 50 to 100 days per year at a workplace, which is nearby the place of residence. 30% of the employment generated is reserved for women. The Central Government has the duty to finance around 80% of the program, which reduces the burden of the state government to only 20%. National Rural Landless Employment Guarantee Programmes were merged with the Jawahar Rozgar Yojana in the year 1989.

4. Nehru Rozgar Yojana (NRY):

The Yojana was started in the year 1989 and included three schemes under itself :

- a) The first scheme provides a subsidy to urban poor so that they can set up micro-enterprises. Under this program, in the year 1995, 1.25 lakh families were benefitted.
- b) The second scheme ensures arrangements for wage-employment to labourers in the cities with less than 10 lakh population is by the means of providing Indian Economic Development and Elementary Static facilities. In the year 1995, under this scheme, 93 lakhs days of employment have been provided.
- c) The third scheme provides urban poor with employment opportunities like house repairing, etc.

5. The Swaran Jayanti Rozgar Yojana:

The plan, which started on 1st December, is meant for providing employment to unemployed in urban areas. It aims at providing self or wage employment to unemployed youth of urban areas. It works upon two plans:

- a) Urban Self- Employment Programme
- b) Urban Wage Employment Programme

75% of the expenditure is incurred by the Central Government, and the rest is upon state governments. A sum of INR 125 crore was spent upon this during 1997-98.

6. Drought Prone Area Programme:

This program was launched in 70 districts of 13 states, which were prone to drought. It has proved fruitful in removing seasonal unemployment, and under the sixth plan, the program has provided 17 crore and 70 lakh employment days. Under the seventh plan, INR 474 crores were spent on this program.

7. Prime Minister's Integrated Urban Poverty Eradication Program (PMIUPEP):

The program has been implemented in 1995-96 and aims to provide employment to the poor in the urban area. It aims to cover 50 lakh urban poor from 345 towns. The total expenditure of INR 800 crores is under the Central government, and the rest is with the state's government.

8. Pradhan Mantri Gram Sadak Yojana (PMGSY):

It is a nationwide plan for the country to provide good all-weather connectivity of roads to unconnected villages. This was introduced in the year 2000 and aimed for the following:

- a) To provide roads to all villages with a population of 1000 people and above by the year 2003
- b) To also provide roads in hill states, desert areas, and tribal areas with a population of 250 and above.

The scheme has changed the conditions of many villages which fall under the scheme.

9. National Rural Employment Guarantee Act:

This act was later named as Mahatma Gandhi National Rural Employment Guarantee Act – MGNREGA. It aims to guarantee the Right to Work and was passed in September 2005.

- a) The main objective is to enhance the livelihood in the rural areas by providing 100 days of wage employment in a financial year to every household which has adult members to do unskilled manual work.
- b) Employment has to be provided within 5 kilometers of the applicant's residence.
- c) The minimum wage has to be provided.
- d) If the government fails to provide the employment, it has to pay unemployment allowances as compensation.

10. Employment Assurance Scheme:

The Employment Assurance Scheme (EAS) was launched in the year 1994 in 1752 blocks, which are backward in the country. Its main objective was to provide 100 days of the unskilled manual job to the poor in Rural areas.

Apart from the above 10, the Government of India has also launched several other employment and educational schemes for the empowerment of the country's youth.

Weblogography:

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