

Unit 9

Current Challenges Facing the Indian Economy

Key answers

1. B) Inability to meet basic needs like food, clothing, and shelter
2. A) Poverty based on an individual's income in relation to the average in society
3. C) A condition linked with social inequality
4. B) Income levels required to afford a basket of basic goods and services
5. A) MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act)
6. B) Ensure housing for all by 2022
7. B) To ensure minimum wages for rural workers through guaranteed employment
8. B) Pradhan Mantri Jan Dhan Yojana
9. B) Ensuring food security for the poorest families
10. C) Digital India Campaign
11. B) The skills, knowledge, and health of individuals
12. B) Investment in education and training
13. A) Unemployment among youth
14. A) Skill India Mission
15. B) Public health and healthcare services
16. B) Labor productivity
17. C) Increased dependency ratio
18. B) Investment in human capital
19. C) Tertiary sector (Services)
20. B) To provide individuals with the necessary skills and knowledge
21. B) Enhanced productivity and technological progress
22. B) Higher wages for skilled labor
23. A) Migration of skilled workers from one country to another
24. B) Investment in primary healthcare and education
25. B) Provision of free universal education
26. B) Enhancing human capital through education and healthcare
27. C) Increasing the earning potential of individuals
28. B) Educating women leads to higher economic growth rates
29. C) Access to quality education and skill development programs
30. B) The role of individual skills, knowledge, and health
31. C) Providing credit and facilitating marketing for agricultural products
32. B) Lack of access to formal credit channels
33. C) Expanding into different types of crops or non-farm activities
34. B) Improve farm income stability and reduce risks
35. C) Access to modern technologies
36. A) Higher in urban areas than in rural areas
37. C) Both birth and death rates decline, leading to a stable population
38. B) Enhancing access to education and healthcare
39. A) Investment in infrastructure and human capital
40. D) National Rural Infrastructure Development Scheme
41. A) Decrease in rural unemployment
42. B) Poor quality of education and lack of trained teachers
43. B) Promoting self-employment and entrepreneurship
44. B) Providing internet access to rural areas

45. A) Increase agricultural productivity and income
46. C) Better connectivity and access to markets
47. A) Pradhan Mantri Ujjwala Yojana
48. C) Ensuring better access to healthcare, education, and sanitation in rural areas
49. B) Promoting sanitation and eliminating open defecation
50. A) Pradhan Mantri Kisan Samman Nidhi
51. B) Improve access to formal financial services for rural populations
52. B) Promote skill development to increase employability
53. A) Improving urban infrastructure
54. D) Insure crops against natural calamities
55. C) Growth that ensures equal opportunities for all sections of society
56. C) Access to education, healthcare, and employment opportunities
57. A) National Rural Health Mission (NRHM)
58. B) Improved access to healthcare services
59. B) Empower women and improve female education
60. A) Promote crop diversification and organic farming

Explanations:

1. **B) Inability to meet basic needs like food, clothing, and shelter**
Absolute poverty refers to a condition where an individual or group is unable to meet the basic necessities of life such as food, clothing, and shelter. This standard does not depend on the economic conditions of society but rather on the minimum requirements to maintain a basic standard of living.
2. **A) Poverty based on an individual's income in relation to the average in society**
Relative poverty is the condition where individuals or groups are considered poor in comparison to others in society. It is based on income inequality, meaning someone may have enough for basic needs but still be disadvantaged compared to others. This creates a sense of economic disparity and social exclusion.
3. **C) A condition linked with social inequality**
Absolute poverty is primarily concerned with the lack of basic needs such as food, shelter, and clothing. Social inequality, on the other hand, is a characteristic of relative poverty, where a group's lack of resources is compared to others. Absolute poverty does not depend on societal comparisons, while social inequality is linked to relative poverty.
4. **B) Income levels required to afford a basket of basic goods and services**
The poverty line in India is determined by assessing the minimum income required to meet essential needs, including food, clothing, shelter, and other necessary goods and services. This threshold helps identify who is living in poverty, ensuring targeted interventions to assist the most vulnerable sections of society.
5. **A) MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act)**
MGNREGA is aimed at addressing rural poverty by providing guaranteed wage employment to rural households. It ensures at least 100 days of employment in a financial year to adult members of rural households, focusing on infrastructure development and creating sustainable livelihoods, directly combating rural poverty.
6. **B) Ensure housing for all by 2022**
The Pradhan Mantri Awas Yojana (PMAY) is a flagship scheme aimed at providing affordable housing to all by 2022. The initiative focuses on constructing houses for the urban and rural poor, enabling them to own a home and promoting inclusive growth through better housing infrastructure.

7. **B) To ensure minimum wages for rural workers through guaranteed employment**

The National Rural Employment Guarantee Act (NREGA) guarantees a minimum wage to rural workers through employment on public works projects. This initiative ensures that rural populations have access to regular work, thereby increasing income levels and improving the economic conditions of rural communities.

8. **B) Pradhan Mantri Jan Dhan Yojana**

This initiative provides direct access to banking services for the poor, aiming to promote financial inclusion. Under PMJDY, individuals receive a zero-balance account with the possibility of availing direct cash transfers from the government, thus directly impacting the socio-economic conditions of low-income groups.

9. **B) Ensuring food security for the poorest families**

The Antyodaya Anna Yojana (AAY) focuses on ensuring that the poorest households have access to adequate food at subsidized rates. It is part of India's commitment to combating hunger and improving food security by distributing subsidized food grains to the most vulnerable families.

10. **C) Digital India Campaign**

While Digital India aims to enhance digital infrastructure, literacy, and online access to services, it is not primarily focused on poverty alleviation. In contrast, schemes like MGNREGA, Pradhan Mantri Fasal Bima Yojana, and National Rural Livelihood Mission are specifically designed to address poverty alleviation in India.

11. **B) The skills, knowledge, and health of individuals**

Human capital refers to the collective skills, knowledge, and abilities that individuals possess, which can be used to contribute to the economy. Good health is a key aspect of human capital as it enables individuals to be productive, and education enhances their skills, contributing to higher economic development.

12. **B) Investment in education and training**

A significant factor in human capital formation is the investment in education and training, which equips individuals with necessary skills and knowledge. By improving education, individuals become more productive, which, in turn, boosts economic development and enhances the nation's overall growth prospects.

13. **A) Unemployment among youth**

One of the major challenges in human capital development in India is youth unemployment. Despite having a large, young population, many are unable to find adequate employment due to a mismatch between their skills and the demands of the labor market. Addressing this requires better education and training programs.

14. **A) Skill India Mission**

The Skill India Mission focuses on imparting skills to the youth in India, with the aim of making them more employable and preparing them for the evolving job market. This initiative plays a critical role in addressing the gap between demand and supply in skilled labor in India.

15. **B) Public health and healthcare services**

Public health and healthcare services are critical for human capital formation because good health enables individuals to work efficiently, learn effectively, and contribute to the economy. Investments in healthcare services directly improve the well-being of the population, enhancing overall productivity and economic growth.

16. **B) Labor productivity**

Human capital has a direct impact on labor productivity, as individuals with better education, health, and skills are able to contribute more effectively to the economy. A

well-educated, skilled, and healthy workforce can increase productivity, leading to higher economic output and development.

17. **C) Increased dependency ratio**

A higher dependency ratio, which refers to the ratio of non-working individuals to working individuals, is not a direct consequence of investing in human capital. In fact, investment in human capital generally leads to higher productivity and can reduce the dependency ratio by creating more employment opportunities and raising individual earnings.

18. **B) Investment in human capital**

Per capita income tends to rise when there is significant investment in human capital, such as education, healthcare, and skill development. When individuals are healthier and better educated, their productivity increases, leading to higher wages and better economic conditions, thereby boosting the overall per capita income.

19. **C) Tertiary sector (Services)**

The tertiary sector, which includes services like education, healthcare, IT, and finance, benefits the most from skilled human capital. A skilled workforce is essential for the service industry, which requires specialized knowledge and capabilities to deliver high-quality services that drive economic growth.

20. **B) To provide individuals with the necessary skills and knowledge**

Education plays a pivotal role in human capital formation because it equips individuals with the skills and knowledge required to perform various tasks and contribute productively to the economy. Education is the foundation for improving human capital, enhancing individual potential and driving national growth.

21. **B) Enhanced productivity and technological progress**

A higher level of human capital leads to greater innovation and productivity. As individuals acquire more skills, they contribute more efficiently to technological advancements, driving progress in various sectors and resulting in economic growth, innovation, and technological breakthroughs.

22. **B) Higher wages for skilled labor**

As a direct result of investing in human capital, individuals with higher skills and education are generally able to secure better-paying jobs. Skilled labor is in higher demand, and this leads to increased wages for workers with specialized skills, contributing to overall economic prosperity.

23. **A) Migration of skilled workers from one country to another**

"Brain drain" refers to the phenomenon where highly educated and skilled individuals migrate from their home country to other nations in search of better opportunities. This can result in a loss of skilled labor, impacting a country's economic potential and its ability to develop its human capital.

24. **B) Investment in primary healthcare and education**

Human capital formation includes investments in both healthcare and education, which improve an individual's capabilities and productivity. By improving access to quality healthcare and education, individuals are better equipped to contribute to economic development and enhance the overall prosperity of society.

25. **B) Provision of free universal education**

Free and universal education ensures that every individual has the opportunity to develop the skills and knowledge necessary to participate in the economy. It reduces inequality by providing all individuals, regardless of their background, the chance to improve their human capital and, in turn, contribute to national development.

26. **B) Enhancing human capital through education and healthcare**

Poverty reduction is more effectively achieved through investments in human capital,

as it equips people with the tools they need to improve their socio-economic status. Education and healthcare are key drivers in poverty reduction, as they enhance skills and health, allowing individuals to access better employment opportunities and improve their quality of life.

27. C) Increasing the earning potential of individuals

Investment in human capital leads to improved skills, education, and health, all of which increase an individual's earning potential. As people acquire more skills and become healthier, their productivity improves, leading to higher wages and better job opportunities, ultimately helping to lift people out of poverty.

28. B) Educating women leads to higher economic growth rates

Educating women is essential for human capital development as it has a direct impact on economic growth. When women are educated, they tend to contribute more effectively to the economy, leading to higher national income levels, greater family income, and improved overall economic conditions.

29. C) Access to quality education and skill development programs

For effective utilization of human capital in a developing economy, access to quality education and skill development programs is crucial. These programs ensure that the workforce is well-equipped to meet the demands of the modern economy, helping to drive economic growth and improve living standards.

30. B) The role of individual skills, knowledge, and health

The human capital approach to economic development emphasizes the importance of enhancing the skills, knowledge, and health of individuals. By investing in these areas, individuals can contribute more effectively to economic growth, increasing labor productivity, innovation, and overall national development.

31. C) Providing credit and facilitating marketing for agricultural products

Cooperatives play a crucial role in rural development by offering financial support to farmers and facilitating the marketing of their agricultural products. They help rural populations access resources, credit, and markets, which can enhance productivity and income levels, contributing to poverty alleviation in rural areas.

32. B) Lack of access to formal credit channels

One of the major challenges in rural credit is the limited access to formal financial services. Farmers and rural entrepreneurs often struggle to access bank loans and credit due to a lack of collateral, poor credit history, or inadequate financial infrastructure in rural areas. This limits their ability to invest in farming and other income-generating activities.

33. C) Expanding into different types of crops or non-farm activities

Agricultural diversification involves the transition from a reliance on one type of crop or activity to growing a variety of crops or engaging in non-farm activities. This helps reduce economic risk by lowering dependency on a single crop and provides more opportunities for income generation, improving financial stability.

34. B) Improve farm income stability and reduce risks

The main goal of agricultural diversification is to make farming more resilient by reducing the risks associated with dependency on a single crop. By diversifying, farmers can ensure more stable incomes, as they are not exposed to the full brunt of price volatility or crop failure in one sector.

35. C) Access to modern technologies

Although access to modern technologies can improve agricultural productivity, it is not the only factor that can ensure agricultural success. Technology should be integrated into farming systems alongside other elements like training, infrastructure, and financial support to maximize its potential impact on farm income.

36. **A) Higher in urban areas than in rural areas**
The standard of living is generally higher in urban areas compared to rural areas due to better infrastructure, employment opportunities, and access to education and healthcare services. Urban areas tend to have more developed economies, which translate into higher wages and a better quality of life.
37. **C) Both birth and death rates decline, leading to a stable population**
The demographic transition theory suggests that as a country develops, its birth and death rates decline, leading to a stable population. This phase is associated with better healthcare, increased life expectancy, and access to family planning, ultimately influencing economic growth and development.
38. **B) Enhancing access to education and healthcare**
Policies aimed at poverty alleviation are often focused on increasing access to education and healthcare. Improved education enables individuals to earn higher incomes, while better healthcare ensures that the workforce is healthier and more productive. Both factors are crucial in breaking the cycle of poverty.
39. **A) Investment in infrastructure and human capital**
Poverty alleviation strategies focus on improving infrastructure and human capital because they are fundamental to long-term economic growth. By enhancing transportation, energy, and communication networks, and providing education and healthcare, societies can create an environment conducive to economic development and poverty reduction.
40. **D) National Rural Infrastructure Development Scheme**
The National Rural Infrastructure Development Scheme aims to improve the rural economy by investing in infrastructure, including roads, water supply, and irrigation. Enhancing rural infrastructure ensures better connectivity, access to markets, and improved living conditions for rural populations, contributing to poverty reduction and development.
41. **A) Decrease in rural unemployment**
Rural unemployment can decrease through effective poverty alleviation programs like MGNREGA, which guarantee employment for rural households. This initiative ensures that rural families have access to work opportunities, improving their income and reducing unemployment rates in rural areas.
42. **B) Poor quality of education and lack of trained teachers**
The quality of education is a major issue in rural areas. Poor infrastructure, a shortage of trained teachers, and inadequate educational materials contribute to the low quality of education, limiting the ability of individuals to develop the necessary skills for better employment opportunities and economic improvement.
43. **B) Promoting self-employment and entrepreneurship**
Self-employment and entrepreneurship can significantly reduce poverty in rural areas. By encouraging individuals to start their own businesses, they can create jobs, generate income, and become economically independent, contributing to local development and economic growth.
44. **B) Providing internet access to rural areas**
Providing internet access to rural areas facilitates better communication, education, and business opportunities. It helps rural populations access vital information, learn new skills, and connect with larger markets, thus improving economic opportunities and contributing to poverty alleviation.
45. **A) Increase agricultural productivity and income**
Enhancing agricultural productivity directly affects income levels for farmers. By providing modern agricultural techniques, better seed varieties, and improved

irrigation, agricultural yields can increase, leading to higher income for farmers and contributing to rural economic development.

46. **C) Better connectivity and access to markets**

Rural development hinges on improving connectivity and access to markets. By building better roads, communication infrastructure, and transportation networks, farmers can more easily sell their goods, reducing transportation costs and enabling them to access larger markets, thereby improving incomes and reducing poverty.

47. **A) Pradhan Mantri Ujjwala Yojana**

The Pradhan Mantri Ujjwala Yojana (PMUY) is designed to provide free LPG connections to women from low-income families. This initiative reduces the dependence on traditional, polluting cooking methods and improves the health and economic status of rural households, making it a key tool in poverty alleviation.

48. **C) Ensuring better access to healthcare, education, and sanitation in rural areas**

Ensuring better access to healthcare, education, and sanitation is crucial for improving the quality of life in rural areas. These basic services are fundamental to improving health, raising educational standards, and reducing poverty by enhancing the productive capacity of individuals in rural areas.

49. **B) Promoting sanitation and eliminating open defecation**

Improved sanitation plays a significant role in poverty alleviation, as access to clean toilets reduces the risk of diseases, improving health and overall quality of life. By focusing on sanitation initiatives, rural populations can enjoy better health, which boosts productivity and enhances economic opportunities.

50. **A) Pradhan Mantri Kisan Samman Nidhi**

The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme provides direct cash transfers to farmers to support their income. This initiative reduces poverty by offering financial assistance, helping farmers invest in their agricultural activities, improving productivity, and reducing distress caused by unpredictable farming conditions.

51. **B) Improve access to formal financial services for rural populations**

Financial inclusion is crucial for poverty alleviation in rural areas. By improving access to formal financial services, such as banking, insurance, and credit, individuals can better manage their finances, invest in businesses or agriculture, and build savings, which reduces vulnerability to economic shocks and improves long-term well-being.

52. **B) Promote skill development to increase employability**

Skill development initiatives, such as vocational training, improve the employability of individuals, especially in rural areas. These programs enable people to gain practical skills that are in demand in various industries, which increases their income potential and reduces poverty.

53. **A) Improving urban infrastructure**

Improving urban infrastructure is essential for poverty alleviation because it leads to better living conditions, job opportunities, and access to services. Urban areas with better infrastructure, such as transportation, sanitation, and housing, can support higher economic activity, which benefits both urban and rural populations.

54. **D) Insure crops against natural calamities**

Crop insurance programs, such as the Pradhan Mantri Fasal Bima Yojana, protect farmers against crop losses due to natural disasters. By offering financial compensation during crop failure, these programs provide a safety net, ensuring that farmers do not fall deeper into poverty due to unforeseen events.

55. **C) Growth that ensures equal opportunities for all sections of society**
Inclusive growth ensures that economic development benefits everyone, including marginalized groups. It involves addressing issues like inequality, lack of access to resources, and providing opportunities for all to participate in and benefit from economic progress, thus ensuring sustainable development.
56. **C) Access to education, healthcare, and employment opportunities**
Access to quality education, healthcare, and employment is central to overcoming poverty. Education enhances skills, healthcare ensures a healthy workforce, and employment opportunities provide income, all of which work together to break the cycle of poverty and contribute to sustained economic growth.
57. **A) National Rural Health Mission (NRHM)**
NRHM aims to improve healthcare infrastructure and services in rural areas, addressing challenges like maternal and child mortality, lack of medical facilities, and poor sanitation. Improved healthcare leads to a healthier workforce, which contributes to increased productivity and economic growth in rural areas.
58. **B) Improved access to healthcare services**
Improving healthcare access helps reduce poverty by enhancing the health of the population. Healthier individuals are more productive, reducing the burden of disease on families and enabling individuals to pursue economic opportunities that may have otherwise been unavailable due to illness.
59. **B) Empower women and improve female education**
Empowering women through education and access to economic opportunities has significant impacts on poverty reduction. Educated women contribute to household income, improve family welfare, and break the cycle of poverty across generations, thus fostering overall economic growth and development.
60. **A) Promote crop diversification and organic farming**
Crop diversification and organic farming can increase resilience against market fluctuations and environmental challenges. By promoting these practices, farmers can reduce risks, increase income from varied sources, and contribute to sustainable agricultural development, ultimately improving livelihoods and alleviating poverty.