



## Poverty: Concept and Measurement

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**Abstract:** India is a developing country. India's economic structure has changed dramatically over last 5-6 decades and economic condition also has changed a lot recently. But benefits of growth are not widely spread to various sections of society instead they have reached only marginally to low income groups Similar experience of other countries too. So now the question is, Can we guarantee all at least minimum level of living necessities, be it physical or for social development of a person? Because the poverty concept includes many aspects of the human conditions, which includes physical, moral and psychological concepts. So the person who is unable to get the basic needs naturally falls below poverty line. Poverty is a one of the major problem of India and so is the estimation and measurement of poverty which plays important role in the removal of the same.

**Index Terms - Poverty, Measurement, Concept, Economy**

### 1.1 Introduction:

India is a developing country. India's economic structure has changed dramatically over last 5-6 decades and economic condition also has changed a lot recently. But benefits of growth are not widely spread to various sections of society instead they have reached only marginally to low income groups Similar experience of other countries too.

So now the question is, Can we guarantee all at least minimum level of living necessities, be it physical or for social development of a person? Because the poverty concept includes many aspects of the human conditions, which includes physical, moral and psychological concepts. So the person who is unable to get the basic needs naturally falls below poverty line. Poverty is a one of the major problem of India and so is the estimation and measurement of poverty which plays important role in the removal of the same.

## 1.2 Objectives:

- To study the concept of poverty
- To evaluate the measurement of poverty line.
- To know the factors affecting on poverty.

## 1.3 Research Methodology:

In order to fulfillment the above objectives of the study; basically the research paper is conceptual in nature and by the qualitative data collected from secondary source. The data collected from newspaper, books, journals and internet have been used to as support the work. This paper helps us to study about the poverty and how to measure poverty and what are the causes of poverty and The study examines how poverty impact on Indian economy.

## 1.4 Introduction and Concept of Poverty:

The poverty concept includes many aspects of the human conditions, including physical, moral and psychological. In general, poverty can be defined as a situation when people are unable to satisfy the basic needs of life-physical; (food, health care, education, shelter etc. and non –physical; participation, identity, etc). Poverty as a result of insufficient income for securing basic goods and services.

The definition and methods of measuring poverty differs from country to country. According to the definition by Planning Commission of India, poverty line is drawn with an intake of 2400 calories in rural areas and 2100 calories in urban areas. If a person is unable to get that much minimum level of calories, then he/she is considered as being below poverty line.

## 1.5 Why estimate poverty?

Poverty estimates helps to implement appropriate anti-poverty policies.

- Analysis of poverty profiles by regions, socio-economic groups
- Determinants - factors affecting poverty
- Relative effects of factors affecting poverty
- Allocation of resources to different regions and to various poverty reduction programs.

## 1.6 Poverty is Multidimensional:

Deprivation in income, illiteracy, malnutrition, mortality, morbidity, access to water and sanitation, vulnerability to economic shocks. Income deprivation is linked in many cases to other forms of deprivation, but do not always move together with others. This discussion focuses on Income poverty. in per capita GDP growth rate to above 3 per cent.

### 1.6 Factors affecting Poverty:

Poverty depends on per capita household income which in turn is affected by employment, wage rate, land productivity, industrialization, expansion of service sector and other general growth and distribution factors.

Special role of

- 1 per capita agricultural income
- 2 Employment and real wage rate
- 3 Inflation rate and relative food prices
- 4 Government expenditure
- 5 Per capita development expenditure
- 6 Social sector expenditure
- 7 High level of dependence on primitive methods of agriculture
- 8 High population growth rate
- 9 High Illiteracy (about 35% of adult population) Regional inequalities

Government has introduced a number of antipoverty programs since independence to remove poverty. These include various employment guarantee programmes such as,

1. National Rural Employment Programme.
2. Rural Landless Employment Guarantee Programme etc.

Recently, Government has initiated National Rural Employment Guarantee Program (NREGP). As per NREGP, the government will provide 100 days of employment per year to whosoever is willing to work. NREGP is considered as a landmark program in poverty alleviation measures. One of the major problems with poverty alleviation programs is their implementation. Rajiv Gandhi once said that “out of 100 paisa allocated for poor only 14 paisa reaches them”.

The Planning Commission’s latest estimates of the incidence of poverty in India – measured by the head count ratio – Using a poverty line of Rs. 816 per capita per month for rural areas and Rs. 1000 for urban areas, the Planning Commission has estimated the that 25.7 and 13.7 percent of the population are poor in rural and urban India, respectively, in 2011-12. The corresponding proportion of the poor was 41.8 percent

in rural India and 25.7 percent in urban India in 2004-05. Therefore the new estimates shows that 16.1 and 12 percentage points decline in poverty in rural and urban India over the past 7 years.

### 1.8 Why Measurement of Poverty???

Poverty measurement is undertaken to:

- Determine a yardstick for measuring standard of living.
- Choose a cut-off poverty line, which separates the poor from the non-poor
- (Indication of how many people are poor).
- Take account of the distribution of standard of living among the poor.
- Comparison of poverty over time, among individuals, group or nations.
- There are certain desirable properties of the measure of poverty. They are:
- Monotonicity axiom (i.e. measurement of poverty should increase when the income of the poor household decreases).
- The transfer axiom i.e. poverty of household should increase when income is
- Transferred from a poor to a less poor household.
- Demonstrate the distribution of living standard among the poor.

Measurement of poverty is complex and varied. Discussion of poverty measure has, therefore, commenced with the simple living standard measure, poverty line determination and array of measures involved in absolute and relative poverty measures. Measure of poverty that enables us show its decomposability by population, capture issue of social capital and how the poor themselves measure poverty have been highlighted.

### 1.9 Measurement of Poverty Two basic ingredients in measuring poverty:

- 1 Poverty Line: definition of threshold income or consumption level.
- 2 Data on size distribution of income or consumption (collected by a sample survey representative of the population)

### 1.10 Poverty Line (PL): Absolute vs. Relative

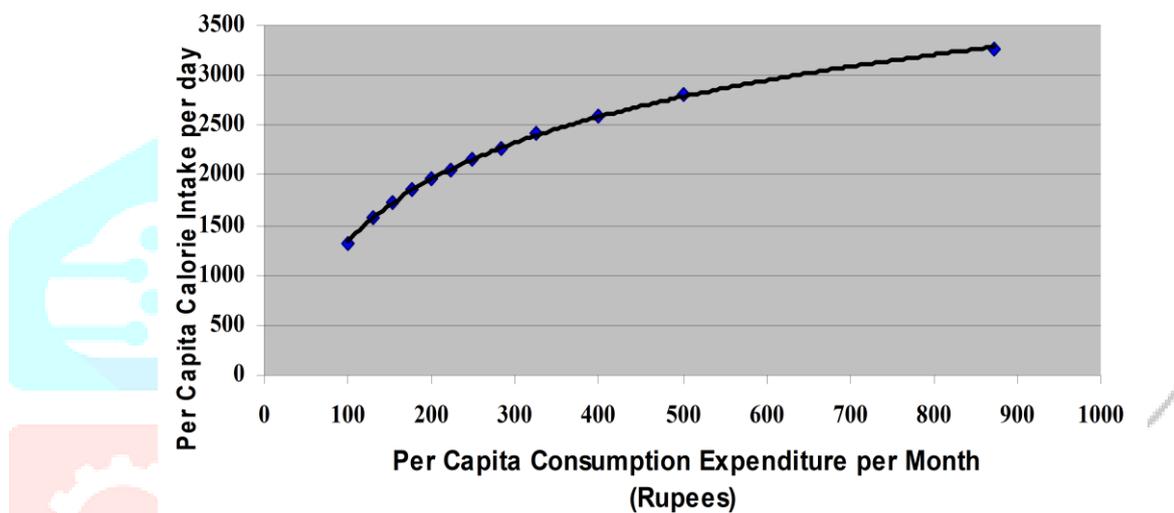
Absolute poverty refers to inability of a section of population to achieve basic necessities of life. It relates to some minimum standard of living. Relative poverty on the other hand, refers to inequality in distribution of income and expenditure. Those who are unable to incur this much amount of consumption expenditure are identified as poor. They are identified as people living below the poverty line.

## 1.11 Indian Poverty Line

A minimum level of living necessary for physical and social development of a person. Estimated as: total consumption expenditure level that meets energy (calorie) need of an average person.

- 1 PL comprises of both food and non-food components of consumption.
- 2 Considers non-food expenditure actually incurred corresponding to this total expenditure.

## Relationship Between Calorie Intake and Per Capita Expenditure



## 1.12 Alternative Poverty Measures:

- Head Count Ratio (HCR): proportion of total population that falls below poverty threshold income or expenditure. Based on either national PL or dollar-a-day PL.
- Poverty Gap Index (PGI): unlike HCR, it gives us a sense of how poor the poor are. It is equivalent to income gap below PL per head of total population, and expressed as a percentage of the poverty line.
- Squared Poverty Gap index (SPG): Adds the dimension of inequality among the poor to the poverty gap index. For a given value of the PGI, population with greater dispersion of income among poor indicates a higher value for the SPG.

### 1.13 Size of poverty in India

The uniform recall period (UPP) consumption distribution data of NSS 61<sup>st</sup> round place the poverty ratio at 28.3 percent in rural areas. 25.7 percent in urban areas and 27.5 percent in the country as a whole. The mixed recall period (MPP) consumption distribution data are 21.8 percent for the country as a whole. So the incidence of poverty is not same in all states on the one hand we have states where poverty ratio is very high like Orissa (46.4), Bihar (41.4), MP (38.3), Assam 19.71 and UP (32.8). On the other hand poverty ratio is very low. Punjab (8.4), Himachal-pradesh (10), and Haryana (14), there has been a significant reduction in poverty ratio during 1993-94 to 2004-05 in Himachal Pradesh, Haryana, Karnataka, Kerala, Tamilnadu and union territories. Reduction in poverty has been unsatisfactory in Orissa, MP, UP and north east states. But one significant fact about poverty is that while the poverty ratio has been declining in India.

### 1.14 Conclusion:

This paper helps us to study about the poverty and how to measure poverty and what are the causes of poverty. Correct measurement is only possible if only correct data is available and that is why we are still unable to get clear view about poverty measurement.

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