# Poverty

- If any individual is not able to fulfill the basic needs of his/her life that is food, clothing, shelter, Health, sanitation, save Drinking water, education etc.

- poverty is a socio-economic situati-on.

- As per the Amartya sen poverty is considered as the "lack of capabilities" and he called it real poverty in his famous book develop-ment and freedom.

## Types of poverty

Relative poverty | Absolute poverty | Human Poverty

## Human poverty

- It is beyound the limited view of poverty due to lack of income.

- It refers to the lack of political, social, and economic oppartunities to an individual to maintain a reasonoble standard of living, illiteracy, lack of job oppurtunities

Lack of access to proper health care and sanitation, caste and gender discrimination etc. are all components of human pove-rty.

## Relative poverty

In this kind of poverty we define poverty on the basis of comparison between two people or two countries.

* In Relative poverty, the poverty defined on the basis of inequality

for estamating poverty there are two methods:

Relative poverty
- Lorenz curve
- Ginni coefficient

## Lorenz curve

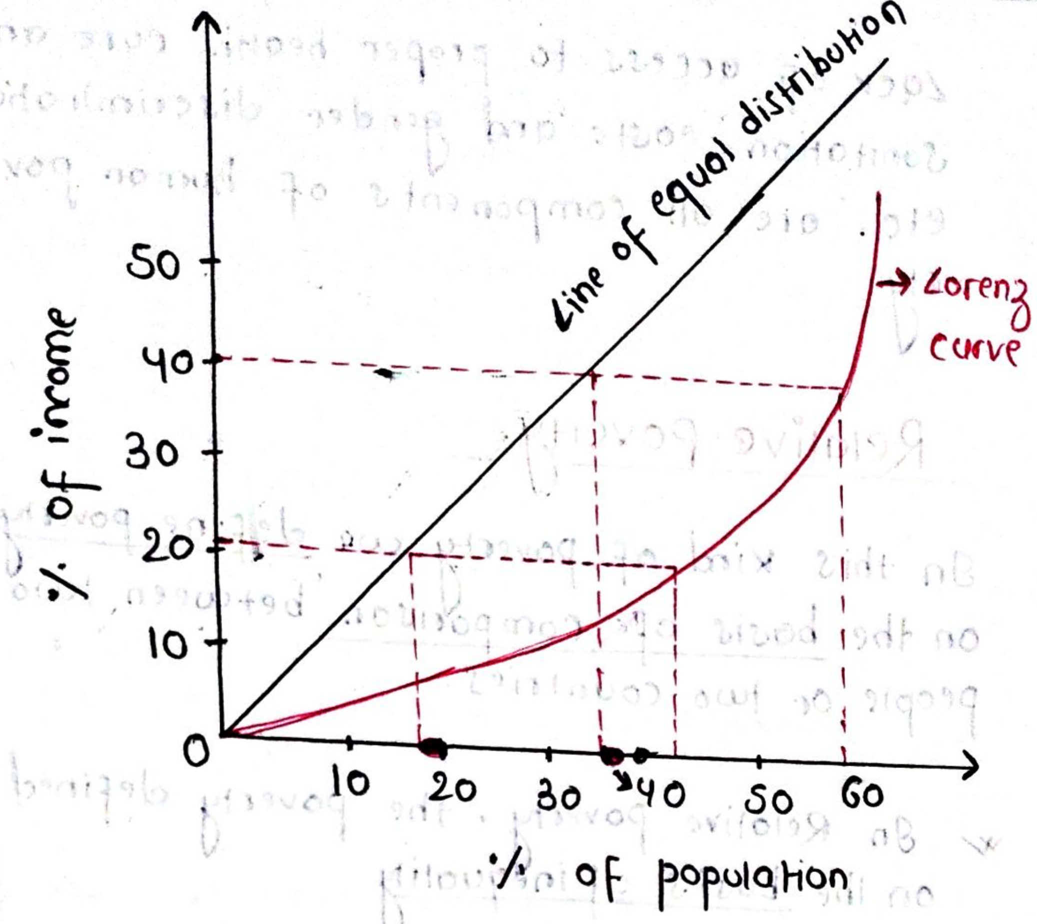
* It was given by Max O Lorenz in 1906.

* Lorenz curve shows the level of income distribution in the country.

on Lorenz curve

# 20 % income 45 % people

# 55 % people 80 % income




* Above Lorenz curve is showing the level of income distribution in the country as according to above graph 20% income of the country held with around 45% of the population i.e, the remaining 80% of the income is with 55% of the population.

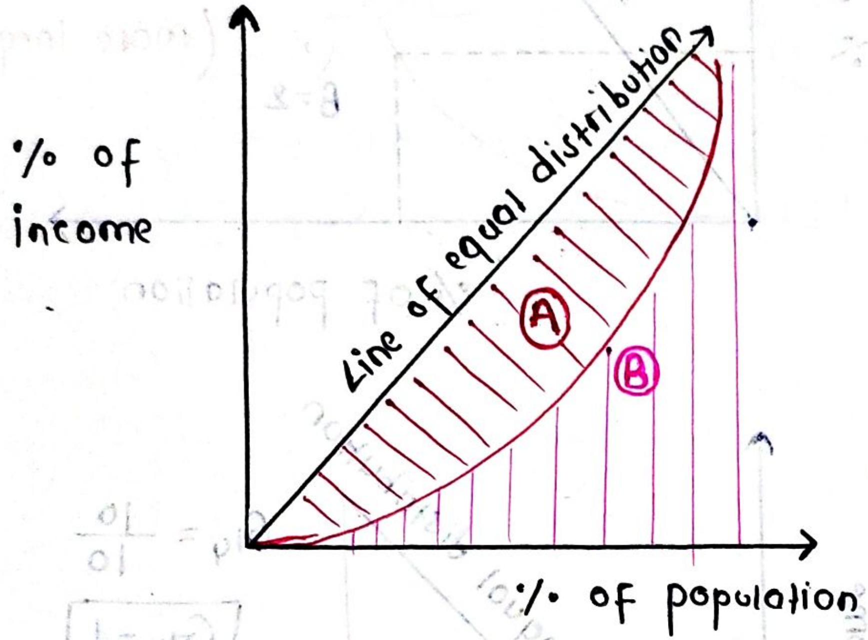
## Ginni cofficient

* It was given by Coredo Ginni in 1912.
* Ginni cofficient shows the degree of income inequality in country.
* Value of Ginni coefficient range from 0-1 where,

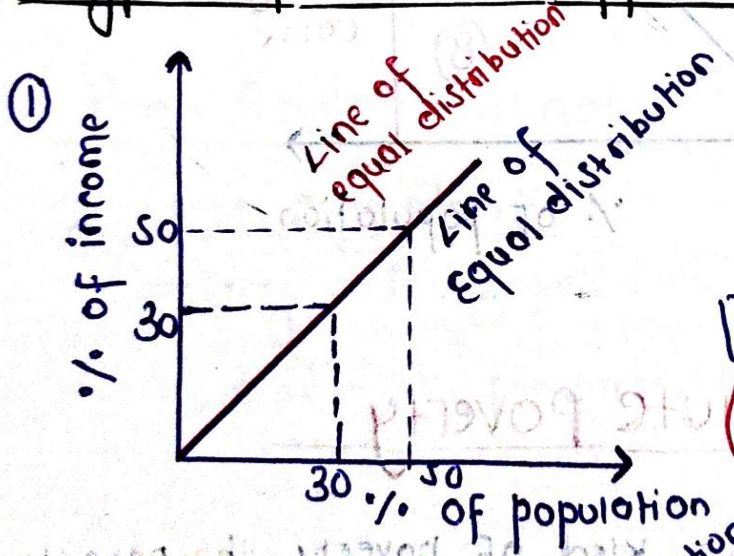
Ginni cofficient = 0 (perfect equality)
Ginni cofficient = 1 (perfect inequality)

Ginni cofficient can be derived from the following formula :

$$\boxed{\text{Ginni cofficient} = A/A+B}$$



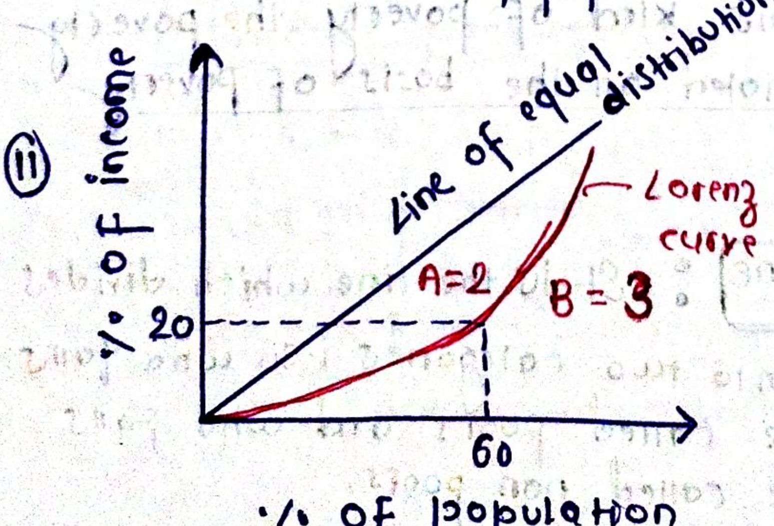

Types of Ginni coefficient :

① 


$$G_1 = \frac{A}{A+B} = \frac{0}{0}$$

$$\boxed{G_1 = 0}$$

(perfect equality)

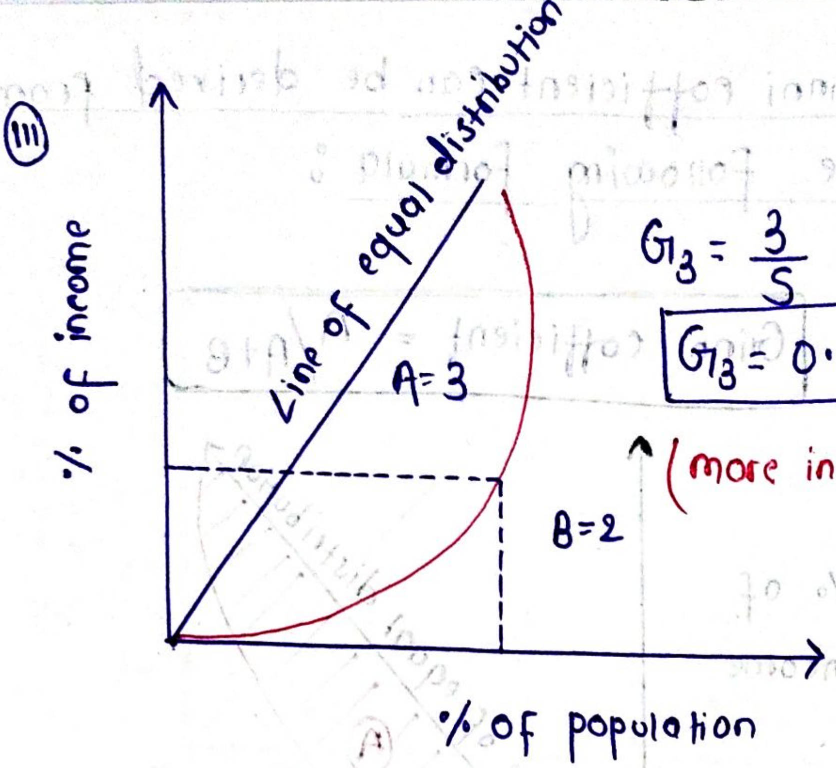
⑪ 


$$G_2 = \frac{2}{5}$$

$$\boxed{G = 0.4}$$

(Inequality)

(III)

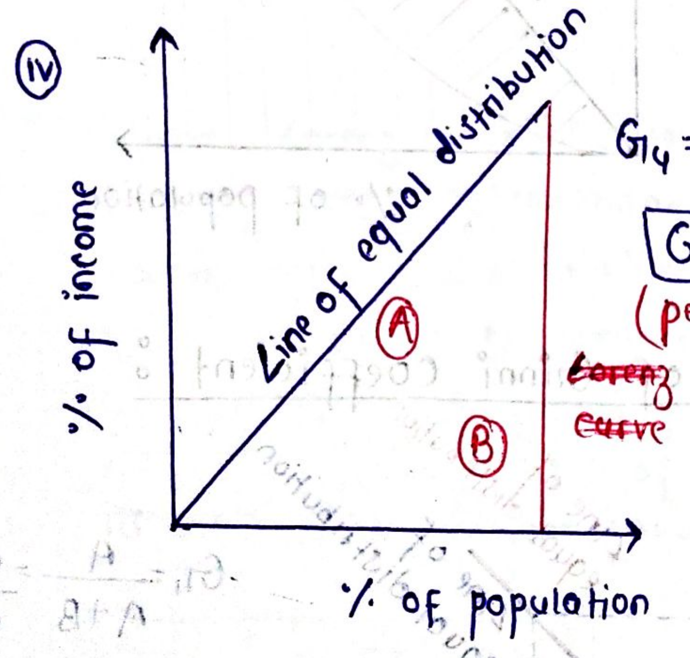



$G_3 = \frac{3}{5}$

$\boxed{G_3 = 0.6}$

(more inequality)

(IV)




$G_4 = \frac{10}{10}$

$\boxed{G_4 = 1}$

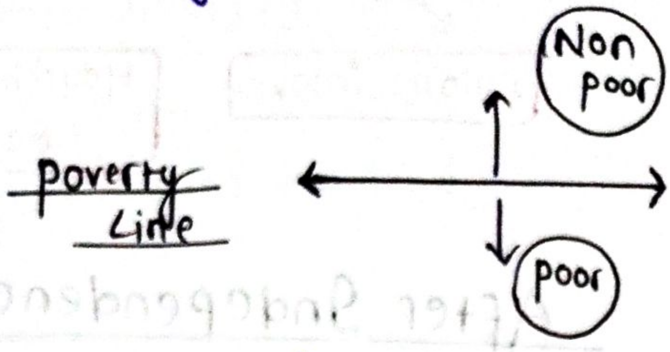
(perfect inequality)

## Absolute Poverty

- In this kind of poverty the poverty is estimated on the basis of poverty line.

**Poverty line** : It is the line which divides people into two categories i.e. who falls below are called poors and who falls above are called non poors.

**Head count Ratio** Number of people living below poverty Line.




- As per the world bank, if an individual Lives below $2.15/Day is called poor.

## Methods of drawing poverty Line in India:

Pre Independence | After Independence

## Pre-Independence

- **Dada Bhai Noroji**
  "poverty and unbritish Rule in India" 1901.
  # ₹ 16 - 35 per person/year
  (Expenditure on diet)

- **National planning committe (1938)**
  # ₹ 15 - ₹ 20 per person/month
  (on living standard)

- **Bombay plan (1944)**
  # ₹ 75 per person/month

## Absolute poverty

Calorie intake | Household Consumption Expenditure

## After Independence

### VM Dan and N Rath committe

- # It was formed in 1960 and 1961
- # Submitted report in 1971
- # This committe measured poverty line on the basis of calorie for first time in India.
- #

### YK Alagh committe

- # Base year - 1973-74
- # Formed in 1977
- # Report : 1979

## Poverty Line

Rural

calorie - 2400 kcal/P/D

family consumption expenditure

₹49.09 P/P/m

Urban

2100 kcal/P/Day

family consumption expenditure

₹ 56.64 per/P/m

## DT Lakdowala Committe

- # formed in 1989
- # Report submitted in 1993
- # Report based on YK alag

## Suresh Tendulkar committe

- # Base year - 2011-12
- # formed in 2015
- # Submitted Report in 2009

**Poverty Line**

| | Rural area | Urban area |
|---|---|---|
| Calorie | 2400 kcal/P/D | 2100 kcal/P/D |
| Family Consumption Expenditure | ₹ 816/P/m | ₹ 1000/P/M |
| | ₹ 27 P/D | ₹ 33/P/M |
| | ₹ 4080/Household/M | ₹ 5000/H/M |

## C RangRajan Committe

- # Base year : 2012-14
- # formed in 2012
- # Submitted Report in 2014

Calories

- Rural area 2155 kcal
  - Protein — 48 gm
  - Fat — 28 gm
- Urban area 2090 kcal
  - protein — 50 gm
  - Fat — 26 gm

Household consumption Expenditure

Rural area
- ₹ 972 /P/m
- ₹ 32 /P/D
- ₹ 4860 /H/m

Urban area
- ₹ 1407 /P/m
- ₹ 47 /P/D
- ₹ 7035 /H/m

Note :
1. In India data for poverty collected by NSO (earlier NSSO)
2. In India data for poverty being published by NITI Ayog
3. In India data for poverty is based on household consumption expenditure.

Ragnor Nurkse → Poverty Trap

Vicious cycle of poverty

1. Lack of resource
2. Low level of production
3. Low economic activities
4. Less employment
5. Low level of income
6. Low level of saving
7. Low level of investment
8. Low productivity
9. Poverty

## Trickle Down approach

* It states that if the government supp-orts economic growth then the poverty can be reduced.

Government → Industrialisation → Production ↑ → Economic Growth ↑ → Employment ↑ → Income ↑ → people can get their basic needs

## Head count Ratio (H)

* It is related with the total number of people who lives below poverty line.

$$\text{Head count Ratio} = \frac{\text{Total no. of poor}}{\text{Total population}}$$

* Head count Ratio is also called Incide-nce of poverty.

## Intensity of Poverty (A)

Intensity of poverty → How poor are the poor

* Intensity of poverty is the average percentage of dimension in which people

are deprived.

## Multi - Dimensional poverty Index (MPI)

$$\boxed{MPI = H \times A}$$

### Head count Ratio

- 2015-16: 24.85%
- 2019-21: 14.96%

HCR

- Rural Areas
  - 2015-16: 32.59%
  - 2019-21: 19.28%
- urban areas
  - 2015-16: 8.65%
  - 2019-21: 5.27%

### Intensity of poverty

- 2015-16: 47.14%
- 2019-21: 44.39%

* States like UP, Bihar, MP, orissa and Rajasthon showed declined in the poverty

# BIHAR

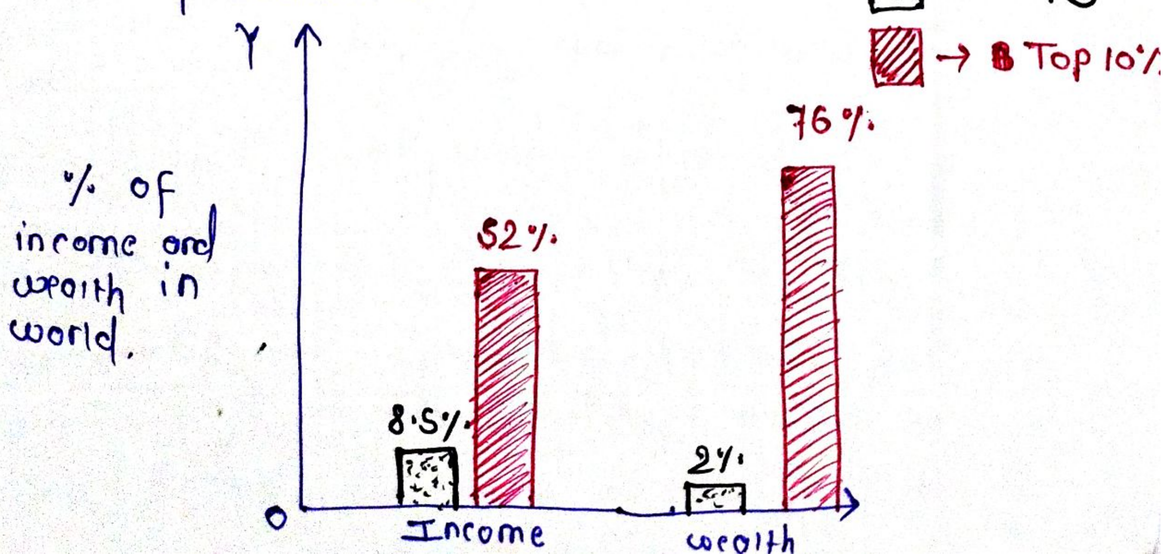
- Head count Ratio
  - 2015-16: 51.89%
  - 2019-21: 33.76%
- Intensity of poverty
  - 2015-16: 51.01%
  - 2019-21: 47.40%

## Multidimensional poverty in Bihar

| Year | Rural | | Urban | |
|---|---|---|---|---|
| | Head count Ratio | Intensity | Head count | Intensity |
| 2015-16 | 56 % | 51.14% | 23.85% | 49.02% |
| 2019-21 | 36.95% | 47.52% | 16.67% | 45.95% |

## World Inequality Report 2022

- By world Inequality lab, paris school of economics.



# World Enequality Report And India — 2022