CHAPTER- III
CONCEPT, MEASUREMENT, CAUSES AND TYPES OF POVERTY

3.1 Concept and Definitions:

Poverty is closely related with Inequality, but as we learn it from the contemporary or the existing literature at large, it is separate from Inequality. Although Miller and Roby argued that the study of poverty is of inequality and a study of the bottom 20 or 10 per cent in the income strata, and they denounced any other attempt to identify poverty as otherwise by saying such exercises are pseudo scientific accuracy, their argument was cogently toppled by Sen (1981) when he argued that a transfer of income from a person in the top income group to one in the middle range must ceteris paribus reduce inequality, but it may leave the perception of poverty quite unaffected and a general decline in income that keeps the chosen measure of inequality unchanged may in fact lead to a sharp increase in starvation, malnutrition and obvious hardship; it will then be fantastic to claim that poverty is unchanged.\(^1\) It is then widely accepted that neither poverty nor Inequality subsumes the other although they are closely related. What we now term as poverty, or absolute poverty therefore means that individuals, households or societies are poor not simply because they cannot keep pace with the prevailing standard of living, but because they cannot fulfill the basic minimum requirements which are needed per se for efficient human existence. On the

other hand if one looks into poverty of an individual, or group as relative to other individual or group, or as measured from say, the average income or expenditure of individuals or group in question, it is relative poverty.

Poverty has been defined by different authors. As has been pointed out, definition of poverty is again influenced by one’s perspective of whether it is relative or absolute poverty. Rowntree (1901), who did the pioneering work in poverty research, stated that the poor are those families whose ‘total earnings are insufficient to obtain the minimum necessaries for the maintenance of merely physical efficiency’². Kurian (1978) conceptualized poverty as the socio-economic phenomenon whereby resources available to a society are used to satisfy the wants of the few while the many do not have even their basic needs met.³ A definition of poverty which has a visible sense of relativity is given by Peter Townsend (1974) who defined that individuals, families and groups on the population can be said to be in poverty when they lack the resources to obtain the type of diets, participate in the activities and have the living conditions and amenities which are customary or at least widely encouraged or approved in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are in effect included from ordinary living patterns, customs and activities.⁴ Dandekar

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(1982) stated that want of adequate income howsoever defined, is poverty, deficiency of energy appropriately defined is undernutrition. When Robert McNamara was President of the World Bank in the 1970s, he defined absolute poverty as ‘a condition of life so degraded by disease, illiteracy, and malnutrition and squalor, as to deny its victims basic human necessities (a condition) so limited as to prevent the realization of the potential of the genes with which one was born’.

3.2 Measurement and Indices of Poverty

3.2.1 The Poverty Line:

At the heart of all discourses on poverty is the notion of a poverty line: a critical threshold of income, consumption, or, more generally, access to goods and services below which individuals are declared to be poor. Determination of such level of minimum needs: the poverty line, dictates the incidence of failure to achieve such needs or the extent of poverty. The case of poverty, in which people fail to attain such minimum needs, is known as absolute poverty. It is distinct from relative poverty which takes into account the income or consumption distribution of the whole population and then fixes a cut off for excluding the poor from the rest. As such, measurement and aggregation methodologies often rule the roost in poverty literature. Although conceptual differences and methodological dissimilarities are to be observed in different researches, there is that common thread which binds all works on poverty and

that precisely is lack of minimum and basic human necessities for continued survival, or the poverty line which is the yardstick for identifying who is poor. The only problem is that such minimum necessities are subjective, or depending on the area or societies to which these exercises of identifying the poor are to be actually carried out, the combination of basic necessities will tend to differ across space and time. Anyway, a combination of goods or commodities and services representing such basic minimum necessities can be conceived of and it has to be specified in order to construct poverty line. It is therefore possible that specification of poverty lines even after ensuring objectivity in measurement will leave varying proportions under them depending on the selection of the typical basket of minimum needs. This means that even the poverty line can be subjective in the sense that A’s poverty line is different from B’s poverty line and that there is extensive liberty about its construction. As was mentioned by Chaubey (1995) that ‘Absolute poverty line can be lower than the lowest income, and higher than the highest income, there is no restriction placed on it’\(^8\). It is therefore highly uncertain that even after specifying a combination of minimum goods and services for poverty line we may arrive at precisely uniform conclusion on magnitudes and extent of poverty so long as poverty line has to be expressed in terms of money because price levels vary even across regions and states. This actually prompted the Planning Commission to adopt specific poverty lines for the different states in India.

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The World Bank in its World Development Reports uses a consumption level of one $ (PPP dollar) per capita per day as Poverty line throughout the world. A minimum basket of commodities which a dollar in the US can buy is converted into purchasing power parity of the currency of the country concerned. Or it is the purchasing power equivalent to buy a specific bundle of commodities with a particular country’s currency as would a dollar buy in the United States. And those individuals in other countries, who fail to consume the bundle of basic necessities that could be purchased by one dollar in the United States, are poor according to the methodology.

Poverty line constructed on the basis of food consumption has an Indian origin. Poverty line in India is built on food consumption level which is measured in terms of calorie intake. Although there can be some differences in food habits and choices across spaces, the existing norm is that the calorie value of the food consumed should be 2400 per capita per day in rural areas and 2100 per capita per day in urban areas. The calorie yardstick has been adopted to ensure comparability in the nutritional value of food and it is ensured that the normative calorie is the minimum required to maintain a healthy and working body. The normative calorie consumption in terms of food is based on the recommendation of the Nutrition Advisory Committee of Indian Council of Medical Research and poverty line based on this was first attempted by Working Group of

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9 The World Bank: World Development Reports
Economists and social thinkers in 1962. The basket of food items representing minimum calorie consumption is then convertible in terms of money. The price index used, is conveniently chosen to reflect the characteristics of the area concerned, whether rural or urban. Since then official research on poverty has always been based on the calorie consumption standard separately for urban and rural areas.

3.2.2 Indices of Poverty:

Identifying the poor by using poverty lines, the next important thing occurring in poverty literature is the estimation of extent of poverty by counting the number of poor among the whole population. The Head Count Ratio (HCR), which measures the number of poor people as a proportion of the whole population is the most common method of aggregating poverty or measuring the incidence of poverty.

The Head Count Ratio is represented as:

\[ HCR = \frac{HC}{n} \]

where,

\[ HC = \text{the number of people who fall below the poverty line}, \]
and

\[ n = \text{the total Population} \]

This index can present a glimpse of the poverty scenario and its increase or decrease over time, its simplicity as a measure of poverty makes it widely used. But the fact is that

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it ignores the extent to which individual income or expenditure falls below the poverty line. This limitation can be serious and may mislead policy makers and implementing authorities in their attempts to eradicate poverty.

Depending on the income and asset disparities prevailing among the poor, the depth of poverty may or may not be serious. The Poverty Gap Ratio (PGR) which measures the average income shortfall from the poverty line avoids this drawback. PGR is defined as the ratio of the average of incomes (or extra consumption) needed to get all the poor people to the poverty line, divided by the mean income (or consumption) of the society. In terms of notation we can write PGR as

\[ PGR = \frac{\sum_{y_i < y^*} (y^* - y_i)}{nm} \]

Where, \( n = \) total population, \( m = \) mean income of the population and, \( y^* = \) poverty line income.

The reason for dividing by the average for society as a whole is that it gives us an idea of how large the gap is relative to resources that potentially may be used to close the gap.\(^{11}\) A close relative of the PGR often in use is the Income Gap Ratio (IGR). This is exactly the same measure of total shortfall of the poor from the poverty line, except that we divide the shortfall by the total income required to bring all the poor to the poverty line. The Income Gap Ratio can be written as:

\(^{11}\) Op.cit. Debarj Rai
The income gap ratio reflects the average shortfall of the incomes of the poor expressed as a share of the poverty line income.\textsuperscript{12}

The intensity measure of poverty is the difference of the ratio of poor people's mean income (or consumption) to the poverty line from unity. This can be written as

$$I = 1 - \mu / y^*$$

Here, $\mu =$ mean income of the poor, and $y^* =$ the poverty line.

Severity measures of poverty draws from the above; with Gini coefficient and Coefficient of Variation used appropriately. One such measure is the $S$ measure of poverty.\textsuperscript{13}

The poverty measure proposed in Sen (1973c, 1976b) is a direct combination of three distinctive characteristics of the interpersonal profile of poverty: 1) the head-count ratio $H$, 2) the income gap ratio $I$, and 3) a measure of distribution of incomes among the poor, namely the Gini coefficient $G_p$. When the number of poor people $q$ is fairly large, this index amounts to

$$S = HI + H (1 - I) G_p.$$ 

The above equation can also be written as,

$$S = H [ I + (1 - I) G_p]$$


\textsuperscript{13} Ibid p 170
Along with this, another measurement of the severity of Poverty developed by Foster, Greer, Thorbecke, which is often referred to as the FGT Index is as below:

$$\text{FGT} = H [I^2 + (1-I)^2 CV^2]$$

The United Nations Development Programme (UNDP) adopted a different method of measuring development called the Human Development Index since 1990. It is a combined measure of development by using three indicators as i) Educational attainment index 2) Per capita income in PPP $ and 3) Life Expectancy. The Human Development is employed by the UNDP in its Human Development Reports to rank different countries in their achievements and living standard based on the three indicators. It is important to remember however that the HDI is not purely a measure of poverty but rather it is a technique of ranking different countries on the basis of their attainment in command over real resources i.e. per capita income, education, i.e. the combined gross enrolment ratio and literacy, and longevity of life, i.e. life expectancy.

3.2.3 Database and Evidences of Poverty in India:

Official data on poverty is generated by the National Sample Survey (NSS) by conducting the sample survey of household consumption. The NSS, which has been in existence for nearly 50 years, has conducted large scale sample surveys

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on a variety of subjects relevant for this purpose (ownership of land and other productive assets, household consumption, employment, educational levels, school enrolment, morbidity, health care, access to and the benefit from various programmes meant for the poor and the underprivileged, disability, housing, water supply sources and sanitation). Several of these surveys, particularly those relating to employment and consumption, have been repeated periodically. These data generated by the NSS are used by the Planning Commission to estimate the incidence of poverty in the country by fixing the official poverty line, given the accepted minimum calorie consumption, in monetary terms. Following the Lakdawala Committee [GoI, PC 1993] recommendations, instead of relying wholly on the national level poverty line, poverty lines for different states are constructed by the Planning Commission.

Based on this, the Planning Commission reported that there were as many as 260 million people living below poverty line in India out of which 193 million were in rural areas and the remaining 67 million were in urban areas. This constitutes 26 per cent of the population in 1999-2000. Despite a reduction in the proportion of people living in poverty by over 50 per cent between 1973-74 and 1999-2000, the absolute number of poor is still very large. In a country as large as India, the aggregates tend to obscure the fact that the proportion of those living below the poverty line is not uniform throughout the country.

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16 Ibid
There are States (Bihar and Orissa) in the eastern parts of the country, where the poverty ratio was estimated in 1999-2000 to be over 40 per cent, while in States like Haryana, Himachal Pradesh and Punjab, the ratio is under 10 per cent. The four States of Uttar Pradesh, Bihar, Madhya Pradesh and Orissa accounted for nearly 39 per cent of the total population of the country, but over 55 per cent of the people below poverty line. Poverty estimates is then based on the Head Count Ratio because it enables policy makers and the implementing authorities to fathom the changes in the incidence of poverty and targeting of poverty alleviation programmes and achievement thereof are also viewed in terms of this Head Count Ratio. Studies of poverty trends at the national level by various scholars are also based on the use of HCR.

Minhas (1970) used the NSS data on percentage distribution of consumption expenditure to allocate the aggregate private consumption figure derived from the National Account Statistics amongst different groups of population. Using two alternative poverty lines of Rs 240 per capita per year and Rs 200 per capita per year at 1960-61 prices, Minhas concluded that between 1956-57 and 1967-68, there has been a steady decline in the proportion of people below poverty line.

Bardhan (1973) also estimated the incidence of rural poverty in the 1960s by entirely using NSS consumer

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expenditure data. Bardhan used a poverty line of monthly PCTE of Rs 15 at 1960-61 prices and used the CPIAL as the price index for the rural poor. He found that the proportion of people below the poverty line rose from 38 per cent in 1960-61 to 45 per cent in 1964-65, 53 per cent in 1967-68 and rose further to 54 per cent in 1968-69. Bardhan’s study suggested a secular increase in rural poverty in India during the 1960s.

Ahluwalia (1978) showed that there was no statistically significant time trend in the incidence of poverty as measured by the Head Count Ratio in the rural sector during 1956-57 to 1973-74.

Dutta (1980) also found the same result for the period 1960-61 to 1973-74 and for both the rural and urban sectors. There have been fluctuations in the incidence of poverty with strong tendency for poverty to increase in years of bad harvest and associated with high food prices. Poor people who have to sell only agricultural produce and who largely depend on their labour power are generally the worst sufferer in times of bad harvest and in times of inflation.

However, Sen (1981) demonstrated that poverty and famines can be accentuated and even created even when there is no significant change in food production. Uneven income

22 Dutta, B (1980): “Inter-sectoral disparities in income distribution in India, 1960-61 to 1973-74” Indian Economic Review.15
increase, and increased war expenditure demand leading to crashing exchange entitlement of agricultural labourers, artisans, fishermen, craftsmen etc and uneven distribution of food grains due to hoarding and eventually leading to exorbitant increase in food prices led to poverty, starvation and famines of Bengal in 1943.3

3.3 Causes of Poverty:

As such, apart from measurement and conceptual issues, the causes of poverty also occupy an important place in the literature. Silva and Athukorala (2003) broadly and systematically classified the causes of poverty as that of political economy approach on the one hand, meaning that poverty is a result, not attributed to the omission and commission of the poor themselves but of outside factors upon which they have no control and on another it was classified as the culture of poverty approach which purports that poverty is a result of the way in which the poor themselves live and think, making themselves responsible for their own fate.

Galbraith (1969) outlined different factors causing poverty. He stated that the factors causing poverty are cultural trait or their natural preference, poverty of the country to which they belong, colonial oppression and class exploitation, insufficient capital, overpopulation, incompetent policy,

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ignorance etc. Based on the foregoing classification of the causes by Silva and Athukorola, Galbraith’s is a mix of both.25

It is contended by Nurkse (1953) that poverty has a vicious circle from which poor people cannot break free.26 Such theorization as poverty being caused by low productivity, low income, low saving and low investment implies that poverty is viewed in terms of economy as a whole and that poverty is largely uniform among people of the economy in question. But evidences among different countries and nations of the world show that poverty is often existent amidst affluence giving a blot on the not poor, and the affluent reminding us of the Biblical reflection that the poor should always be with us.

Poverty as a culture has been propounded by Lewis (1968) who stated that causes like unemployment and low wages are important causes of poverty. Lewis stated that poverty or culture of poverty as a permanent way of life develops among the poor under conditions of persistently high rate of unemployment and underemployment.27 Rossi and Blum (1968) also stated that long periods of unemployment are the critical feature of the poor.28 Unemployment can even be used as an indicator of poverty as those people who cannot find employment or are out of jobs due to some structural or cyclical causes are caught in the web of poverty. The recent cases of poverty, starvation and death of tea garden workers in West

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Bengal due to closure of tea estates, which resulted from the state government’s plan to establish Special Economic Zones (SEZ) are clear cases in point.\textsuperscript{29} And such use of unemployment as an indicator of poverty can be found in analysis of poverty in North East India. Beside the usual explanation of poverty as being caused by unemployment, lack of assets, insufficient economic growth etc, some explanations like poverty being caused by the household being female headed, and the household having too many dependents still find a slot and there is no dearth of contrasting evidences also.

Mathur (2004) wrote that widows are the most vulnerable section of the society. There are about 33 million widows in India representing 8\% of the female population (as per the 1991 Census). The proportion of widows in the female population rises sharply with age reaching over 60 per cent among women aged 60 and above and close to 80 per cent among women aged 70 and above\textsuperscript{30}. Dasgupta (1993) asserted that widows are routinely forced into destitution\textsuperscript{31}. Mayra Buvinic et.al (1989) showed that in rural Africa, in Commonwealth Caribbean Territories, and in urban Latin America, women headed households are poorer than those jointly headed or headed by men. Female headed households are also poorer because they have fewer secondary earners and more dependents to support than male headed households. The pattern is the same in the English speaking Caribbean. Similarly, in

\textsuperscript{29} “Death on the Leaves” The Week. Vol. 25 No.26 May 2007
\textsuperscript{30} Mathur, Vibha (2004): India, Economic Reforms and Social Sector. New Century Publications. New Delhi India
Africa, comparisons of male and female household heads reveal no significant differences as to age and education. Instead, women-headed households are poorer because they have fewer resident working members than male-headed households, but more dependents and smaller landholdings. It is also true that these households are much less likely to have access to productive services such as agricultural extension and credit for more explicitly gender reasons. In any event, in Latin America, the Caribbean, and Africa, female headed households are on average distinctly worse off\(^{32}\). Dreze and Srinivasan (1995) found that in terms of standard poverty indices based on household per capita expenditure, there is no evidence of widows being disproportionately concentrated in poor households, or of female headed households being poorer than male headed households.

As environmental conditions largely affect the livelihood pattern of the poor, there is a close relationship between poverty and environmental degradation. In the past cases of severe food shortage and poverty in Mizoram when there were famines, people found their survival from the forests by digging wild roots and tubers. As such the source of survival and livelihood for the poor is certainly the natural environment. Poverty is seen as a major cause of environmental damage and the poor are regarded as being heavily dependent on the environment (Wunder 2001)\(^{33}\).

3.4 Classification of Poverty: Since poverty is multi-dimensional, there are various aspects in which the case can be presented and no single description can paint the full picture of poverty. At this juncture it is worth reviewing some versions to classify poverty. Without trying to systematize the classification, but just by looking into a few of individual views about the types of poverty, held by these authors. These are shown in the following paragraphs.

Lal (2004)\textsuperscript{34}, in his attempt to answer whether the fruits of intensive growth will trickle down and alleviate poverty distinguished between three types of poverty as Mass Structural poverty, Destitution and Conjunctural Poverty. He said that Mass structural poverty occur in organic societies where there is universal dependence on organic raw materials for food, clothing, housing and fuel. Their supply is in the long run inevitably constrained by the fixed factor-land. As the fixed factor of land is conjoined with the Malthusian principle of population, land frontier is reached and diminishing returns takes its inexorable toll, and people languish at subsistence standard of living. He cited that technical progress like the Industrial Revolution freeing mankind of the dependence on organic raw materials for production, and a market based liberal economic order that promotes labour intensive growth can cure the age long problem of structural mass poverty. Destitution occurs as there is lack of labour power either because they are physically handicapped or they had no family. And Conjunctural

is one occurring in agrarian economies and climatic crises or political turmoil are the principal causes. Government direct intervention, like employment creation, rather than growth itself is seen as solution to such kind of poverty.

Galbraith (1958)\(^{35}\) also classified poverty as between Case Poverty and Insular Poverty. He said that Case Poverty encounters every community, rural or urban, however prosperous that community or the times. Insular Poverty is that which manifests itself as an “island” of poverty. In the island, everyone or nearly everyone is poor. Radhakrishna et al (2005)\(^{36}\) also showed the significant distinction between chronic poverty and transient poverty which are based on the duration of poverty. It is obvious that availability of data dictates the norm chosen for duration. The sub-category of poor persons who are below poverty line for a long duration, usually five years constitute the chronic poor.

Rao (2005) suggested that “the decentralized planner may begin by taking note of three types of poor households frequently encountered in the field by both researchers and programme administrators. These are categorized as 1) Very Poor: These have no land or assets nor possess any kind of skills and thus may be in a position to participate only in employment programmes offering unskilled work. This would be the most deserving category for receiving doles, subsidies and income supplements. Steady support and help would be needed

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before the households in this category become strong enough to benefit from asset-cum skill programmes. 2) Poor: These households have enough enterprise to make effective use of programmes offering assets and skills. Their primary need would not be for doles, subsidies and unskilled work but for promotional support including institutional finance and inputs at concessional rates, assistance in marketing and protection through services like insurance. 3) Not-so-Poor: This type of households includes upwardly mobile ones with good connections and well-to-do households who are regarded as poor only because they belong to categories like SC and ST. Recent attempts to identify the creamy layer among the poor recognize the problem of diversion of benefits intended for the very poor and poor to the not so poor”

It can also be said that depending upon the choice of location or area, we can have rural poverty, and urban poverty etc. each of which has associated problems and causations and solutions may yet differ between them. It is a tenable assertion as can be seen from the data that rural poverty far outweighs urban poverty in India. And as the rural population have fewer means of livelihood and they heavily depend on their physical labour and natural resources which are subjected to diminishing returns, it is also tenable that all throughout the world rural poverty is more than urban poverty. The Beijing Declaration of the United Nations (1995) stated that ‘rural poverty has various manifestations, including lack of income and productive resources sufficient to ensure a sustainable livelihood; hunger

and malnutrition; ill health; limited or lack of access to education and other basic services; increasing morbidity and mortality from illness; homelessness and inadequate housing; unsafe environment and social discrimination and exclusion. It is also characterized by lack of participation in decision making and in civil, social and cultural life. It occurs in all countries as mass poverty in many developing countries and as pockets of poverty amidst wealth in developed countries. These situations give a description of the manifestations and outcomes of poverty in its various dimensions. It is obviously far from truth however that all the dimensions of poverty are simultaneously found in every case study results of poverty. Certain manifestations of poverty may as well be missing in some cases and may be so pronounced in the other.

Yet another distinction is drawn between primary poverty and secondary poverty. Rowntree (1901) distinguishes between two types of poverty (a) Primary poverty resulting from inadequate income, and (b) Secondary poverty caused by an “ignorant and careless housekeeping and other improvident expenditure” of an adequate income. According to Rowntree ‘a family is in secondary poverty if the total earnings would be sufficient for the maintenance of merely physical efficiency were it not that some portion of it then is absorbed by other expenditure, either useful or wasteful’. By contrast, a family would be in primary poverty if the total earnings are actually

insufficient to obtain the minimum necessaries for the maintenance of merely physical efficiency\textsuperscript{40}.

Capability Poverty is another concept which finds empirical application. It is understood that Poverty often denies a person of opportunities or the capabilities. In this connection, Dreze and Sen wrote that poverty of a life, lies not merely in the impoverished state in which the person actually lives, but also in the lack of real opportunity given by social constraints as well as personal circumstances- to choose other types of living. ‘The life of a person can be seen as a sequence of things the person does, or state of being he or she achieves, and these constitute a collection of ‘functionings’- doings and beings the person achieves. Capability refers to the alternative combinations of functionings from which a person can choose’. They viewed that ‘Poverty, is thus, ultimately a matter of capability deprivation and note has to be taken of that basic connection not just at the conceptual level, but also in economic investigations or in social or political analyses’\textsuperscript{41}. Such views are reinforced by the UNDP. ‘In 1996, the UNDP has put forth the concept of capability deprivation defined as deprivation in education, health and nutrition. Measurement of capability poverty is comprised of three basic dimensions: healthy well-nourished life having the capability of safe and healthy reproduction and being literate and knowledgeable. They used the basic indicators as: (i) female adult illiteracy ratio, (ii)

\textsuperscript{41} Dreze, Jean and Amartya Sen (2005): India Development and Participation. OUP New Delhi p 36
underweight children and, (iii) births unattended by trained health personnel.42

As such, depending on the context we are concerned with, we can have different classifications of poverty. If one is concerned with the time dimension of poverty, one may have chronic or transient poverty. We may have rural or urban poverty depending on the geographical location of the poor. Galbraith’s classification is based on the incidence of poverty and it is a distinctive one. The classification based on the causes of poverty takes us to Oscar Lewis, Deepak Lal, and even Seebohm Rowntree.

A classification may also be based on the observation of measurable or non-measurable attributes of the poor, in which case we can assign ranks among them as was suggested by V.M Rao. Since it is often contended that the poor are not a homogenous lot of people and their needs are also different, the latter classification has practical importance. This is because accurate targeting in respect of poverty alleviation strategies is extremely important, in situations when expenditure required for the poverty alleviation programmes are very large due to the sheer number of poor, and when such expenditures have to be incurred against mounting fiscal deficit in the country. An accurate and operational classification of poverty is needed to make effective policy and strategy for the probe.
