

Poverty



Concepts of Poverty - Part C

What is Minimum Living Standard?

- ❖ In the concept of absolute poverty, a person is poor if his income falls below a certain minimum level which is required to maintain minimum basic needs
- ❖ Now, the problem faced in measuring poverty is to specify the minimum basic needs or what is also called minimum living standard (MLS) that should be defined as poverty line

What is Minimum Living Standard?

- ❖ A person is having an income or consumption expenditure below that poverty line will be described as poor in the absolute sense
- ❖ Thus norms have to be fixed for minimum calorie intake of food, minimum clothing, minimum shelter, minimum health care which must be met for fulfilment of minimum basic needs or minimum standard of living

What is Minimum Living Standard?

- ❖ These norms have to be converted into minimum consumption expenditure or income per capita which will meet minimum basic needs or minimum living standard
- ❖ Persons having income or consumption expenditure less than the minimum consumption expenditure defined as poverty line are called poor in absolute sense, that is, living below the poverty line
- ❖ These poor will be living under the condition of absolute misery

What is Head Count ratio?

- ❖ Absolute poverty is measured by counting the numbers of persons or heads living below the specified poverty line in terms of minimum consumption expenditure or income per capita
- ❖ Since this approach is concerned with counting the number of persons or heads, this is generally referred to as Head Count Ratio approach to measure absolute poverty

What is Head Count ratio?

- ❖ If N stands for the number of Population and,
- ❖ H stands for the number of persons having consumption expenditure or income below that, then the Head Count Ratio of Absolute Poverty can be written as,

$$\text{Head Count Ratio (HCR)} = H/N$$

Head Count Ratio

- ❖ To measure the absolute Poverty at the International level and to compare the incidence of extreme poverty in various countries, World Bank has specified \$1.25 a day in PPP (Purchasing Power Parity) Us dollar as Poverty Line norms
- ❖ A shortcoming of Head Count Ratio as a measure of poverty is that it ignores the extent to which a poor person's income falls below the poverty line

To be Continued...

Thank You