

## A COMPARATIVE STUDY ON THE PERFORMANCE OF VARIOUS POVERTY



DINESH KUMAR

*M.Phil., Roll No. 140532, Session: 2015-16*

*Department of Economics, B.R.A. Bihar University, Muzaffarpur, India*

*dineshkrmzp@gmail.com*

### ABSTRACT

One of the most difficult goals of economic growth in the 21st century has been to reduce global poverty while simultaneously enhancing the general welfare of people everywhere. Among the worldwide concerns that are coming into the image of today's economy are issues such as widespread poverty, widespread starvation, widespread illiteracy, and widespread social difficulties. Every state has its own distinct problems with poverty, and every state devises its own unique remedies to the problem, taking into account the specific poverty indicators and causes that are unique to each state. Thus, it is quite intriguing to investigate the strategies and policies that are being implemented to fight poverty as well as the path ahead that each nation has chosen to pursue.

**Keywords:** Performance, Various ,Poverty

### INTRODUCTION

One of the most difficult goals of economic growth in the 21st century has been to reduce global poverty while simultaneously enhancing the general welfare of people everywhere. Among the worldwide concerns that are coming into the image of today's economy are issues such as widespread poverty, widespread starvation, widespread illiteracy, and widespread

social difficulties. At this time, a number of nations that belong to the category of developed countries across the globe have announced their economic accomplishments as those of the world's most advanced economy. Ironically, while many nations are competing to increase their GDP per capita, which is one of the most important economic indicators, the majority of the world's population is still living below the poverty line, which requires them to have a daily income of at least \$2,000 in order to maintain their standard of living (World Bank, 1993; Todaro & Smith, 2006; and Whitman, 2008). While an endless number of policies and incentives have been discussed in an effort to relieve and eliminate poverty, this issue has proven to be difficult to resolve so far owing to a number of issues in the surrounding environment.

Every state has its own distinct problems with poverty, and every state devises its own unique remedies to the problem, taking into account the specific poverty indicators and causes that are unique to each state. Thus, it is quite intriguing to investigate the strategies and policies that are being implemented to fight poverty as well as the path ahead that each nation has chosen to pursue (Wratten, 1995). The purpose of this article is to present a comparative analysis on the alleviation of poverty in a number of different nations, particularly those that have issues with rampant poverty and have undertaken ways that have been effective in relieving it.

The research is anticipated to be able to evaluate extremely particular differences and strategies if it categorises those nations into two categories, namely countries with a majority Muslim population and countries with a majority western population. Different aspects of poverty alleviation programmes have been implemented in nations with a majority Muslim population and in western countries due to differences in local capacity and resources, types of poverty, and cultural conditions (Otsuka & Hayami, 1988). Indonesia, Malaysia, and Bangladesh are examples of nations with a majority Muslim population.

On the other side, Venezuela, Brazil, and Bolivia are examples of countries in the western culture that have successfully reduced poverty. Countries like these are seen to have the potential to eventually cut poverty in half. In addition, these six nations were chosen because of the distinctive policy approaches they take and the active engagement of their societies. The research done on poverty has garnered a lot of interest from all around the globe as one of the most important core subjects that might enhance policy suggestion. The bulk of research efforts, in the field of distinguishing features, are concentrated on the study of geography and

nation cases. The relief of poverty and the decrease of poverty are particularly fruitful areas for study, which may be investigated from a variety of perspectives and objectives.

The in-depth research that strives to discover and build poverty alleviation programmes that are consistent with local knowledge, religious foundations, and cultural norms is definitely required. The comparative study of poverty takes into account the social beliefs of a nation that is neither mostly western nor predominantly Muslim. The purpose of this paper is to make an attempt to deliberate comparative issues from a number of different points of view, such as the poverty condition between two characteristics, the participation of society, the priority programme of the government, and the presence of micro-credit and micro-finance.

The debate is broken up into three separate chapters, which together make up the organisational structure of the article. First, it starts with the introductory portions, which include thinking about the backdrop of the research. These parts describe why the paper is produced and what the motivational triggers are. Second, it proceeds to the literature review, which discusses the relationship between the current study and the earlier studies that have been done on topics that are similar to this one. In the third and last step, the process is broken down by elaborating on the production and composition of the paper. Fourth, the results of the research are going to be discussed after being analysed, which is the primary focus of the current piece of writing, which is the major concern of the present work.

The conclusion comes last, yet it's still important since it summarises everything that came before it in a single, concise paragraph. Around the turn of the century, there were 260 million individuals in this nation who did not have the earnings necessary to access a consumption basket, which serves as the definition of the poverty line. Seventy-five percent of these were found in rural settings. percent of the world's impoverished population calls India home. The fact that there is still such a high rate of poverty despite the fact that its elimination has been one of the primary focuses of the planning process for future growth is cause for serious worry. In point of fact, poverty is a problem on a worldwide scale.

The elimination of it is seen as an essential component in humanity's effort to achieve sustainable development. Thus, the eradication of poverty in India is very necessary for the accomplishment of global objectives. A social and economic phenomena known as poverty occurs when a segment of a community is unable to meet even its most fundamental needs in order to sustain existence. Food, clothes, a roof over one's head, and an education are among

the fundamental necessities that every human being need. If humanity is unable to meet its most basic requirements, it will be forced to endure anguish and suffering. It is widely accepted that the only people who should be considered to be living in poverty are those who are unable to meet a specific minimal consumption criterion. The discrepancy between available possibilities and the actualization of human potential lies at the heart of poverty.

## **REVIEW OF LITERATURE**

Manimekalai and Rajeswari (2001) in their study analyzed the nature of economic activities. For the purpose of the study a sample of 150 SHG members was selected who were studied according to the nature of their activities from 5 blocks of Tiruchirapalli district of Tamil Nadu. The nature of micro-enterprises run by the groups included trade, agriculture, animal husbandry, processing of food, tailoring, gem cutting, catering, petty shop, bamboo based units and agro-based units etc. The SHG women were employed both in agricultural and nonagricultural activities. The study found that women SHGs earned the highest profit from agriculture, followed by trade related activities and catering services. The income of the SHG women almost doubled after taking up micro-enterprises.

Dunn and Arbuckle (2001) studied the impact of micro-credit on the Mibanco clients in Peru. The impact was measured using cross-sectional data collected in two parts, once in 1997 and again in 1999. The study demonstrated a very significant positive impact on its clients in terms of income and employment generation. It was found that the participation in the programme led to 9 additional days of employment per month. The authors calculated that based on 40,000 Mibanco members at the end of 1999, 17414 full time jobs were created. It was also found that Mibanco clients earned \$266 more per household member per year than the nonparticipants.

Mishra and Hossain (2001) in their study assessed the impact on mahila-mandal (a rural SHG in Orissa) in terms of employment generation through programme participation of rural women. The impact was assessed, comparing the pre-1996 and post-SHG situation (2001) of the programme participants. The study revealed that the average net income per member per year increased from Rs. 6465 to Rs. 15325 through scientific cotton cultivation, livestock maintenance and small business like retail shop, dry fish trading etc. Additional employment generated worked out to be 185 person days per member.

Robinson (2001) made a study of 16 different MFIs from all over the world and pointed out that having access to MF services have led to an enhancement in the quality of life of clients, had increased their self confidence, and had helped them diversify their livelihood security strategies and thereby increase their income.

Singh (2001) conducted a study in Uttar Pradesh comparing the pre and post SHG situations of women SHGs. He found that the average value of assets increased by 46% and the annual income per household by 28% between pre and post SHG periods. The borrowing for consumption purpose was also done during pre SHG but it was completely absent in the post SHG situation. Credit delivery was easier through SHGs compared to formal and informal institutions. SHGs replaced the moneylenders; credit delivery was made simple and quick with lower interest. It was suggested to improve the awareness and educate the members to keep records proper to grow in future.

Fisher and Sriram (2002) have shown in their studies that micro-credit is necessary but not a sufficient condition for micro-enterprise promotion. They believe that identification of livelihood opportunities, establishing market linkages for inputs and outputs, adapting technologies, organizing producers, sub-sector analysis and policy reform would be required to upscale the micro enterprises and create a strong impact in the rural areas.

Bhat and Bhuvanewari (2004) examined on the determinants of earnings of rural women under SHG's schemes in Puduchery. The findings show that the majority of the respondents are engaged in non-farm activities which are mostly remunerative in nature. All have been done through the financial assistance and institutional support like training, marketing and information on latest technology.

Indira and Rao (2005) studied SHGs in Andhra Pradesh and found sizable increase in number of days of employment. They concluded that substantial economic empowerment has taken place.

Borbora and Mahanta (2008) in their case study in Assam examined the role of credit in generation of employment opportunities for the poor. It was found that the programme had succeeded in generating employment among the members. 43 per cent of the sample beneficiaries expanded their income generating activities. The SHGs had helped to set up a number of micro-enterprises for income generation.

Bansal and Bansal (2012) concluded that poor households use microfinance to move from everyday survival to planning for the future. They invest in better nutrition, housing, health, and education.

Bhuiyan et al. (2012) revealed in the study of Malaysia, that there is much contribution of microcredit towards the sustainable livelihood of the poor borrowers. The study also concluded that microfinance is providing the poor the accessibility for the credit to increase their total family through different livelihood strategies of Income Generating Activities (IGAs) and thus, sufficient income provides a hope to the poor to ensure achievement of sustainable livelihood by improving good health, access of children's education, achieving skill, acquiring assets, taking part in social activities

Hulme and Mosley (1996) in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed programmes can improve the incomes of the poor and can move them out of poverty. They also point out that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves. Using the data from 87 villages in Bangladesh in 1991-92, Pitt and Khandker (1996, 1998) estimated the margin of credit on a number of welfare indicators. Their study showed that household income increases by 18 taka for every 100 taka lent to woman. They also found net positive impacts of credit programs on both human and their physical assets. They have found mixed results when measuring the impact of credit programs on education. The education of boys increased irrespective of whether the borrower was male or female; but the education of girls have increased only when women borrow from the Grameen Bank.

Yunus (1997) opined that for making a poverty free economy, micro credit is not enough. The poor people should be linked to markets, financial institutions and even multinationals. Moreover, he also added that the social investment is able to convert the disadvantaged sections of the society into entrepreneurs.

Otero (1999) points out that microfinance creates access to productive capital for the poor, together with human capital, addressed through education and training and social capital achieved through local organization building enable people to move out of poverty.

Dunn (1999) in a case study of microfinance clients in Lima, Peru, reports only 28 percent of clients live below the poverty line compared to 41 percent of non-clients. She also found that the average income of households participating in microfinance is 50 percent higher than the income of nonparticipating households. World Bank (1999) survey conducted for the mid-term review of the poverty alleviation and microfinance project among 675 micro-credit borrowers in Bangladesh showed that there had been positive change in the economic and social status of the surveyed borrowers. The survey showed that income had increased for 98 per cent of borrowers; 89 per cent of the borrowers accumulated new assets; and 29 per cent had purchased new land, either for homestead or for agriculture. Food intake, clothing and housing had improved for and 75 per cent of the borrowers. Sanitation conditions improved for per cent and child education for 75 per cent of the borrowers. The improvements had mainly achieved due to the increased level of self-employment of women participants.

## **RESEARCH METHODOLOGY**

Those who are currently living below the poverty line are the primary target of anti-poverty policies, but policies should also focus on those who are at risk of falling into poverty as well as those who are currently mired in it. This is a more comprehensive approach, which has gained widespread acceptance in recent years. Because of this, research in the field of development economics is increasingly concentrating on the investigation of VtP. As compared to metropolitan regions, rural areas have much higher rates of poverty (Lowder et al., 2017). 78% of the world's poor reside in rural regions, making them more susceptible to the effects of environmental hazards (World BaFigure 3. 1nk, 2015). Households in rural areas are often exposed to severe shocks of a variety of different kinds, each of which may be placed into one of two categories: idiosyncratic or covariate. The former, which includes things like illness, accidents, or unemployment among household members, is unique to specific people or houses, while the latter, which includes things like droughts, floods, or cyclones, is associated with several households within a community (Gunther and Harttgen, 2009; Nguyen et al., 2020). All of these different kinds of shocks have the potential to make life more difficult for families in rural areas.

## **DATA ANALYSIS**

This chapter exhibits the changes in poverty status in rural Odisha. The empirical literature reviewed in chapter 2 reveals that some households come out of poverty over the period of time, but many other non-poor households fall into poverty due to several factors. For instance,

millions of people in India fall into poverty every year due to health shocks and out-of-pocket expenditures (Goyanka et al., 2019; Berman et al., 2010; Shahrawat and Rao, 2012). Empirical evidence from previous studies suggests that the most effective way to combat poverty is to prevent them from falling into poverty (Chaudhuri et al., 2002). Therefore, knowing the factors that push the households to move in or escape poverty provides insights to design appropriate policies to alleviate poverty (Radeny et al., 2012; Thorat et al., 2017). Recent researchers on poverty have suggested two different sets of the programs to eradicate poverty effectively: one, to uplift the households that are already poor and are likely to stay poor, and the other is to help households that are at the risk of becoming poor (Baulch and McCulloch, 2002; Krishna, 2003; Kristjanson et al., 2007; Krishna, 2011; Radeny et al., 2012). To formulate such varying but effective sets of policies, it is necessary to identify exclusively the households that needs these programs to overcome poverty and the households that need programs for building their resilience in order to minimize the likelihood of falling into poverty The categories of poverty are mainly identified as ‘chronic poor’, ‘transient poor’ and ‘nonpoor’ Estimating different categories of poverty, which observes whether a household’s status changes or does not change over time, is called ‘the dynamics of poverty’ (Chronic poverty research centre (CPRC), 2004; Radeny et al., 2012). In past studies, it has been observed that households stay in poverty for several years; however, it has also been recognized thatwhile many poor households have moved out of poverty, many non-poor households have slipped into poverty (Baulch and Hoddinott, 2000; Duncan et al., 1993; Lawson et al., 2006). Those households which continue to live in poverty for a long time are said to be in ‘chronic poverty’ (CPRC, 2004; Ward, 2016). Due to various positive (livelihood diversification, asset building, and government support) and adverse events (job loss/income loss, death of breadwinner, accident, and natural calamities), households move out and move into poverty. The households which alternately move in and out of poverty are said to be in ‘transient poverty’ (CPRC, 2004-05; Ward, 2016). Among these poor, 85% live in rural areas (Oxford Poverty and Human Development Initiative (OPHDI), 2014; Alkire et al., 2014), and various targeted policies, social protection, and safety nets have been implemented to uplift these poor households. However, apart from government support through various policies, these households themselves practice many strategies to overcome poverty and to remain non-poor. Therefore, understanding the activities/practices adopted by the households to escape poverty facilitates designing appropriate policies to alleviate poverty. The following gaps in the existing literature motivate the present research: previous studies have reported that empirical research on poverty dynamics is limited in



developing countries due to the absence of panel data (Ward, 2016; Dang et al., 2014; Naschold, 2012). In the Indian scenario, only a few studies have focused on the poverty dynamics (Krishna et al., 2003; Krishna et al., 2004; Bhide and Mehta, 2004; Dhamija and Bhide, 2010; Dang and Lanjouw, 2015; Thorat et al., 2017). The findings from these studies are mainly related to changes in poverty status, and determinants are largely assessed in relation to household characteristics. Previous studies have found out that livelihood diversification and social capital are the main drivers for escaping poverty in rural areas (Ellis, 2000; Tesfaye et al., 2011, Gentle and Maraseni, 2012; Adi et al., 2021). There has been substantial theoretical work on livelihood strategies and poverty reduction (Ellis, 2000; Sen, 2003). However, there has been a limited number of empirical studies that explain the relationship between livelihood strategies and poverty dynamics. Further, the review of the literature shows that little focus has been given to the role of social capital strategy on poverty reduction and poverty dynamics (Islam and Alarm, 2018; Adi et al., 2021).

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thatwhile many poor households have moved out of poverty, many non-poor households have slipped into poverty (Baulch and Hoddinott, 2000; Duncan et al., 1993; Lawson et al., 2006). Those households which continue to live in poverty for a long time are said to be in ‘chronic poverty’ (CPRC, 2004; Ward, 2016). Due to various positive (livelihood diversification, asset building, and government support) and adverse events (job loss/income loss, death of breadwinner, accident, and natural calamities), households move out and move into poverty. The households which alternately move in and out of poverty are said to be in ‘transient poverty’ (CPRC, 2004-05; Ward, 2016). Among these poor, 85% live in rural areas (Oxford Poverty and Human Development Initiative (OPHDI), 2014; Alkire et al., 2014), and various targeted policies, social protection, and safety nets have been implemented to uplift these poor households. However, apart from government support through various policies, these households themselves practice many strategies to overcome poverty and to remain non-poor. Therefore, understanding the activities/practices adopted by the households to escape poverty facilitates designing appropriate policies to alleviate poverty. The following gaps in the existing literature motivate the present research: previous studies have reported that empirical research on poverty dynamics is limited in developing countries due to the absence of panel data. In the Indian scenario, only a few studies have focused on the poverty dynamics. The findings from these studies are mainly related to changes in poverty status, and determinants are largely assessed in relation to household characteristics. Previous studies have found out that livelihood diversification and social capital are the main drivers for escaping poverty in rural areas There has been substantial theoretical work on livelihood strategies and poverty reduction However, there has been a limited number of empirical studies that explain the relationship between livelihood strategies and poverty dynamics. Further, the review of the literature shows that little focus has been given to the role of social capital strategy on poverty reduction andpoverty dynamics.

## **CONCLUSION**

This study has attempted to examine the role of livelihood diversification and social capital on poverty dynamics in rural Odisha. Using panel data of 1353 households for the period between 2004-05 and 2011-12, the study has found out that at the state level, 25.26% of the households have been chronic poor, 45.24% of the households have been transient poor, and remaining 29.50% of households have been non-poor during the phases mentioned above. Further, it has also been discovered that, out of the transient poor, 8.20% of the households have descended

into poverty, and 37.04% of households have ascended out of poverty during the same period. The findings from the livelihood approach show that there is a positive relationship between non-farm activities and escaping poverty. This indicates that non-farm income diversification assures income and thereby enables the household to escape poverty. The anti-poverty policies, creating opportunities by investing in a sustainable financial system, helps thereby to expand rural non-farm activities. It is further observed that households that escaped poverty are characterized by smaller family size, higher educated household heads, more household members participated in the non-farm sector, and possess more assets than the chronic and transient poor households. The results from Multinomial Logistic Regression indicate that social capital in the form of group membership in different saving schemes and social groups could help escape poverty traps. World Bank report shows that social capital in the form of group 109 memberships receives more benefits from the government and non-governmental organizations (NGOs) than the independent households (World Bank, 2000). Social group membership supports poor households in obtaining vital information circulated within the group. It works as a pledged asset by eliminating the barriers to have access credit from the banks for the households who do not have enough social security. The illiterate and unskilled people and households lacking financial support also has benefited greatly through social capital.

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