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A comparative study of poverty in China, India, Bangladesh, and Philippines.

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a) Poverty in Bangladesh

Banladesh is one of the world's most densely populated countries with 150 million people, 26% of whom live below the national poverty line of US $2 per day. In addition, child malnutrition rates are currently at 48%, in condition that is tied to the low social status of women in Bangladeshi society. While Bangladesh suffers from many problems such as poor infrastructure, political instability, corruption, and insufficient power supplies, the country's economy has grown 5-6% per year since 1996. However, Bangladesh still remains a poor, overpopulated, and inefficiently-governed nation with about 45% of the Bangladeshis being employed in the agriculture sector.

Rural and urban poverty

The World Bank announced in June 2013 that Bangladesh had reduced the number of people living in poverty from 63 million in 2000 to 47 million in 2010, despite a total population that had grown to approximately 150 million. This means that Bangladesh will reach its first United Nations-established Millennium Development Goal, that of poverty reduction, two years ahead of the 2015 deadline. Bangladesh is also making progress in reducing its poverty rate to 26 percent of the population.

Since the 1990s, there has been a declining trend of poverty by 1 percent each year, with the help of international assistance. According to the 2010 household survey by the Bangladesh Bureau of Statistics, 17.6 percent of the population were found to be under the poverty line.

The population in Bangladesh is predominantly rural, with almost 80 percent of the population living in rural areas. Many people live in remote areas that lack services such as education, health clinics, and adequate roads, particularly road links to markets. An estimated 36 percent of the population in rural areas lives below the poverty line. They suffer from persistent food insecurity, own no land and assets, are often uneducated, and may also suffer serious illnesses or disabilities. Another 29 percent of the rural population is considered moderately poor. Though they may own a small plot of land and some livestock and generally have enough to eat, their diets lack nutritional value. As a result of health problems or natural disasters, they are at risk of sliding deeper into poverty. Women are among the poorest of the rural poor, especially when they are the sole heads of their households. They suffer from discrimination and have few earning opportunities, and their nutritional intake is often inadequate.

An estimated 28 percent of the population in urban areas lives below the poverty line.[5] People living in urban areas, likeDhaka, Chittagong, Khulna, and Rajshahi, enjoy a better standard of living, with electricity, gas, and clean water supplies. Even in the major cities, however, "a significant proportion of Bangladeshis live in squalor in dwellings that fall apart during the monsoon season and have no regular electricity. These Bangladeshis have limited access to health care and to clean drinking water."[6]

Causes of rural and urban poverty

One of the main causes of rural poverty is due the country's geographical and demographic characteristics. A large proportion of the country is low-lying, and thus is at a high risk to flooding. Many of the rural poor live in areas that are prone to extreme annual flooding which cause huge damage to their crops, homes and livelihoods. In order to rebuild their homes, they often have to resort to moneylenders, and that causes them to fall deeper into poverty. In addition, these natural disasters also cause outbreaks of cholera and other waterborne and diarrheal diseases such as dengue and malaria which will affect them physically and lower their productivity levels. Another cause of rural poverty is due to the fast-growing population rate. It places huge pressure on the environment, causing problems such as erosion and flooding, which in turn leads to low agricultural productivity. The causes of urban poverty are due to the limited employment opportunities, degraded environment, and bad housing and sanitation. The urban poor hold jobs that are labor demanding, thus affecting their health conditions. Therefore, the urban poor are in a difficult situation to escape poverty.

Environmental problems and poverty

With 80% of the country situated on the flood plains of the Ganges, Brahmaputra, Meghna and those of several other minor rivers, the country is prone to severe flooding. While some flooding is beneficial to agriculture, high levels of flooding have been found to be a retardant on agricultural growth. On average, 16% of household income per year is lost due to flooding, with roughly 89% of the loss in property and assets. Of these, households engaged in farming and fishing suffer a greater loss relative to income.

A positive relationship exists between flood risk and poverty as measured by household income, with people living under the poverty threshold facing a higher risk of flooding, as measured by their proximity to rivers and flood depth. Property prices also tend to be lower the higher the risk of flooding,[12] making it more likely that someone who lives in a flood-prone area is poor and vice versa, as they might not be able to afford safer accommodation. Also, they tend to depend solely or largely on crop cultivation and fisheries for their livelihood and thus are harder hit by floods relative to their income.

Important to the finances of farmers operating small farms is their self-sufficiency in rice and floods adversely affect this factor, destroying harvests and arable land. Farmers hit are often forced to undertake distressed land selling[13] and in doing so, risk being pushed into or deeper into poverty. In areas hard hit by floods, especially disaster floods such as the 1988 flood[1], several researchers have found that many of the affected households have resorted to selling off assets such as land and livestock to mitigate losses. Also, in an area hard-hit by poverty and prone to floods, it was found that many of the poor were unwilling to pay for flood protection. The main reason cited had been lack of financial resources although it was found that many of these people are willing to substitute non-financial means of payment such as labour, harvest or part of

1 Terminski B., *Environmentally-Induced Displacement: Theoretical Frameworks and Current Challenges*, research paper, University of Liege, September 2012. See also: Terminski, 2012.

their land.

The above is problematic as it creates a vicious cycle for the poor of Bangladesh. Because the poor may not be able to afford safer housing, they have to live near the river which raises their risk of flooding. This would result in greater damage suffered from the floods, driving the poor into selling assets and pushing them further into poverty. They would be further deprived of sufficient resources needed to prevent extensive damage from flooding, resulting in even more flood damage and poverty. It then becomes even harder to escape this cycle. Even those farmers slightly above the poverty line are but just one bad flood away from the ranks of the poor.

Implications of poverty in Bangladesh

The Gross National Income (GNI) per capita measured in 2008 prices is a staggering low of US $520 while GNI Purchasing Power Parity per capita is US $1440 (2008).[16] This is a dismal figure when compared to other developed economies. Even though the poverty rate in Bangladesh has been decreasing, it is doing so at a slow rate of less than 2% per year.[17] 49% of the population still remains below the poverty line. Poverty matters because it affects many factors of growth – education, population growth rates, health of the workforce and public policy. Poverty is most concentrated in the rural areas of Bangladesh, hence creating disparities between the rural and urban areas. However, urban poverty remains a problem too.

In particular, poverty has been linked strongly to education and employment. Research papers published by the Bangladesh Institute of Development Studies (BIDS) have shown that poverty acts as both a cause and effect of a lack of education, which in turn adversely affects employment opportunities. Having an unskilled workforce also greatly decreases the productivity of the workforce which decreases the appeal of Foreign Direct Investments (FDIs) and thus impedes sustainable economic growth. In essence, education is an important contribution to the social and economic development of a country.

Secondly, rising landlessness is also a consequence of poverty in Bangladesh. In the year 2000, among the poorest of the poor – the poorest 20 percent of the population – four out of five owned less than half an acre of land. Not only did many own no acreage at all, but landlessness has been increasing in rural Bangladesh along with the number of small and marginal farms.[18] The 2000 HIES found nearly half (48 percent) of the country's rural population to be effectively landless, owning at most 0.05 acres. Roughly three-fifths of all households in the two poorest quintiles fell into that category.

Lastly, for the chronic poor, issues such as food security and health hamper social mobility. According to a study done by the World Bank on Dhaka, the poor suffers from a lack of proper healthcare in their areas due to the expensive and poor quality health care services.[19] The poverty stricken areas either do not have the available facilities, or can only afford low quality healthcare. This is a problem that is common in both the rural and urban poor. For the urban poor, the problem has worsened as they can only afford to stay in slums where there are problems of overcrowding and unhygienic living conditions. These two factors results in the spread of diseases amongst the poor whom cannot afford better healthcare. Also, one cannot deny that a healthy and well-fed citizen is better suited for increased productivity as part of the workforce. Thus, poverty matters because it affects the social welfare of citizens

b) **Poverty in Pakistan**

Poverty in Pakistan has fallen dramatically independent bodies supported estimates of a considerable fall in the statistic by the 2007-08 fiscal year, when it was estimated that 17.2% of the total population lived below the poverty line.[1] The declining trend in poverty as seen in the country during the 1970s and 1980s was reversed in the 1990s by poor federal policies and rampant corruption.[2] This phenomenon has been referred to as the "poverty bomb".[3]In 2001, the government was assisted by the International Monetary Fund (IMF) in preparing the *Interim Poverty Reduction Strategy Paper* that suggests guidelines to reduce poverty in the country. Pakistan fares better than India and Bangladesh on most poverty markers such as the UN MPI index and its poverty rate is below those nations. As of 2009, Pakistan's Human Development Index (HDI) is 0.572, higher than that of nearby Bangladesh's 0.543, which was formerly a part of the country itself. Pakistan's HDI still stands lower than that of neighbouring India's at 0.612.

According to the HDI, 60.3% of Pakistan's population lives on under $2 a day, compared to 79% in nearby India and 81.3% in nearby Bangladesh,the lowest rate in South Asia after Sri Lanka[7] and some 28.6% live under $1 a day, compared to 24.9% in India and 49.6% in Bangladesh. Wealth distribution in Pakistan is highly uneven, with the top 10% of the population earning 27.6% and the bottom 10% earning only 4.1% of the income[9] According to the United Nations Human Development Report, Pakistan's human development indicators, especially those for women, fall significantly below those of countries with comparable levels of per-capita income. Pakistan also has a higher infant mortality rate (88 per 1000) than the South Asian average (83 per 1000).

Spatial distribution of poverty

At the time of the independence of Pakistan in 1947, Pakistan inherited the most backward parts of South Asia with only one university, one Textile Mill and one Jute Factory. The country has made tremendous progress and its per Capita GNP remains the highest in South Asia. During the last decade poverty elimination programs helped many of the poor to participate and rise up. However the Global financial crisis and other factors like the occupation of Afghanistan have impacted Pakistani growth. Poverty in Pakistan has historically been higher in rural areas and lower in the cities. Out of the total 40 million living below the poverty line, 30 million live in rural areas. Poverty rose sharply in the rural areas in the 1990s[11] and the gap in income between urban and rural areas of the country became more significant. This trend has been attributed to a disproportionate impact of economic events in the rural and urban areas. Punjab also has significant gradients in poverty among the different regions of the province.[11]

The Khyber Pakhtunkhwa of Pakistan was one of the most backward regions of the South Asia. Despite this, tremendous progress has been made in many areas. The NWFP now boasts several universities including the Ghulam Ishaq Khan University of Science and Technology.Peshawar a sleep cantonment during British towns is a modern cosmopolitan city. Much more can be done to invest in the social and economic structures.

NWFP remains steeped in tribal culture, though the biggest Pahan city is Soviet invasion of neighboring Afghanistan is intact and according to Western reports supported theTaliban regime.[*citation needed*] These and other activities have led to a breakdown of law and order in many parts of the region.[12]

Poverty and gender

The gender discriminatory practices in Pakistani society also shape the distribution of poverty in the country. Traditional gender roles in Pakistan define the woman's place as in the home and not in the workplace, and define the man as the breadwinner. Consequently, the society invests far less in women than men.[13] Women in Pakistan suffer from poverty of opportunities throughout their lives. Female literacy in Pakistan is 43.6% compared to Male literacy at 68.2%, as of 2008.[14]In legislative bodies, women constituted less than 3% of the legislature elected on general seats before 2002. The 1973 Constitution allowed reserved seats for women in both houses of parliament for a period of 20 years, thus ensuring that women would be represented in parliament regardless of whether or not they are elected on general seats. This provision lapsed in 1993, so parliaments elected subsequently did not have reserved seats for women. Reserved seats for women have been restored after the election of 2002 .[15] Female labour rates in Pakistan are exceptionally low.

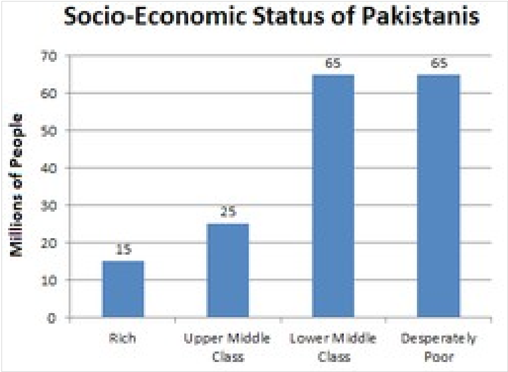
Economic and social vulnerability[edit]

Un-Employment Rates

Administrative Unit	**1998 Census**			**1981 Census**
	Both Sexes	**Male**	**Female**	
Pakistan	19.68	20.19	5.05	3.1
Rural	19.98	20.40	5.50	2.3
Urban	19.13	19.77	4.49	5.2
Khyber Pakhtunkhwa	26.83	27.51	2.58	2.2
Rural	28.16	28.64	4.00	2.0
Urban	21.00	22.34	0.74	3.7
Punjab	19.10	19.60	5.50	3.2
Rural	18.60	19.00	6.00	2.5
Urban	20.10	20.7	4.70	5.0
Sindh	14.43	14.86	4.69	3.3
Rural	11.95	12.26	3.70	1.6
Urban	16.75	17.31	5.40	5.8
Balochistan	33.48	34.14	8.67	3.1
Rural	35.26	35.92	9.81	3.0
Urban	27.67	28.33	5.35	4.0
Islamabad	15.70	16.80	1.70	10.7

Rural	28.70	29.40	8.20	13.5
Urban	10.10	11.00	0.80	9.0

Unemployment Rate: It is the percentage of persons unemployed (those looking for work and temporarily laid off) to the total economically active population (10 years and above). Source:[3]



Socio-Economic Status of Pakistanis, source:[16]

"Vulnerability" in this case stands for the underlying susceptibility of economically deprived people to fall into poverty as a result of exogenous random shocks. Vulnerable households are generally found to have low expenditure levels. Households are considered vulnerable if they do not have the means to smooth out their expenses in response to changes in income. In general, vulnerability is likely to be high in households clustered around the poverty line. Since coping strategies for vulnerable households depend primarily on their sources of income, exogenous shocks can increase reliance on non-agricultural wages. Such diversification has not occurred in many parts of Pakistan, leading to an increased dependence on credit.[17]

While economic vulnerability is a key factor in the rise of poverty in Pakistan, vulnerability also arises from social powerlessness, political disenfranchisement, and ill-functioning and distortionary institutions, and these also are important causes of the persistence of vulnerability among the poor.[18]

Other causes of vulnerability in Pakistan are the everyday harassment by corrupt government officials, as well as their underperformance, exclusion and denial of basic rights to many in Pakistan. Also, lack of adequate health care by the state lead the poor to seek private sources, which are expensive, but still preferable to the possibility ofmedical malpractice and being given expired medicines in state run medical facilities. Also, the failure by the state to provide adequate law and order in many parts of the country is a factor in the rise of vulnerability of the poor.[18]

Environmental issues[edit]

Environmental problems in Pakistan, such as erosion, use of agro-chemicals, deforestation etc. contribute to rising poverty in Pakistan. Increasing pollution contributes to increasing risk of toxicity, and poor industrial standards in the country contribute to rising pollution.

Lack of adequate governance[edit]

By the end of the 1990s, the manner in which power is exercised in the management of a country's social and economic resources for development emerged as Pakistan's foremost developmental problem. Corruption and political instabilities such as the insurgency in Balochistan and decade long armed conflict with the Taliban in Waziristan region resulted in reduction of business confidence, deterioration of economic growth, reduced public expenditure, poor delivery of public services, and undermining of the rule of law.[21] The perceived security threat on the border with India has dominated Pakistan's culture and has led to the domination of military in politics, excessive spending on defense at the expense of social sectors, and the erosion of law and order.

Pakistan has been run by military dictatorships for large periods of time, alternating with limited democracy.[22][23] These rapid changes in governments led to rapid policy changes and reversals and the reduction of transparency and accountability in government. The onset of military regimes have contributed to non-transparency in resource allocation.Those who do not constitute the political elite are unable to make political leaders and the Government responsive to their needs or accountable to promises. Development priorities are determined not by potential beneficiaries but by the bureaucracy and a political elite which may or may not be in touch with the needs of the citizens. Political instability and macroeconomic imbalances have been reflected in poor creditworthiness ratings, even compared to other countries of similar income levels, with resulting capital flight and lower foreign direct investment inflows. The current government of Pakistan has professed commitments to reforms in this area.[24]

In addition, Pakistan's major cities and urban centres are home to an estimated 1.2 million street children. This includes beggars and scavengers who are often very young. The law and order problem worsens their condition as boys and girls are fair game to others who would force them into stealing, scavenging and smuggling to survive. A large proportion consumes readily available solvents to starve off hunger, loneliness and fear. Children are vulnerable to contracting STDs such as HIV/AIDS, as well as other diseases.[25]

Feudalism[edit]

Pakistan is home to a large feudal landholding system where landholding families hold thousands of acres and do little work on the agriculture themselves. They enlist the services of their serfs to perform the labor of the land.[26] 51% of poor tenants owe money to the landlords.[27] The landlords' position of power allows them to exploit the only resource the poor can possibly provide: their own labor.

Poverty and Islamic militancy[edit]

Poverty and the lack of a modern curriculum have proved destabilizing factors for Pakistani society that have been exploited by militant organizations banned by the government to run schools and produce militant literature. Though many madrassasare benign, there are those that subscribe to the radicalist sect of Wahabi Islam,..

As a result, militant Islamic political parties have become more powerful in Pakistan and have considerable sympathy among the poor. This phenomenon is more pronounced in the North Western Frontier Province.[30]

Inequality and natural disasters

1.The recent 2010 Pakistan floods have accentuated differences between the wealthy and poor in Pakistan. Abdullah Hussain Haroon, Pakistan's diplomat to the United Nations, has alleged that wealthy feudal warlords and landownersin Pakistan have been diverting funds and resources away from the poor and into their own private relief efforts.[31]Haroon also alluded to was evidence that landowners had allowed embankments to burst, leading to water flowing away from their land.[32] There are also allegations that local authorities colluded with the warlords to divert funds.[33]The floods have accentuated the sharp divisions in Pakistan between the wealthy and the poor. The wealthy, with better access to transportation and other facilities, have suffered far less than the poor of Pakistan

c) Poverty in China

Poverty in China refers to the state of relative or absolute material deprivation that affects hundreds of millions of Chinese citizens, particularly those living in rural areas.
Since the start of far-reaching economic reforms in the late 1970s, growth has fueled a remarkable increase in per capita income and a decline in the poverty rate from 85% in 1981 to 33.1% in 2008 (poverty being defined as the number of people living on < $1.25/day).[3]

The poverty rate in the world's most populous country fell by nearly three-quarters in the last six years, from 36% in 2007 to 27% by 2012, according to Gallup[4]

At the same time, however, income disparities have increased. The growing income inequality is illustrated most clearly by the differences in living standards between the urban, coastal areas and the rural, inland regions. There have also been increases in the inequality of health and education outcomes. Exact statistics are disputed, as there have been reports of China's underestimating the poverty rate.[5]

Some rise in inequality was expected as China introduced a market system, but inequality may have been exacerbated by a number of policies, including the dismantling of the state health care system and the "Iron rice bowl" system of guaranteed employment and benefits; the imposition of restrictions on rural-urban migration that have limited opportunities for the poorer rural population; the inability to sell or mortgage rural land has further reduced opportunities; and development and investment policies that in the 1990s focused overwhelmingly on coastal regions. China has a decentralized fiscal systemthat relies on local government to fund health and education. The result has been that poor villages cannot afford good services and poor households cannot afford the high costs of basic services.

The large trade surplus that China has built up in recent years is a further problem, because it stimulates an urban industrial sector that no longer creates many new jobs, while restricting the government's ability to increase spending to improve services and address disparities.[6] The government has recently shifted its policy to encourage migration, fund education and health for poor areas and poor households, and rebalance the economy away from investment and exports toward domestic consumption and public services, to help reduce social disparities.

Since Deng Xiaoping began instituting market reforms in the late 1970s, China has been among the most rapidly growing economies in the world, regularly exceeding 10 percent GDP growth annually. This growth has led to a substantial increase in real living standards and a marked decline in poverty. Between 1981 and 2008, the proportion of China's population living on less than $1.25/day is estimated to have fallen from 85% to 13.1%, meaning that roughly 600 million people were taken out of poverty.[3][7] At the same time, this rapid change has brought with it different kinds of stresses. China faces seriousnatural resource scarcity and environmental degradation. It has also seen growing disparities as people in different parts of the country and with different characteristics have benefited from the growth at different rates.

Starting from the pre-reform situation, some increase in income inequality was inevitable, as favored coastal urban locations benefited first from the opening policy, and as the small stock of educated people found new opportunities. However, particular features of Chinese policy may have exacerbated rather than mitigated growing disparities. The household registration (hukou) system kept rural-urban migration below what it otherwise would have been, and contributed to the development of one of the largest rural-urban income divides in the world. Weak tenure over rural land also limited the ability of peasants to benefit from their primary asset.

Aside from income inequality, there has also been an increase in inequality of educational outcomes and health status, partly the result of China's uniquely decentralized fiscal system, in which local government has been primarily responsible for funding basic health and education. Poor localities have not been able to fund these services, and poor households have not been able to afford the high private cost of basic education and healthcare.

The large trade surplus that has emerged in China has exacerbated the inequalities, and makes them harder to address. The trade surplus stimulates the urban manufacturing sector, which is already relatively well off. It limits the government's scope to increase funding for public services such as rural health and education. The government has been trying to rebalance China's production away from investment and exports towards domestic consumption and services, to improve the country's long-term macroeconomic health and the situation of the relatively poor in China.

Recent government measures to reduce disparities including relaxation of the *hukou* system, abolition of the agricultural tax, and increased central transfers to fund health and education in rural areas.

Poverty reduction[edit]

China has maintained a high growth rate for more than 30 years since the beginning of economic reform in 1978, and this sustained growth has generated a huge increase in average living standards. 250 years ago, China had many characteristics in common with the rest of developing Asia: large population, low per capita income, and resource scarcity on a per capita basis. But in the 15 years from 1990–2005, China averaged per capita growth of 8.7%.

The whole reform program is often referred to in brief as the "open door policy". This highlights that a key component of Chinese reform has been trade liberalization and opening up to foreign direct investment, but not opening the capital account more generally to portfolio flows. China improved its human capital, opened up to foreign trade and investment, and created a better investment climate for the private sector.

After joining the WTO China's average tariffs have dropped below 100%, and to around 5% for manufactured imports. It initially welcomed foreign investment into "special economic zones". Some of these zones were very large, amounting to urban areas of 20 million people or more. The positive impact of foreign investment in these locations led to a more general opening up of the economy to foreign investment, with the result that China became the largest recipient of direct investment flows in the 1990s.[8]

The opening up measures have been accompanied by improvements in the investment climate. Particularly in the coastal areas, cities have developed their investment climates. In these cities, the private sector accounts for 90% or more of manufacturing assets and production. Out 2005, average pretax rate of return for domestic private firms was the same as that for foreign-invested firms.[9] Local governments in coastal cities have lowered loss of output due to unreliable power supply to 1.0% and customs clearance time for imports has been lowered in Chinese cities to 3.3 days.[9]

China's sustained growth fueled historically unprecedented poverty reduction. The World Bank uses a poverty line based on household real consumption (including consumption of own-produced crops and other goods), set at $1 per day measured at Purchasing Power Parity. In most low-income countries this amount is sufficient to guarantee each person about 1000calories of nutrition per day, plus other basic necessities. In 2007, this line corresponds to about 2,836 RMB per year. Based on household surveys, the poverty rate in China in 1981 was 63% of the population. This rate declined to 10% in 2004, indicating that about 500 million people have climbed out of poverty during this period.[10]

This poverty reduction has occurred in waves. The shift to the household responsibility system propelled a large increase in agricultural output, and poverty was cut in half over the short period from 1981 to 1987. From 1987 to 1993 poverty reduction stagnated, then resumed again. From 1996 to 2001 there was once more relatively little poverty reduction. Since China joined the WTO in 2001, however, poverty reduction resumed at a very rapid rate, and poverty was cut by a third in just three years.[11]

Increased inequality[edit]

China's growth has been so rapid that virtually every household has benefited significantly, fueling the steep drop in poverty. However, different people have benefited to very different extents, so that inequality has risen during the reform period. This is true for inequality in household income or consumption, as well as for inequality in important social outcomes such as health status or educational attainment. Concerning household consumption, the Gini measure of inequalityincreased from 0.31 at the beginning of reform to 0.45 in 2004. To some extent this rise in inequality is the natural result of the market forces that have generated the strong growth; but to some extent it is "artificial" in the sense that various government policies exacerbate the tendencies toward higher inequality, rather than mitigate them. Changes to some policies could halt or even reverse the increasing inequality.[12] (See List of countries by income equality.)

The Nobel Prize-winning economist Sir Arthur Lewis noted that "development must be inegalitarian because it does not start in every part of the economy at the same time" in 1954. China classically manifests two of the characteristics of development that Lewis had in mind: rising return to education and rural-urban migration. As an underdeveloped country, China began its reform with relatively few highly educated people, and with a small minority of the population (20%) living in cities, wherelabor productivity was about twice the level as in the countryside.

In pre-reform China there was very little return to education manifested in salaries. Cab drivers and college professors had similar incomes. Economic reform has created a labor market in which people can search for higher pay, and one result of this is that salaries for educated people have gone up dramatically. In the short period between 1988 and 2003, the wage returns to one additional year of schooling increased from 4% to 11%. This development initially leads to higher overall inequality, because the initial stock of educated people is small and they are concentrated at the high end of the income distribution. But if there is reasonably good access to education, then over time a greater and greater share of the population will become educated, and that will ultimately tend to reduce inequality.

The large productivity and wage gap between cities and countryside also drives a high rate of rural-urban migration. Lewis pointed out that, starting from a situation of 80% rural, the initial shift of some from low-productivity agriculture to high productivity urban employment is disequalizing. If the flow continues until the population is more than 50% urban, however, further migration is equalizing. This pattern is very evident in the history of the U.S., with inequality rising during the rapidindustrialization period from 1870–1920, and then declining thereafter. So, the same market forces that have produced the rapid growth in China predictably led to higher inequality. But it is important to note that in China there are a number of government policies that exacerbate this tendency toward higher inequality and restrict some of the potential mechanisms that would normally lead to an eventual decline in inequality.[12]

Rural-Urban divide[edit]

Main article: Rural Urban Income Inequality in China

Much of the increase in inequality in China can also be attributed by the widening rural-urban divide, particularly the differentials in rural-urban income. A household survey conducted in 1995 showed that the rural-urban income gap accounted for 35% of the overall inequality in China.[13]

In 2009, according to the China's National Bureau of Statistics, the urban per capita annual income at US$2525 was approximately three times that of the rural per capita annual income.[14] This was the widest income gap recorded since 1978.[14] Urban-biased economic policies adopted by the government contribute to the income disparities. This is also known as the 'artificial' result of the rural-urban divide. In terms of the share of investments allotted by the state, urban areas had a larger proportion when compared with rural areas.[15] In the period 1986-1992, investments to urban state-owned enterprises (SOE) accounted for more than 25% of the total government budget.[16] On the other hand, less than 10% of the government budget was allocated to investments in the rural economy in the same period by the state despite the fact that about 73-76% of the total population lived in the rural areas.[16] However, the burden of the inflation caused by the fiscal expansion, which at that time was at a level of approximately 8.5%, was shared by all including the rural population.[16] Such biased allocation of government finances to the urban sector meant that the wages earned by urban workers also include these government fiscal transfers. This is not forgetting the relatively higher proportions of credit loans the government also provided to the urban SOEs in the same period.[16] Meanwhile, the wages earned by the rural workers came mainly from growth in output only.[16] These urban-biased policies reflect the importance of the urban minority to the government relative to the rural majority.

In the period when reforms in urban areas were introduced, the real wages earned by urban workers rose inexorably. Restrictions to rural-urban migration protected the urban workers from competition from the rural workers[13] which therefore also contributed to rural-urban disparities. According to a report by the World Bank published in 2009, 99% of the poor in China come from rural areas if migrant workers in cities are included in the rural population figures.[17] Excluding migrant workers from the rural population figures indicates that 90% of poverty in China is still rural.[17]

Inequality in China does not however only occur between rural and urban areas. There exist inequalities within rural areas, and within urban areas themselves.[13] In some rural areas, incomes are comparable to that of urban incomes while in others, income remains low as development is limited. Rural-urban inequalities also do not only refer to income differentials but include inequalities in areas such as education and health care.[13]

Urban poverty in China

The structural reforms of China's economy have brought about a widening of the income gap and rising unemployment in the urban cities. The increasing challenge for the Chinese government and social organizations is to address and solve poverty issues in urban areas where the people are increasingly being economically and socially marginalized. According to the official estimates, 12 million people were considered as urban poor in 1993, i.e. 3.6 per cent of the total urban population, but by 2006 the figure had jumped to more than 22 million, i.e. 4.1 per cent of the total urban population and these figures are estimated to grow if the government fails to institute any effective measures to circumvent this escalating problem.[18]

China's "floating population" has since helped spur rapid development in the country because of the cheap and plentiful labor they can offer. On the flip side, many people who came from the rural areas are not able to find jobs in the cities. This surplus of rural laborers and mass internal migration will no doubt pose a major threat to the country's political stability and economic growth. Their inabilities to find jobs compounded by the rising costs of living in the cities have made many people fall below the poverty line.

There are also large numbers of unemployed and laid-off workers from state-owned enterprises (SOEs). These enterprises have since failed to compete efficiently with the private and foreign-funded companies when China's open-door policy was introduced. In the years 1995 to 2000, the state sector lost 31 million jobs, which amounted to 28 per cent of the jobs in the sector. The non-state sector has been creating new jobs but not in sufficient numbers to offset job losses from the state sector.

SOEs' roles were more than employers, they are also responsible in the provision of welfare benefits, like retirement pensions, incentives for medical care, housing and direct subsidies and the like to its employees, as such these burdens greatly increased production costs. In 1992, SOE expenses on insurance and welfare took up 35% of the total wages.[19]Therefore, many people not only lost their jobs but also, the social benefits and security that they were once so reliant on. The adverse consequences arising from the market reforms are evidently seen as a socially destabilizing factor.

Lastly, the government provided little or no social benefit for the urban poor who needed the most attention. Ministry of Labor and Social Security (MLSS) was the last line of defense against urban poverty in the provision of social insurance and the living allowance for laid-off employees. However, its effectiveness was limited in scope in which less than a quarter of the eligible urban poor actually receiving assistance.[19]

The Minimum living Standard Scheme was first implemented in Shanghai in 1993 to help supplement the income of the urban poor. It is a last resort program that is meant to help those that don't qualify for other forms of government aid. The Minimum Living Standard Scheme set regional poverty lines and gave recipients a sum of money. The amount of money received by each recipient was the difference in their income and the poverty line. The Scheme has grown rapidly and has since been adopted by over 580 cities and 1120 counties.

d) **Poverty in India**

Poverty in India is widespread, and a variety of methods have been proposed to measure it. The official measure of Indian government, before 2005, was based on food security and it was defined from per capita expenditure for a person to consume enough calories and be able to pay for associated essentials to survive. Since 2005, Indian government adopted the Tendulkar methodology which moved away from calorie anchor to a basket of goods and used rural, urban and regional minimum expenditure per capita necessary to survive.

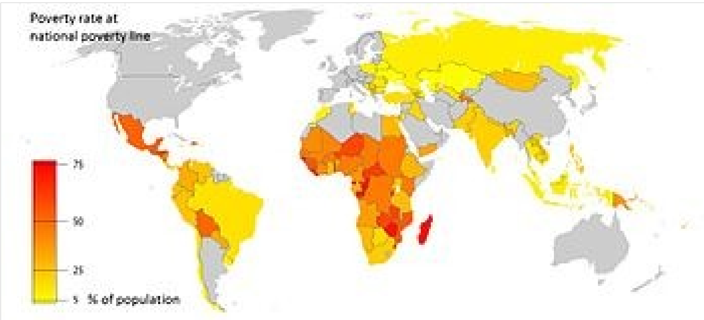
The World Bank has similarly revised its definition and benchmarks to measure poverty since 1990, with $1.25 per day income on purchasing power parity basis as the definition in use from 2005 to 2013.[2] Some semi-economic and non-economic indices have also been proposed to measure poverty in India; for example, the Multi-dimensional Poverty Index placed 33% weight on number of years spent in school and education and 6.25% weight on financial condition of a person, in order to determine if that person is poor.[3]

The different definitions and different underlying small sample surveys used to determine poverty in India, have resulted in widely different estimates of poverty from 1950s to 2010s. In 2013, the Indian government stated 21.9% of its population is below its official poverty limit.[4] The World Bank, in 2010 based on 2005's PPPs International Comparison Program,[5] estimated 32.7% of Indian population, or about 400 million people, lived below $1.25 per day on purchasing power parity basis.[6][7] According to United Nations Development Programme, an estimated 29.8% of Indians lived below poverty line in 2009-2010.[8]

Poverty in India is a historical reality. From late 19th century through early 20th century, under British colonial rule, poverty in India intensified, peaking in 1920s.[9][10] Famines and diseases killed millions each time.[11][12] After India gained its independence in 1947, mass deaths from famines were prevented, but poverty increased, peaking post-independence in 1960s. Rapid economic growth since 1991, has led to sharp reductions in extreme poverty in India.[13][14] However, those above poverty line live a fragile economic life.[15] Lack of basic essentials of life such as safe drinking water, sanitation, housing, health infrastructure as well as malnutrition impact the lives of hundreds of millions.

The World Bank reviewed and proposed revisions in May 2014, to its poverty calculation methodology and purchasing power parity basis for measuring poverty worldwide, including India. According to this revised methodology, the world had 872.3 million people below the new poverty line, of which 179.6 million people lived in India. In other words, India with 17.5% of total world's population, had 20.6% share of world's

Poverty rates are sensitive to definition used. In 2014, new World Bank benchmarks based on 2011 purchasing power parity basis suggest much lower poverty rates in India, and much higher in other nations.[16]



A comparative map of poverty in India and other countries in 2012, at national poverty line, according to the World Bank.

Economic measures

There are several definitions of poverty, and scholars disagree as to which definition is appropriate for India.[17][18] Inside India, both income-based poverty definition and consumption-based poverty statistics are in use.[19] Outside India, the World Bank and institutions of the United Nations use a broader definition to compare poverty among nations, including India, based on purchasing power parity (PPP), as well as nominal relative basis.[20][21] Each state in India has its own poverty threshold to determine how many people are below its poverty line and to reflect regional economic conditions. These differences in definition yield a complex and conflicting picture about poverty in India, both internally and when compared to other developing countries of the world.[16]

As with many countries,[22] poverty was historically defined and estimated in India using a sustenance food standard. This methodology has been revised. India's current official poverty rates are based on its Planning Commission’s data derived from so-called Tendulkar methodology.[23] It defines poverty not in terms of annual income, but in terms of consumption or spending per individual over a certain period for a basket of essential goods. Further, this methodology sets different poverty lines for rural and urban areas. Since 2007, India set its official threshold at ₹ 26 a day ($0.43) in rural areas and about ₹ 32 per day ($0.53) in urban areas.[24] While these numbers are lower than the World Bank's $1.25 per day *income*-based definition, the definition is similar to China's US$ 0.65 per day official poverty line in 2008.[25]

The World Bank’s international poverty line definition is based on purchasing power parity basis, at $1.25 per day.[26][27]This definition is inspired by the reality that the price of same goods, and services such as a haircut, are quite different in local currencies around the world. A realistic definition and comparison of poverty must consider these differences in costs of living, or must be on purchasing power parity (PPP) basis. On this basis, currency fluctuations and nominal numbers become less important, the definition is based on the local costs of a basket of essential goods and services that people can purchase. By World Bank's 2014 PPP definition, India's poverty rate is significantly lower than previously believed.[16]

Mixed, semi-economic and non-economic measures

As with economic measures, there are many mixed or non-economic measures of poverty and experts contest which one is most appropriate for India. For example, Dandekar and Rath in 1971 suggested a measure of poverty rate that was based on number of calories consumed.[28] In 2011, Alkire et al. suggested a poverty rate measure so-called Multi-dimensional Poverty Index (MPI), which put only 6.25% weight to assets owned by a person and placed 33% weight on education and number of years spent in school.[3] These non-economic measures remain controversial and contested as a measure of poverty rate of any nation, including India.[29][30]

National poverty lines comparison
(Note: this is historical data, not current)

Country	Poverty line (per day)	Year	Reference
India	32 rupees ($0.53)	2007	[24]
Argentina	6 pesos ($0.74)	2012	[31]
China	3.49 yuan ($0.56)	2010	[32]
Nigeria	65 naira ($0.4)	2011	[33]
United States	$13[34]	2005	[35][36]

Comparison with alternate international definitions

India determines household poverty line by summing up the individual per capita poverty lines of the household members. This practice is similar to many developing countries, but different from developed countries such as the United States that adjust poverty line on an incremental basis per additional household member. For example, in the United States, the poverty line for a household with just one member was set at $11,670 per year for 2014, while it was set at $23,850 per year for a 4-member household (or $5963 per person for the larger household).[36]The rationale for the differences arise from the economic realities of each country. In India, households may include surviving grandparents, parents and children. They typically do not incur any or significant rent expenses every month particularly in rural India, unlike housing in mostly urban developed economies. The cost of food and other essentials are shared within the household by its members in both cases. However, a larger portion of a monthly expenditure goes to food in poor households in developing countries,[37] while housing, conveyance and other essentials cost significantly more in developed economies.

For its current poverty rate measurements, India calculates two benchmarks. The first includes a basket of goods including food items but does not include the implied value of home, value of any means of conveyance or the economic value of other essentials created, grown or used without a financial transaction, by the members of a household. The second poverty line benchmark adds rent value of residence as well as the cost of conveyance, but nothing else, to the first benchmark.[38]This practice is similar to those used in developed countries for non-cash income equivalents and poverty line basis.[39][40]

India's official poverty line, in 2014, was ₹972 (US$16) a month in rural areas or ₹1407 (US$23) a month in cities.[41] India's nationwide average poverty line differs from each state's poverty line. For example, in 2011-2012, Puducherry had its highest poverty line of ₹1301 (US$21) a month in rural and ₹1309 (US$21) a month in urban areas, while Odisha had the lowest poverty thresholds of ₹695 (US$11) a month for rural and ₹861 (US$14) a month for its urban areas.[42]

Poverty prevalence and estimates[edit]

Before Independence[edit]

The 19th century and early 20th century saw increasing poverty in India during the colonial era.[9][43] Over this period, the colonial government de-industrialized India by reducing garments and other finished products manufacturing by artisans in India, importing these from Britain's expanding industry with 19th century industrial innovations, while simultaneously encouraging conversion of more land into farms, and of agricultural exports from India.[44][45] Eastern regions of India along the Ganges river plains, such as those now known as eastern Uttar Pradesh, Bihar, Jharkhand and West Bengal,[46] were dedicated to producing poppy and opium, which were then exported to southeast and east Asia particularly China, with the trade an exclusive monopoly first of East India Company, and later the colonial British institutions.[47] The economic importance of this shift from industry to agriculture in India was large;[48] by 1850, it created nearly 1,000 square kilometers of poppy farms in India in its fertile Ganges plains, led to two opium wars in Asia, with the second opium war fought between 1856 to 1860. After China accepted opium trade, the colonial government dedicated more land exclusively to poppy,[45] the opium agriculture in India rose from

1850 through 1900, when over 500,000 acres of the most fertile Ganges basin farms were devoted to poppy cultivation,[49] opium processing factories owned by colonial officials were expanded in Benares andPatna, and shipping expanded from Bengal to the ports of East Asia such as Hong Kong, all under exclusive monopoly of the British. By early 20th century, 3 out of 4 Indians were employed in agriculture, famines were common, and food consumption per capita declined in every decade.[10] In London, the late 19th century British parliament debated the repeated incidence of famines in India, and the impoverishment of Indians due to this diversion of agriculture land from growing food staples to growing poppy for opium export under orders of the colonial British empire.[45][49]

Poverty was intense during colonial era India. Numerous famines and epidemics killed millions of people each.[11][50] Upper image is from 1876-1879 famine in South India that starved and killed over 6 million people, while lower image is of child who starved to death during the Bengal famine of 1943.

These colonial policies moved unemployed artisans into farming, and transformed India as a region increasingly abundant in land, unskilled labor and low productivity, and scarce in skilled labor, capital and knowledge.[9][10] On an inflation adjusted 1973 Rupee basis, the average income of Indian agrarian laborer was Rs. 7.20 per year in 1885, against an inflation adjusted poverty line of Rs. 23.90 per year. Thus, not only was the average income below poverty line, the intensity of poverty was severe. The intensity of poverty increased from 1885 to 1921, then began a reversal. However, the absolute poverty rates continued to be very high through the 1930s.[9][51] The colonial policies on taxation and its recognition of land ownership claims of *zamindars* and *mansabdars*, or Mughal era nobility, made a minority of families wealthy, while it weakened the ability of poorer peasants to command land and credit. The resulting rising landlessness and stagnant real wages intensified poverty.[9][52]

The National Planning Committee of 1936 noted the appalling poverty of undivided India.[53]

> (...) there was lack of food, of clothing, of housing and of every other essential requirement of human existence... the development policy objective should be to get rid of the appalling poverty of the people.
>
> —Nehru, *The Discovery of India*, (1946)

The National Planning Committee, notes Suryanarayana, then defined goals in 1936 to alleviate poverty by setting targets in terms of nutrition (2400 to 2800 calories per adult worker), clothing (30 yards per capita per annum) and housing (100 sq. ft per capita).[53] This method of linking poverty as a function of nutrition, clothing and housing continued in India after it became independent from British colonial empire.

These poverty alleviation goals were theoretical, with administrative powers resident in the British Empire. Poverty ravaged India. In 1943, for example, despite rising agricultural output in undivided South Asia, the Bengal famine killed millions of Indians from starvation, disease and destitution. Destitution was so intense in Bengal, Bihar, eastern Uttar Pradesh, Jharkhand and Orissa, that entire families and villages were "wiped out" of existence. Village artisans, along with sustenance farming families, died from lack of food, malnutrition and a wave of diseases.[12] The 1943 famine was not an isolated tragedy. Devastating famines impoverished India every 5 to 8 years in late 19th century and the first half of 20th century. Between 6.1 to 10.3 million people starved to death in British India during the 1876-1879 famine, while another 6.1 to 8.4 million people died during 1896-1898 famine.[54] The Lancet reported 19 million died from starvation and consequences of extreme poverty in British India, between 1896 and 1900.[55] Sir MacDonnell observed the suffering and poverty in 1900, and noted, "people died like flies" in Bombay.[56]

After Independence[edit]

1950s[edit]

Year[57]	**Total Population (millions)**	**50% lived on (₹ / year)**	**95% lived on (₹ / year)**
1956-57	359	180	443
1961-62	445	204	498
1967-68	514	222	512

Minhas published his estimates of poverty rates in 1950s India as cyclical and a strong function of each year's harvest. Minhas disagreed with the practice of using calories as the basis for poverty estimation and proposed a poverty line based on real expenditure per year (Rs 240 per annum). In 1956-57, a good harvest year, he computed India's poverty rate to be 65% (215 million people).[57][58] For 1960, Minhas estimated the poverty to be 59%.[59]

1960s[edit]

A Working Group was formed in 1962 to attempt to set a poverty line for India.[60][61] This Working Group used calories required for survival, and income needed to buy those calories in different parts of rural India, to derive an average poverty line of Rs. 20 per month at 1960-61 prices.[62]

Estimates of poverty in India during the 1960s varied widely. Dandekar and Rath, on the behalf of then Indian government, estimated that the poverty rate in 1960s remained generally constant at 41%. Ojha, in contrast, estimated that there were 190 million people (44%) in India below official poverty limit in 1961, and that this below-poverty line number increased to 289 million people (70%) in 1967. Bardhan also concluded that Indian poverty rates increased through the 1960s, reaching a high of 54%.[59][63] Those above the 1960s poverty level of Rs 240 per year, were in fragile economic groups as well and not doing well either. Minhas estimated that 95% of India's people lived on Rs 458 per year in 1963-64, while the richest 5% lived on an average of Rs 645 per year (all numbers inflation adjusted to 1960-61 Rupee).[57]

1970s - 1980s[edit]

Dandekar and Rath[64] in 1971 used a daily intake of 2,250 calories per person to define the poverty line for India. UsingNSSO data regarding household expenditures for 1960–61, they determined that in order to achieve this food intake and other daily necessities, a rural dweller required an annual income of ₹ 170.80 per year (₹ 14.20 per month, adjusted to 1971 Rupee). An urban dweller required ₹ 271.70 per year (₹ 22.60 per month). They concluded from this study that 40 percent of rural residents and 50 percent of urban residents were below the poverty line in 1960–61.[65]

Poverty alleviation has been a driver for India's Planning Commission's Task Force on Projections of Minimum Needs and Effective Consumption Demand of the Perspective Planning Division. This division, in 1979, took into account differences in calorie requirements for different age groups, activity levels, and sex. They determined that the average rural dweller needed around 2400 calories, and those in urban areas required about 2100 calories per person per day. To satisfy the food requirement, the Task Force estimated that a consumer spending in 1973–74 of Rs.49.09 per person per month in rural areas and Rs.56.64 in urban areas was appropriate measure to estimate its poverty line.[66]

Poverty remained stubbornly high in India through the 1970s and 1980s. It created slogans such as *Garibi Hatao* (literally, abolish poverty) for political campaigns, during elections in early 1970s through the 1980s.[67] Rural poverty rate exceeded 50%, using India's official poverty line for 1970s.[68][69]

1990s[edit]

Another Expert Group was instituted in 1993, chaired by Lakdawala, to examine poverty line for India. It recommended that regional economic differences are large enough that poverty lines should be calculated for each state. From then on, a standard list of commodities were drawn up and priced in each state of the nation, using 1973–74 as a base year. This basket of goods could then be re-priced each year and comparisons made between regions. The Government of India began using a modified version of this method of calculating the poverty line in India.[70]

There are wide variations in India's poverty estimates for 1990s, in part from differences in the methodology and in the small sample surveys they poll for the underlying data. A 2007 report for example, using data for late 1990s, stated that 77% of Indians lived on less than ₹ 20 a day (about US$0.50 per day).[71] In contrast, Datt estimated India's national poverty rate to be 35% in 1994, at India's then official poverty line of Rs 49 per capita, with consumer price index adjusted to June 1974 rural prices.[69]

2000s[edit]

Saxena Committee report, using data over 1972 to 2000, separated calorific intake apart from nominal income in its economic analysis of poverty in India, and then stated that 50% of Indians lived below the poverty line.[72] The Planning Commission of India, in contrast, determined that the poverty rate was 39%.

The National Council of Applied Economic Research estimated that 48% of the Indian households earn more than ₹90,000(US$1,458.00) annually (or more than US$ 3 PPP per person). According to NCAER, in 2009, of the 222 million households in India, the absolutely poor households (annual incomes below ₹ 45000 (US$730) accounted for only 15.6% of them or about 35 million (about 200 million Indians). Another 80 million households are in income levels of ₹45000 (US$730) to ₹90000 (US$1,500) per year. These numbers are similar to World Bank estimates of the "below-the-poverty-line" households that may total about 100 million (or about 456 million individuals).[73]

Reserve Bank of India (2012)[edit]

In their annual report of 2012, Reserve Bank of India names the state of Goa as having the least poverty of 5.09% while national average stands at 21.92%[4] The table below presents the poverty statistics for rural, urban and combined, percent below poverty line (BPL) for each State or Union Territory

Poverty remains a critical social problem that needs to be addressed. Philippines' poverty line marks a per capita income of 16,841 pesos a year.[1] According to the data from the National Statistical Coordination Board, more than one-quarter (27.9%) of the population fell below the poverty line the first semester of 2012, an approximate 1 per cent increase since 2009.[2] This figure is a much lower figure as compared to the 33.1% in 1991.[3]

The decline in poverty has been slow and uneven, much slower than neighboring countries who experienced broadly similar numbers in the 1980s,[4] such as People's Republic of China (PRC), Thailand, Indonesia (where the poverty level lies at 8.5%) or Vietnam (13.5%). This shows that the incidence of poverty has remained significantly high as compared to other countries for almost a decade. The unevenness of the decline has been attributed to a large range of income brackets across regions and sectors, and unmanaged population growth. The Philippines poverty rate is roughly the same level as Haiti.[4]

The government planned to eradicate poverty as stated in the Philippines Development Plan 2011-2016 (PDP). The PDP for those six years are an annual economic growth of 7-8% and the achievement of the Millennium Development Goals (MDGs). Under the MDGs, Philippines committed itself to having extreme poverty from a 33.1% in 1991 to 16.6% by 2015.[4]