

Poverty



Concepts of Poverty - Part E

What is Relative Poverty?

- ❖ Per capita Income is only an average income per person and therefore does not represent a true index of social welfare
- ❖ Social welfare in a society also depends on how the national income is distributed among the population
- ❖ Poverty is in fact a relative concept

What is Relative Poverty?

- ❖ Relative Poverty refers to the people having income less than the average or mean per capita income of a country
- ❖ While the level of economic development of a country determines the mean per capita income of a country, inequalities in the distribution of income determines the number of poor people who have less than mean or average per capita income of a country

What is Relative Poverty?

- ❖ If anyone is deprived of minimum amount of money needed for the maintenance of average standard of living in which he lives in, this condition is called relative Poverty
- ❖ Thus, although people and households living in relative poverty or relative deprivation, as it is sometimes called, have a certain amount of money, it is still not enough to provide for the basics

Relative Poverty and Social Welfare

- ❖ Income of an Individual in relation to the incomes of others in a country or region is an important determinant of welfare
- ❖ Thus greater the inequalities in income distribution, the lower the level of social welfare
- ❖ It has been realised that greater income inequalities affect the capabilities of those who have relatively lower income

Relative Poverty and Social Welfare

- ❖ Relative Poverty reflects income inequalities in a country and like absolute poverty negatively affects social welfare
- ❖ Income inequalities in a society is generally measured through estimating the value of Gini Coefficient

To be Continued...

Thank You