

Poverty



Concepts of Poverty - Part D

Poverty Gap Approach

- ❖ The Head Count Ratio as a measure of absolute poverty suffers from a major drawback
- ❖ The Head Count Ratio does not indicate the severity or depth of a poor person
- ❖ To overcome this drawback absolute poverty is measured by poverty gap approach
- ❖ Poverty Gap concept seeks to measure severity or depth of poverty of a person

Poverty Gap

❖ If

- Y_p stands for minimum income or consumption expenditure representing Poverty Line
- Y_i stands for income or consumption expenditure of any individual,
- Then $Y_p - Y_i$ will indicate the severity or depth of this poverty

Poverty Gap Formula

Measuring Inequality and Poverty

- **Headcount Index: H/N**

- Where H is the number of persons who are poor and N is the total number of people in the economy

- **Total poverty gap:**

$$TPG = \sum_{i=1}^H (Y_p - Y_i)$$

- Where Y_p is the absolute poverty line; and Y_i the income of the i th poor person

Poverty Gap

Where H is the number of persons having per capita or consumption expenditure less than the minimum living standard or consumption expenditure specified as poverty line

Total Poverty Gap is considered as a better index of extent of Poverty in a country as it takes into account the severity or depth of the poverty of persons comprising a society

Why Absolute Poverty is bad?

- ❖ Absolute poverty is bad because no civilised society can feel satisfied if its people exist in conditions of absolute human misery
- ❖ Absolute poverty not only creates miserable living conditions for individuals, it also imperils social and political stability in a society
- ❖ It is now well recognised fact that the existence of absolute poverty raises the incidence of crime and creates law and order problems in a society

To be Continued...

Thank You