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Research Article

Investment Aspects Of Poverty Reduction Based On Maintaining Employment

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ABSTRACT

Although large-scale numeral projects have been carried out by the World Bank Group and other international organizations to reduce poverty since 1944, the number of people living in extremely poor conditions remains unacceptably high. Similar growth rates can have very different effects on poverty, poor people's employment chances, and broader human development indicators depending on the circumstances. Moreover, the degree to which the poor engage in the economic process and share its benefits determines the amount to which growth eliminates poverty. As a result, both the rate and pattern of development are essential in eliminating poverty. According to the World Bank's data, presently, 43 countries worldwide are considered to have the highest poverty rates [1]. This paper focuses on examining the effect of particular sectors of the economy on dealing with the problem. *The main purpose* can be defined as elucidating the concept of poverty with reasons and consequences in different economic development models and analyzing possible solutions in the context of world economic turmoil. *Results* show that improvements in the financial sector can significantly contribute to poverty assuagement. *Conclusions* suggest numerous international recommendations, theories, and laws.

Keywords: Life-style, Geographic Features, Economic Model, Integration Efficiency, the International Community

INTRODUCTION

Throughout the recorded history, an enormous part of humankind has suffered from a lack of income and necessary resources to ensure sustainable life. To realize the relevance of this global issue, we had a better look at some miserable cases that are worth considering. According to a 2018 survey by the UN Development Program, 1.3 billion people (660 million of them are children) in 104 developing countries, which accounts for 74% of the world's population, live in multidimensional poverty [2]. Besides, they experience deprivation in health, education, and living standards as well. Moreover, recent estimates for global poverty of the World Bank [3] show that 8.6% of the world, or 736 million people, live in extreme poverty on $1.90 or less a day.

The population of East Asia, the Pacific, Europe and Central Asia living in extreme

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poverty accounts for less than 3%, already successfully meeting the 2030 target to eradicate global poverty. However, in the Middle East and North Africa, the number of people living in extreme poverty nearly doubled in two years, from 9.5 million to 18.6 million, largely due to the crises in Syria and Yemen.

This article aims to study the types of poverty, measuring methodologies, and defining the indicators that have a considerable impact on the poverty rate and find the possible ways to overcome the global issue. The first part of the research analyzes the categories of poverty. Then, we discover the international standards of calculating them and study the international indices that contribute to evaluating countries' poor situation.

City Development Strategies were devised in the context of the Cities Alliance, an international alliance of local authorities, donors and the private sector launched by the World Bank and UNCHS (Habitat) in 1999.

It has two clearly defined aims:

1) To coordinate a process through which local stakeholders define their vision of the city and formulate a City Development Strategy, focusing particularly on economic and social needs.
2) To improve the living conditions of the urban poor through slum upgrading efforts.

Cities Alliance (2000) state that CDS is concerned with the following:

Good Governance - through sustainable, environmentally friendly, decentralized approaches, creating space for civic engagement and delivering equitable, efficient and transparent solutions to urban problems.

Enablement is the creation of a legal and institutional framework that empowers local authorities to reduce poverty and improve productivity and standards of living.

Capacity Building includes developing human resources and establishing institutional and legal frameworks that allow a wide range of stakeholders to engage in and be informed about public policy decisions.

Vibrant markets, including those in the informal sector. The World Bank's perspective differs slightly and stresses the need to achieve:

Governability - accountable local government and the institutionalization of participatory processes in decision making and urban service delivery.

Bankability - sound financial systems that enable cities and their inhabitants to gain access to the financial resources required for investment and growth.

Competitiveness is based on each city developing its economic strengths to find an economic niche in the national and international context.

Livability - improved environmental circumstances, particularly for the poor.

MATERIALS AND METHODS

Historically, poverty has been measured based on a person's revenue and how much he or she can purchase with that income. However, today the concept of poverty is categorized into multidimensional and extreme poverty.

Multidimensional poverty acknowledges that poverty is not always about income. Sometimes a person's income might be above the poverty line, but their family has no electricity, no access to a proper toilet, no clean drinking water, and no one in the family has completed six years of school. Since 2015, the World Bank has defined *extreme poverty* as people living on

$1.90 or less a day, measured using the international poverty line. But extreme poverty is not only about low income; it is also about what people can or cannot afford. Extreme poverty is recognized in two ways: absolute poverty and relative poverty.

Absolute poverty is when a person cannot afford the minimum nutrition, clothing, or housing needs in their country. Relative poverty is a household income under a certain percentage, typically 50% or 60%, of that country's median income. This measurement takes into deliberation the subjective cost of participating in everyday life. For example, plumbing is necessary for some places; without plumbing, a person could be considered impoverished. However, in other places, plumbing is a luxury. Thus, relative poverty is helpful for considering income inequality within a country.

A commonly used monetary indicator is the value of a basic basket of goods, which is subsequently used to define several poverty indicators, including the:

- Poverty rate – the percentage of people who cannot afford a basket of goods;
- Poverty gap – the gap between a person's income and the poverty line; and
- Income distribution – presented in the form of the Gini coefficient

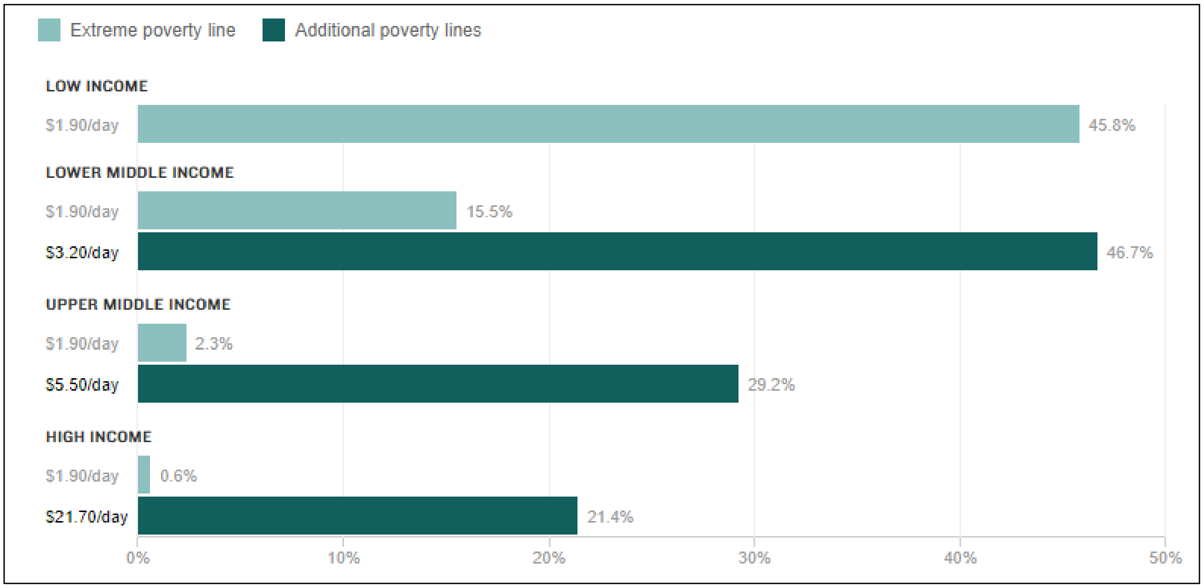
Measurement of poverty

Poverty is measured by each country's government, which gathers data through household surveys of their population. World Bank Group provides support and may conduct surveys, but this data collection is time-consuming and slow. Nevertheless, calculating poverty rates is considered an essential process that directly affects the economy of countries. Particularly, in low- and middle-income countries, understanding poverty levels is important for generating policy, targeting development initiatives, and monitoring and evaluating economic progress over time.

Poverty is calculated by the poverty line method (poverty threshold, poverty limit, breadline). Firstly, the term was developed in 1964-1965 by Mollie Orshansky, an economist working for the Social Security Administration [5].

A poverty line is classified into two major categories: national and international. The national poverty line is the minimum level of income deemed adequate in a particular country. The line is determined in each country by adding up the cost of meeting minimum needs, such as food and shelter. Household incomes that are too low to afford minimum needs, such as food and shelter, are below the poverty line. National poverty lines are not the same in all countries. In higher-income countries, the cost of living is higher, so the poverty threshold is higher. Below you can see the difference between median national poverty lines in countries grouped into categories by World Bank in 2017.

Figure 1: National poverty lines in grouped countries



- $1.91 per person per day — in 33 low-income countries
- $3.21 per person per day — in 32 lower-middle-income countries, such as India and the Philippines
- $5.48 per person per day — in 32 upper-middle-income countries, such as Brazil and South Africa
- $21.70 per person per day — in 29 high-income countries

The international poverty line is the standard poverty line for measuring poverty globally. The international poverty line, currently set at $1.90 a day, is the universal standard for measuring global poverty. This line helps measure the number of people living in extreme poverty and helps compare poverty levels between countries.

As the cost of living increases, poverty lines increase too. For example, since 1990, the international poverty line rose from $1 a day to $1.25 a day, and most recently in 2015 to $1.90. It means that $1.90 is necessary to buy what $1 could in 1990.

Several international indicators are considered to evaluate the poverty rate: MPI (Multidimensional Poverty Index), HDI (Human Development Index), GDI (Gender Development Index), GII (Gender Inequality Index), Gini index, and others.

Multidimensional Poverty Index (MPI)

The Multidimensional Poverty Index (MPI) looks beyond income to understand how people experience poverty in multiple and simultaneous ways. It identifies how people are being left behind across three key dimensions: health, education, and living standards, comprising ten indicators. People who experience deprivation in at least one-third of these weighted indicators fall into the category of multidimensionally poor. Below you can see the conditions which cause those ten indicators in Table 1.

Table 1. Identifying indicators of multidimensional poverty

Dimensions of poverty	Indicator	Deprived in the living in the household where…	Weight
Health	Nutrition	An adult under 70 years of age or a child is undernourished.	1/6
	Child mortality	Any child under the age of 18 years has died in the 5 years preceding the survey.	1/6
Education	Years of schooling	No household member aged 10 years or older have completed six years of schooling.	1/6
	School attendance	Any school-aged child is not attending school up to the age at which he/she would complete class 8.	1/6
	Cooking fuel	The household cooks with dung, wood, charcoal or coal.	1/18
Standard of living	Sanitation	The household's sanitation facility is not improved (according to SDG guidelines).	1/18
	Drinking water	The household does not have access to improved drinking water(according to SDG guidelines), or safe drinking water is at least a 30-minute walk from home, round trip.	1/18
	Electricity	The household has no electricity.	1/18
	Housing	Housing materials for at least one roof, walls and floor are inadequate; the floor is of natural materials, and walls are of raw or rudimentary materials.	1/18
	Assets	The household does not own more than one of these assets; radio, TV, telephone, computer, animal cart, bicycle, motorbike or refrigerator, and does not own a car or truck.	1/18

This standard enables analysis of patterns of poverty: how much each indicator and each dimension contributes to overall poverty.

Human Development Index (HDI)

The Human Development Index (HDI) is a measurement developed by the UN to measure levels of social and economic development of various countries.

It composed of four principal dimensions: long and healthy life, knowledge, a decent standard of living.

The health dimension is assessed by life expectancy at birth. The education dimension is measured by the mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age. Finally, the standard of living dimension is measured by gross national income per capita.

HDI coefficient vary between 0 – 1 or 0% - 100%. When the coefficient reaches close to one, it means that a country's social and economic development level is high. And vice versa, when the HDI coefficient is close to zero, the country is considered socially and economically poor.

- 0.800 – 1.000 – very high
- 0.700 – 0.799 – high
- 0.550 – 0.699 – medium

- 0.350 – 0.549 – low
- 0.349 – very low

The role of economic sectors in poverty reduction

This sector is dedicated to examining whether the development in particular economic segments, such as the financial sector and agricultural sector, matter for the pace of poverty reduction.

Johan Rewilak (2017) study showed that financial deepening naturally has the largest poverty-reducing effect followed by increasing physical financial access; whereas, financial instability and banking sector inefficiency showed no harmful effect on poverty reduction [6].

The research by Asian Development Bank (2009) proved that financial sector development affects poverty reduction in direct and indirect ways. Directly the development in the financial sector broadens the access of the deprived to financial services. Thus, it indirectly promotes economic growth, thus providing a strong justification for development assistance to target the financial sector as a core intervention area [7].

According to the evidence by Kamel Bel Hadj Miled and Jalel-Eddine Ben Rejeba (2015), a country with a higher microfinance institutions' gross loan portfolio per capita tends to have a lower poverty headcount ratio [8].

The conclusions of numerous field research on identifying the correlation between the agricultural sector and poverty reduction resembled earlier findings and supported major literature in the field.

According to one of the articles of journal Elsevier: "Agriculture, structural transformation and poverty reduction: Eight new insights", the growth in agriculture is in general (two to three times) more operational at decreasing poverty than an equivalent amount of growth generated outside agriculture remains confirmed [9].

OECD carried out a study about the effect of agricultural progress on poverty reduction. The organization looked at data from 25 countries that made the fastest progress in reducing poverty from 1980-2005. The survey has been carried out, namely, on the amount of average contribution of income sources to poverty reduction. The study concluded that the agricultural sector's contribution to poverty reduction accounted for 52% while the financial sector's share made up 35%, and non-agricultural activities 13% [10].

Luc Christiaensen, Lionel Demery and Jesper Kuhl (2006) analyzed the role of agriculture in poverty reduction. They explored the contribution of the sector to poverty reduction depending on four factors: its direct (1) and indirect (2) growth effects as well as its elasticity of total poverty to sectoral growth (3) and the sector's share in the overall economy (4), which together determine the sector's participation effect. Their study revealed that the participation effect from agriculture on the poverty headcount on average is 2.2 times larger than the participation effect from non-agriculture [11].

RESULTS

In the previous sector, we analyzed the types of poverty, explored its measurements, and defined the indicators that substantially impact the poverty rate. As a result, we composed a table that compares countries' poverty rates of different categories, such as high-income, upper-middle-income, lower-middle-income, and low-income countries. Ten indicators depicted in Table 2 help us evaluate the conditions of countries.

Table 2. Overview of social capital development

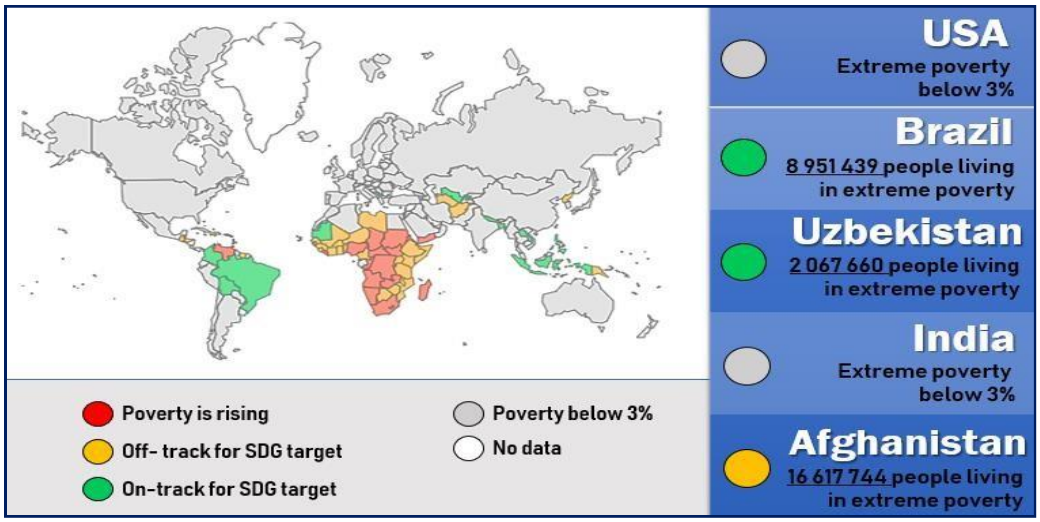
	High- income		Upper-middle-income	Lower-middle-income		Low-income
		USA	Brazil	Uzbekistan	India	Afghanistan
1	Population in multidimensional poverty, headcount (%)	n.a.*	3.8	n.a.*	27.9	**55.9**
2	Human Development Index (HDI)	0.920 (15)	0.761 (79)	0.710 (108)	0.647 (129)	**0.496 (170)**
3	Gender Development Index (GDI)	0.991	0.995	0.939	0.839	**0.723**
4	Gender Inequality Index (GII)	0.182	0.386	0.303	0.501	**0.575**
5	Life expectancy (years)	78.9	75.7	71.6	69.4	**64.5**
6	Expected years of schooling (years)	16.3	15.4	12	12.3	**10.1**
7	Internet users, (% of population)	87.3	67.5	52.3	34.5	**13.5**
8	Urban population (%)	82.3	86.6	50.5	34	**25.5**
9	Population using improved drinking- water sources (%)	99	98	98	93	**67**
10	**Population using improved sanitation facilities (%)**	**100**	**88**	**100**	**60**	**43**

* n.a. – not available

Source: Human Development Reports (2019)

UNDP supported the establishment of the UN Partnership to Promote the Rights of Persons with Disabilities, mobilizing over US$2.9 million to facilitate full implementation of the Convention on the Rights of Persons with Disabilities. UNDP also hosts the technical secretariat for the partnership. In Costa Rica, the Fund supports the removal of barriers that prevent persons with disabilities from obtaining an adequate income through employment or entrepreneurship. As for the visual impairment, people and deafness still affect global economic output by limited capital investment, resources, innovations, scientific and technical potentials of which are still under leak of financing and support by the government.

Figure 2. People living in extreme poverty



Source: https://worldpoverty.io/map

The government must expand social and private partnerships with such sectors, reduce poverty, and increase economic growth as a main human capital investment program and goals in regions.

Poverty reduction strategies:

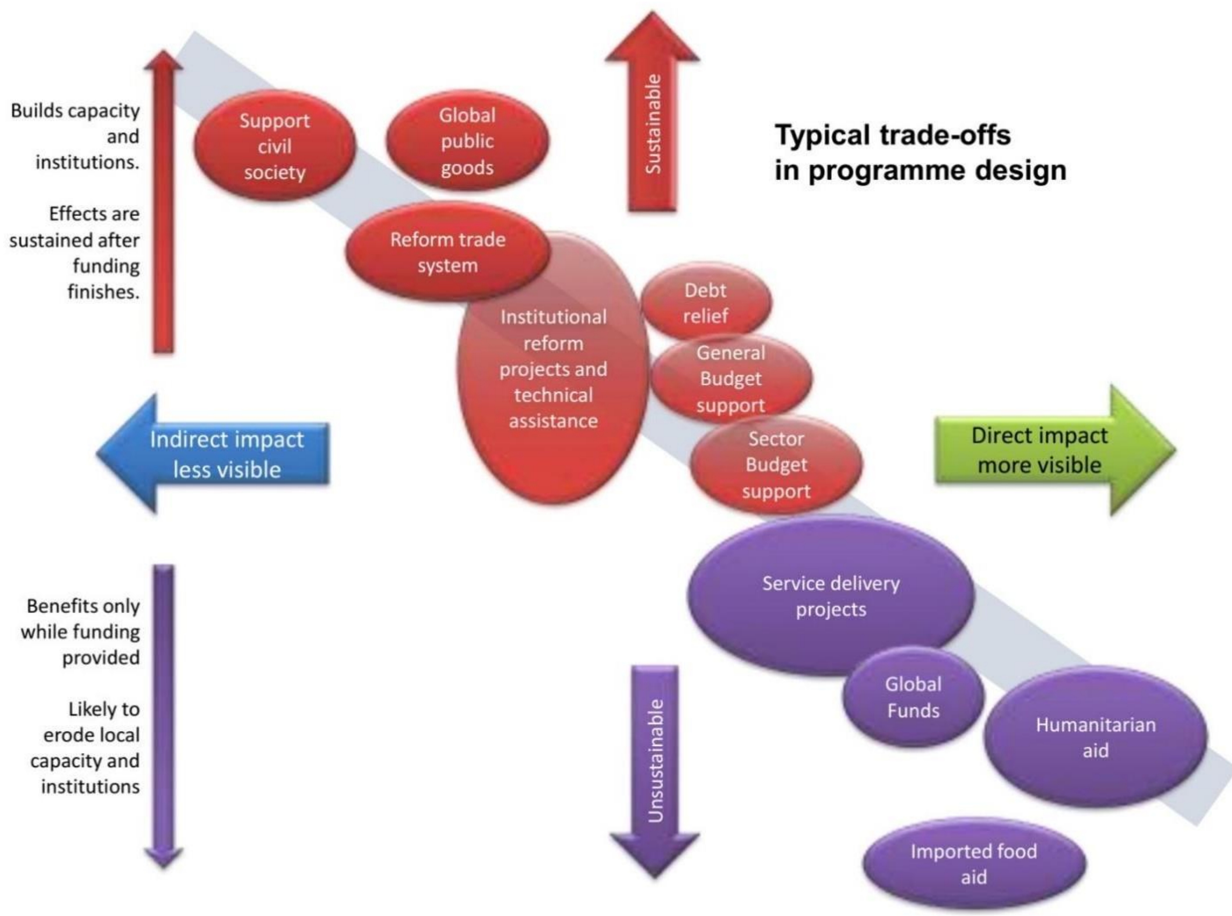
- Accelerating and sustaining **Millennium Development Goals** (MDG) progress;
- Developing the capacity to plan, budget and implement pro-poor policies;
- Promoting the rights of persons with disabilities;
- Promoting employment through business and agricultural development;
- Measuring urban poverty;
- Strengthening resource management for sustainable human development;
- Mobilizing new sources of financing for development;
- Understanding urban poverty;
- Nutrition.

Eight essential conditions for strong changes in poverty reduction

- Specific country analysis of the binding constraints on growth and the policy actions likely to overcome them is essential in forming a growth strategy;

- Physical capital;
- Human capital;
- The rule of law;
- Competitive markets;
- Macroeconomic stability;
- Infrastructure;
- Openness to trade and investment;
- Increased agricultural productivity;

Figure 3. Integrity for poverty reduction program development



Source: *Owen Barder, What Is Poverty Reduction? Center for Global Development, P 8.*

Disability and poverty

Disability accentuates poverty because the systemic institutional, environmental and attitudinal barriers that people with disabilities encounter in their daily lives result in their entrenched social exclusion and their lack of participation in society (Groce et al., 2011, p. 1497). It leads to:

- discrimination, social marginalization and isolation;
- insufficient access to education, adequate housing, nutritious food, clean water, basic sanitation, healthcare and credit;

- lack of ability to participate fully in legal and political processes; and
- lack of preparation for and meaningful inclusion in the workforce (Woodburn, 2013, p. 80; Groce et al., 2011, p. 1497).

Figure 4. Disability and poverty allocation for economic equality

Source: http://povertyanddisabilityanotperspective.blogspot.com/2011/08/poverty-disability-cycle.html

In this case, we should examine investing in human factors, social capital, and human resources as long as people really need help, support, and attention in social dialogue, communication, and partnership. So, world community like the UN, UNDP, OECD, ILO, WHO and other economic and financial institutions should seriously consider the essence of unity and integrity when fighting poverty. It is clear that we are confronted with the following challenging tasks [12]:

1) Redefining existing institutions and structures to respond more effectively to the emerging world order;
2) Establishing new institutions to combat poverty at the global level; and
3) Forging new alliances and partnerships to strengthen collective efforts.

CONCLUSION

The findings of this study provide an understanding of global poverty. By analyzing the overview of the issue, namely its types, standards of measurement, indicators that contribute to its change, and economic fields, one clearly understands that poverty alleviation is a serious, argumentative and even inevitable global problem of the contemporary world. Furthermore, the literature review showed that many types of research and studies have been carried out in recent years. In addition, several international organizations work on different projects which are targeted to end poverty, such as the World Bank Group's goal to end extreme poverty by 2030.

Nevertheless, still too many questions are waiting for being answered, and many problems are remaining unsolved. These complexities are expected to prevent ignorance and lead to new future researches.

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