"Poverty: An Indicator of Poor-Performing Socioeconomic System in A Region"

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ABSTRACT

Policies designed for eradication of poverty have not made much progress in most of the developing countries. A plausible reason for policies failure is that these policies were developed with a narrow view of poverty, overlooking that low financial income is an indicator of poverty and not the poverty itself. The paper argues that poverty is basically an outcome of low performance of socioeconomic systems in a region. It is reasoned that a region will not be able to get out of poverty unless its social system is developed, which in turn should encourage a better functioning economic system. Conversely, this translates into the cost of sacrificing certain policy-relevant properties, such as being unable to break the measure down by dimensions to understand their contribution to global poverty. In addition, multifaceted socioeconomic inequality into a poverty measure does not necessarily create an appropriate framework for apprehending inequality in poverty across population subgroups, which is decisive for effective strategy. The strategy for examining socio-economic performance requires an acceptable method of classifying the poor and measuring socio-economic inequities.

Introduction

Technological advancements are generally considered to be synonymous with economic growth of a region, but unfortunately as human race made advances in the field of technology, the gap between the "have" and 'have-nots" kept on increasing at a high rate and now we see that this gap between the rich and poor countries has reached extreme level, with the poor being denied the right to even basic necessities of life. But on the other hand, most of the developing world governments feel satisfied in reporting an increase in per capita GDP as exclusive indicator of poverty reduction.

A basic argument in this paper is that financial numbers alone provide insufficient information for assessing poverty in a region, and the researchers should look for developing better methods for measuring poverty. New methods are required for mapping poverty, as "per capita GDP" is an average, and therefore, it carries all errors found in considering average to be a true representative of a certain data-set or population. The GDP figures include highly rich families in a region or country and miserably poor families, which are two extremes of population in a region and it does not matter how much difference between these two populations exists the total figure remains the same. Moreover, the lower bound on an income that a person can have is zero, but there is no upper limit for the income that an individual can earn. Therefore, on statistical basis it is reasoned that GDP gives a biased picture of true income in a country.

International bodies are now projecting a broader concept of poverty, arguing that poverty eradication needs to be approached with a more comprehensive view. UNDP (2003) and Sarracino (2008) advocates that the right based view of poverty needs to be promoted for policy making, similarly the World Bank (WDR 1990, AusAID 2001, Hallegatte et al; 2020, Ozdamar & Giovanis 2021). views poverty not only as deprivation of material resources but also voicelessness, health, vulnerability, exposure to risk, low achievement in education, and powerlessness in the state-owned institutions and society. A broader approach of deprivation like the above gives a deeper understanding of poverty and its causes.

Keeping development sustainable is critical for stability of a region; a typical definition of sustainable development given by economists is that each generation is at least as well off as the previous generation. There is no arguing that pecuniary development can help in alleviating poverty, but how the benefits of the pecuniary development are circulated among the population is critical for a region poverty level. It is seen that the larger the gap amongst the rich and the poor inhabitants in a region, the little would be the growth potential in that region. It is also seen that these gaps not only restrict the development opportunities for the poor families, but also bound the potential growth of the country's overall economic progress (Saunders 2004, HK Government, 2013, DRT and CPA Network, 2013; Singh and Chudasama 2020, Overstreet, 2021).

A Review of Poverty Measurement Approaches

Poverty measurement has always been a cause of public concern and as there is a large difference in opinion on what poverty really means, there is an even greater difference in the methods to measure it. The section explores conceptual views on the issue to help policy makers in selecting an appropriate approach for evaluating poverty. Table (1) summarizes a few popularly used approaches for evaluating poverty in a region (Ahmed and Lodhi, 2007).

Table 1: Approaches for Measuring Poverty

Measuring Poverty
•   Per Capita GDP
•   Poverty Line and Unsatisfied Basic Needs
•   Development Indices
1.   Human Development Index
2.   Human Poverty Index
Defining Inequality
•   The Gini Coefficient
•   Shares of Income
•   Inequality in Practice

Perhaps the most frequently used measure for evaluating poverty by governments is Per Capita GDP. It measures the average income per person in a country. This measure gives some information on income, but this includes extremely rich families as well as exceedingly poor families. As said earlier, the

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lower limit on the income is bounded by zero; however, there is no upper limit on income. This gives an overestimated depiction of the typical way of life or standard of living. GDP represents some average earnings for every member of the society such as every single man, woman and child in a state, but every single member of the society is not generating this income. Further we cannot say that average income per person reflects well-being of a domiciliary. Lastly the purchasing power of the income may be even more or less than that specified by the GDP, as it depends on the exchange rate used in calculating it.

In (2002) Saunders has debated that assessing poverty in pecuniary terms is viewing it too narrowly. Poverty assessment isn't limited to just lack in pecuniary earning or low earning capacity, it means much more than that. This assessment stimulates that poverty must be measured and viewed in with a more comprehensive view. The citizens of a state can't easily be tagged just poor in a region; it is linked with minimum health care amenities, low achievement in education, justice system, sleaze and security. Based on this perspective it is reasoned that only financial support of the poor with added income would not bring them out of poverty or elucidate all issues and challenges. The sustainable socio-economic system must be developed by the society to improve the performance and survival of its community in the region.

poverty line is Another standard approach and practiced evaluating poverty, it tries to establish a minimum level of income or consumption expenditure that a household must have so that the household is able to meet basic needs in a community. According to this method if the household income is found short of this amount, it may be impoverished. Poverty lines are drawn at the national level based on expenditures, but still some argue that the picture presented is not complete (Ahmad et al., 2003, Emily 2018, John, 2020). It is possible for some to live in low income environment and enjoyed good health and a long life, but on the other hand, a person may be educated with a university degree and enjoy a good health, but may face a pre-mature death, due to illness or an accident. The Unsatisfied

Basic Needs methodology advocates that living in poverty not only means the lack of material resources, but it also includes the lack of opportunity to live a normal life. This includes into poverty a life that ends prematurely, or is difficult to live, painful or risky, or even if it lacks knowledge and connections with others. This in fact, brings into discussion the qualitative aspects of poverty. Developing qualitative indicators for poverty brings into sight the multidimensional aspects of poverty. Some basic needs indicators that can be used by countries evaluating regional poverty are given in Table 2.

Table 2: Indicators for Evaluating Regional Poverty

1. Survival capacity
2. Gender
3. Education
4. Health
5. Living standards

Source: Ozdamar & Giovanis 2021

United Nations Development Program uses a number of development indices for measuring poverty; two of these indices are the Human Development Index (HDI) and the Human Poverty index (HPI). These methods focus on human aspect of poverty and development. Indices are a useful way to combine data type gathered from different resources into a single unit. These indices of countries can be compared to evaluate the level of poverty in different countries (See UNDP, 2006 and Ahmad et al., 2003).

Mapping Poverty – A Non-Linear Cause-Effect Relationship

The above discussion safely concludes that strategists working on poverty eradication need to define it in a holistic manner. There is a need for strategy developers to move from the traditional reductionist approach of problem solving to a holistic approach. The systems thinking requires that the planners; while developing any strategy, should be very careful in uncovering cross-linkages between the different actors in a system and the strategy

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developed should be comprehensive enough to balance second order repercussions occurring from the initiatives taken to change the system. Human system activity modeling is an umbrella of conceptual modeling methodologies, the new approach draws strength from systems thinking and is extremely useful in understanding complex social problems comprising of multiple interest, high complexity, and limited resources. The approach argues researchers to look for circular causality in social systems in addition to traditional linear causality. The concept of circular causality is briefly explained in fig (1), where A causes B causes C causes D causes A causes B and so on repeating the same loop. It is completely different from the traditional linear causality thinking in which A causes B causes C and the cause & effect loop ends at that point.
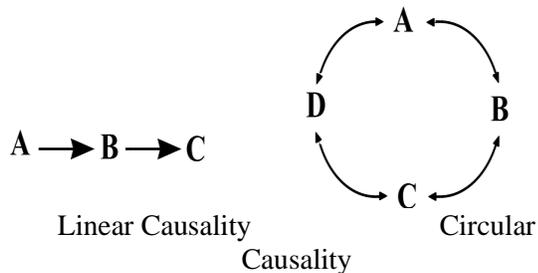

Linear Causality   Circular Causality

Figure 1: Linear and Circular Causality from complexity perspectives

This approach is common in the domain of Cybernetics which focuses on controlling complex systems with Feedback loops and designing self-organizing systems. Another important concept is amplification that takes place due to repetition in the feedback loop, according to this concept as the number of loops and repetitions would increase the amplification and the affect would also increase.

Poverty map of a region would be specific to the regional dynamics. This regional map can be traced by using panel analysis data. A team of social scientists comprising of economists, community development experts, management sciences etc. can synchronize their views and uncover dynamics that create poverty in a region. A typical conceptual map showing poverty and its linkages is shown in fig (2).

The main issue is taken as "Wellbeing of a society" or "breaking the poverty net" in the center of the map, shown in a cloud. Other

immediate issues that have impact on the focus issue are also shown in clouds with arrows leading to the main issue. Then the map shows issues that have strong impact on the issues affecting the main issue. The cause-and-effect map can be extended so on; the researcher decides the depth of analysis that would be appropriate for solving a certain problem. It is seen that the second and third level issues are also affecting one another, thus giving an overall picture of a problem net. The main advantage of mapping is that the strategists can analyze the problem in its true perspective and thereon can develop comprehensive initiatives. Strategists using the mapping would be in a better position to understand that the initiatives they suggest would have impact on more than one facet of the problem at hand.

One of the reasons for slow growth in developing countries is their low productivity, which again can be improved by training and education. Education support programs like adult education, subsidy for school supplies play an important role in reducing the economic gap. Similarly providing improved health services for the population results in higher productivity for the region. The effective utilization of a country's tangible and intangible assets is vital for its sustainable development. In (1999) Solow enlightens that a state generates revenue from the effective utilization of its tangible and intangible assets, and it must re-invest it in its public. This investment could be in the form of improved health care facilities, literacy plans, or infrastructure development like electricity, sewage, water and thus the opportunities can be conserved for the coming generations. Poor rural families lack access to basic facilities, making it difficult for them to improve their future, leaving them little choice but to move to cities to find opportunities. This shift in population again adds strain on the infrastructure of the cities. Therefore, reducing the gap between the rich and poor is in the interest of a region, it increases the countries growth potentials and at the same time it will put the country on a path of improving living standards for all.

It helps the policy makers to realize that different aspects of poverty interact and reinforce one another in many ways. The same philosophy can be used to fight poverty, as good

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outcome of health policy would not only improve wellbeing, but also increase income-earning potentials of a region. Similarly increasing education in a region not only improves health outcomes, it also increases earning capacity of the region. Relative share of the income of the rich and the poor members of a society can also be an indicator of inequality. The poorest population in a society is unable to earn income according to its share. This means that the poor will remain poor in that society. And at the same time, the system is providing rich, better opportunities for earning higher income.
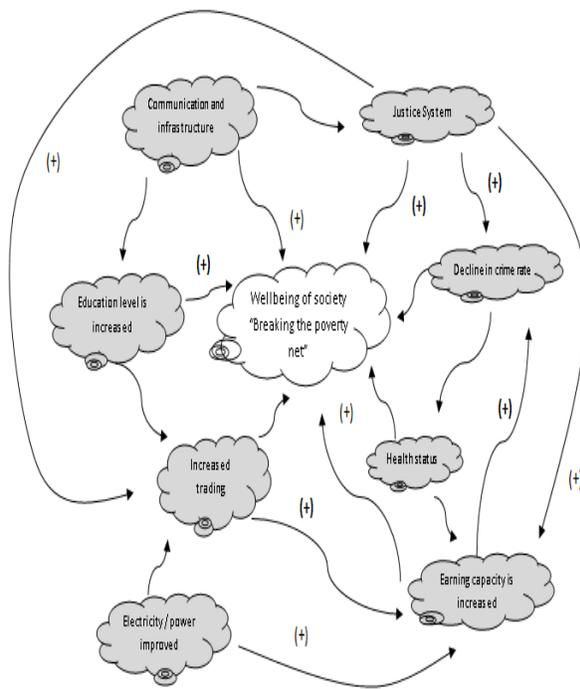

Figure 2: Structural linkages in a regional economy effecting wellbeing of a society or poverty

Inequity in socioeconomic system for deprived individuals mean decreasing their susceptibility to such threats as ill health, illiteracy, financial shocks, justice system, natural tragedies and facilitating them to manage with adversarial jolts once they do ensue. Socioeconomic inequality will lead to an increase in demand for redistribution and restructuring of socioeconomic system and consequently inequality and poverty will fall

(Meltzer and Richard, 1981). Socioeconomic inequalities are not restricted to income inequalities only. A fair picture of ground realities is depicted by the numbers provide in Gini coefficient and income-share inequality, however, still there is more to poverty than these numbers can give. The quality of basic services such as health, education and the rule of law provided to the majority population provides an overview of inequities in practice. The better and accessible health services may have a greater requirement of the deprived fellows of society as they are at a highly vulnerable of getting sick due to shortage of hygienic drinking water and hygiene conditions. Alike, poor populace might have higher mortality percentage due to shortage of medicinal facilities and truncated nourishment, but in fact they could not be receiving their owed share of these services from the regimes. alleviating poverty in a region, literacy rate might play an important role, as the literacy rate increases in a society, it becomes more fecund. It also acts as a catalyst to improve the efficiency of health education programs. The development of a society mainly depends on the conditions and practices of Law & Order system. If there is justice inequality and system treat poor and rich in a different way, the society cannot develop.

It has been more than two hundred years, when Adam Smith (1976 referred to by UNDP, 2003) acknowledged the potential role of manufacturing in economics of a society. The world has now entered an era, in which the wealth of nations is dependent on its ability to innovate and create value (Kalim & Lodhi, 2002, 2004). Globally, now a day's science and technology-oriented industries are expanding faster and have more significance than other industries. This rapidly emergent demand for knowledge-based goods and services is altering the edifice of the over-all economy and the pecuniary edifice of several countries. There is consensus on the new economic model.

The capital of a country is not limited to its natural resources. Conventional assets such as oil, minerals, agricultural and industrial products are now being replaced by incomplete assets such as intellectual property, computer software, and so on.

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- Knowledge and information is a vital competitive factor in today's economy.

- Dynamic and voluntary involvement of cognoscente requires the value creation from knowledge, accumulation, and transformation. Therefore, countries must adopt policies to increase the climate of collaboration.

Employee knowledge, innovative abilities, skills are the brain power of an organization, which play a significant role in the fecund power of an organization. Human capitals are responsible for the growing share of assets production in businesses (Sweeby, 1997). Pragmatic studies show that most of the value created by a company does not come from the management of traditional physical assets, but from the management of its improbable assets (Prosack, 2001; Swabi & Simmons 2002). Malhotra (2003) discusses extensively the methods of measuring the imperfect wealth of nations; They modified the Balance Scorecard (Kaplan & Norton, 1992) to indicate a framework for measuring and managing the nation's knowledge wealth. The Scandia Navigator is also used by some researchers (Edwinson and Malone 1997) to measure and develop national policy programs. Bontis (2001, 2004) also discussed ways to measure new obscure assets.

In summary the researchers now agree that level of education, health conditions of a society, delivery of justice to public, freedom of press and expression are now considered as wealth of a nation. A region in which the above components of the systems are performing would be able to create economic activity in a much better way than a system in which these components are not performing so well.

Improving Equity of Socioeconomic Systems

Poverty eradication strategies initiated in the developing countries are seldom able to achieve objectives. The third world must face mammoth challenges with scanty resources and in the most difficult circumstances. The strategic policy is concerned with long-term development directions of a region. It is a search for effective positioning in relation to risks and opportunities the purpose is to achieve advantage within a changing environment to fulfill stakeholders' expectations (Johnson and Scholes, 2001). But before deciding the orientation of the development policy, the policy makers should be clear about the mission, vision, goals, and objectives of the policy. (Certo, 1997).

Poverty is an upshot of over and above financial practises. It is an outcome of inequality of socioeconomic systems that interact with and reinforce each other in ways that can worsen or ease the deprivation poor people face every day. The global tenacious high level of poverty advocate that poverty is mainly the significance of the way society's socioeconomic structure is structured and capitals are allocated, whether these are pecuniary or other assets such as access to social services, housing, health facilities, education and other social, pecuniary and cultural services.

Poverty eradication strategies require equality in socioeconomic system such as aiding empowerment, stimulating opportunity, and enhancing security— with activities at local, nationwide, and global levels. Making improvement on all three facades can generate the subtleties for sustainable poverty reduction. Equitable socioeconomic system should thus be an enduring feature of poverty reduction strategies and to decrease poverty it is also indispensable to grab socioeconomic inequality. A modular approach is needed, with diverse arrangements to cover dissimilar kinds of risk and various groups of the society.

Policy development is a multifaceted concern as it must deal with abstruse conditions most of the time, but even then, we can decrease peril of pursuing erroneous guidelines. The involvement of stakeholders will contribute to a comprehensive analysis and understanding of the environmental response to the policy under development. The milieu of a state includes political forces influencing the constituency, plus economic, societal, and high-tech status of the nation state with respect to its contestants. Ecological exploration is one of the most challenging phases of policy development and is becoming even more complex with increasing globalization. The ambiguity of the environment is counterbalanced with the introduction of dynamism in the strategy. Vitality in strategic plan means that the milieu is frequently

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observed, and the policy is managed consequently to equilibrium the variations in the milieu, or in other words we can say that the policy has converted into a living document, which must be revised and accustomed from time to time consequently. Stakeholder identification is crucial to policy development because the exclusion of a stakeholder could be fatal to strategy. Likewise, it is essential to give priority to stakeholders, since giving extraordinary importance to erroneous stakeholders would obviously confuse strategy.

Several researched based Performance and Strategic Management approaches, models and tools are offered in literature, which can be utilized to aid operationalization of the policy. Balance Scorecard framework by Kaplan and Norton (1996) and Performance Prism (Cranfield University) are instance of new generation management tools, which are being used to improve working of public sector officialdoms. A certain level of procedural information and skills does involve for the implementation of these tools however the benefit gained from the utilization of these Performance and Strategic Management tools will indeed outweigh the cost.

Conclusion

Decision makers, social scientists and economists are now having complete awareness of inter-reliant nature of national strategies. For instance, policies develop to increase literacy rate under education policy are advantageous not only for health associated policies, but they also support financial policies and strategies in a region. Likewise, a state trade policy cannot execute in isolation; it will have corresponding effect on the country's foreign policy.

The authors therefore suggest, developing a policy matrix (Ahmed and Lodhi, 2007) instead of a single policy for initiating poverty reduction actions. The policy makers may map the dynamics of poverty net in a region and at the same time evaluate the assets of a nation using one of the many methods available (see Kaplan and Norton 1992, Edvinsson and Malone 1997, Sveiby & Simons 2002, Malhotra (2003) and then, develop policies to build-up the value creation capacity of a nation. Once a

nation starts to progress by building its sub-systems and processes, the human development index (HDI) of the country would also start to improve, meaning that quality of life in the region would recover. It would also have a positive outcome on business opportunities in the region.

In practice the strategists would first have to develop indicators for assessing the status of each sub-system and then in the light of these indicators, the policy makers may propose initiatives for building the processes. Research suggests that persistent poverty creates potential pathways toward an in exhaustive of adverse social and economic outcomes related to employment, education, health, child development, violence, and victimization.

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